HILLTOP ENERGY, LLC AND HILLTOP ASSET, LLC HAVE NOT FILED FOR RELIEF UNDER CHAPTER 11 OF THE BANKRUPTCY CODE AS OF THE DATE OF THIS SOLICITATION AND DISCLOSURE STATEMENT. THIS SOLICITATION AND DISCLOSURE STATEMENT HAS NOT BEEN APPROVED BY THE BANKRUPTCY COURT OR THE SECURITIES AND EXCHANGE COMMISSION. IN THE EVENT THAT SUCH COMPANIES FILE PETITIONS FOR RELIEF UNDER CHAPTER 11 OF THE BANKRUPTCY CODE AND SEEK CONFIRMATION OF THE PREPACKAGED JOINT PLAN OF REORGANIZATION DESCRIBED HEREIN, THIS SOLICIATION AND DISCLOSURE STATEMENT WILL BE SUBMITTED TO THE BANKRUPTCY COURT FOR APPROVAL.

SOLICITATION AND DISCLOSURE STATEMENT, DATED May 16, 2019.

HILLTOP ENERGY, LLC
and
HILLTOP ASSET, LLC

Solicitation of Votes with Respect to the Prepackaged Joint Plan of Reorganization of Hilltop Energy, LLC and Hilltop Asset, LLC:

HILLTOP ENERGY, LLC AND HILLTOP ASSET, LLC

From the holder of Claims under the Senior Secured Notes and the holder of Claims under the Professional Fee Note.

The deadline to accept or reject the Plan is 5:00 p.m., prevailing eastern time, on May 16, 2019, unless extended by the Debtors. The record date for determining which holders of claims may vote on the Plan is May 10, 2019 (the "**Voting Record Date**").

THIS SOLICITATION AND DISCLOSURE STATEMENT AND THE PREPACKAGED JOINT PLAN OF REORGANIZATION DO NOT AMEND OR OTHERWISE AFFECT THE THIRD AMENDED PREPACKAGED PLAN OF REORGANIZATION OF CUBIC ENERGY, INC., ET. AL., PURSUANT TO CHAPTER 11 OF THE BANKRUPTCY CODE (THE "CUBIC ENERGY PLAN"), OR THE CONFIRMATION ORDER ENTERED APPROVING THE CUBIC ENERGY PLAN, IN THE CHAPTER 11 BANKRUPTCY CASES CAPTIONED IN RE CUBIC ENERGY, INC. ET. AL., CASE NO. 15-12500 (CSS) (JOINTLY ADMINISTERED DEBTORS) (THE "CUBIC CHAPTER 11 CASES"), INCLUDING THE CLASSIFICATION, TREATMENT, AND ALLOWANCE OF ANY CLAIMS OR INTERESTS ADDRESSED, AND RELEASES, EXCULPATIONS AND INJUNCTIONS CONTAINED IN THE CUBIC ENERGY PLAN.

The Debtors propose their joint Prepackaged Plan of Reorganization Under Chapter 11 of the Bankruptcy Code (the "**Plan**") for the resolution of the outstanding Claims against and Membership Interests in the Debtors pursuant to the Bankruptcy Code. The Plan constitutes a separate plan of reorganization for each of the Debtors and notwithstanding anything herein, the Plan may be confirmed and consummated as to each of the Debtors separate from, and independent of, confirmation and consummation of the Plan as to any other Debtor.

The Debtors hereby solicit from the Holder of Senior Secured Notes Claims and the Holder of Professional Fee Note Claims against the Debtors votes to accept or reject the Plan. A copy of the Plan is attached hereto as Exhibit A. All capitalized terms used herein but not defined shall have the meanings ascribed to them in the Plan.[1]

ONLY HOLDERS OF CLAIMS IN CLASSES 3 AND 4 AS OF MAY 10, 2019, THE VOTING RECORD DATE, ARE ENTITLED TO VOTE ON THE PLAN. VOTES ARE NOT BEING SOLICITED FROM ANY OF THE DEBTORS' OTHER CREDITORS.

HOLDERS OF GENERAL UNSECURED CLAIMS (AS DEFINED IN THE PLAN) WILL NOT BE IMPAIRED BY THE PLAN, AND, AS A RESULT, THE RIGHT OF SUCH HOLDERS TO RECEIVE PAYMENT IN FULL ON ACCOUNT OF EXISTING OBLIGATIONS IS NOT ALTERED BY THE PLAN. DURING THE CHAPTER 11 CASES, THE DEBTORS INTEND TO OPERATE THEIR BUSINESSES IN THE ORDINARY COURSE AND WILL SEEK AUTHORIZATION FROM THE BANKRUPTCY COURT TO MAKE PAYMENT IN FULL ON A TIMELY BASIS TO ALL HOLDERS OF GENERAL UNSECURED CLAIMS (AS DEFINED IN THE PLAN), INCLUDING ALL AMOUNTS DUE PRIOR TO AND DURING THE CHAPTER 11 CASES.

THIS SOLICITATION AND DISCLOSURE STATEMENT DOES NOT CONSTITUTE LEGAL, BUSINESS, FINANCIAL OR TAX ADVICE. ANY PARTY DESIRING ANY SUCH ADVICE SHOULD CONSULT WITH ITS OWN ADVISORS.

Each Claim Holder entitled to vote should review this Solicitation and Disclosure Statement and the Plan and all exhibits hereto and thereto before casting a ballot. This Solicitation and Disclosure Statement contains a summary of certain provisions of the Plan and certain other documents and financial information. The Debtors believe that these summaries are fair and accurate as of the date hereof and provide adequate information with respect to the documents summarized; however, such summaries are qualified to the extent that they do not set forth the entire text of those documents and as otherwise provided herein.

[1] The Debtors, Hilltop Energy, LLC and Hilltop Asset, LLC, shall be referred to herein collectively either as the "Debtors" or the "Company". The terms "their" and "them" refer to the Company or the Debtors.

THIS SOLICITATION AND DISCLOSURE STATEMENT CONTAINS PROJECTED FINANCIAL INFORMATION REGARDING THE DEBTORS AND CERTAIN OTHER FORWARD-LOOKING STATEMENTS, ALL OF WHICH ARE BASED ON VARIOUS ESTIMATES AND ASSUMPTIONS. SUCH INFORMATION AND STATEMENTS ARE SUBJECT TO INHERENT UNCERTAINTIES AND A WIDE VARIETY OF SIGNIFICANT BUSINESS, ECONOMIC AND COMPETITIVE RISKS, INCLUDING THOSE SUMMARIZED HEREIN.

ACTUAL EVENTS, CIRCUMSTANCES, EFFECTS AND RESULTS MAY VARY SIGNIFICANTLY FROM THOSE INCLUDED IN, OR CONTEMPLATED BY, THE PROJECTED FINANCIAL INFORMATION AND OTHER FORWARD-LOOKING STATEMENTS CONTAINED HEREIN. SUCH PROJECTIONS AND STATEMENTS ARE NOT NECESSARILY INDICATIVE OF THE FUTURE FINANCIAL CONDITION OR RESULTS OF OPERATIONS OF THE COMPANY AND SHOULD NOT BE REGARDED AS REPRESENTATIONS BY THE COMPANY, ITS ADVISORS OR ANY OTHER PERSONS THAT THE PROJECTED FINANCIAL CONDITION OR RESULTS CAN OR WILL BE ACHIEVED.

NEITHER THE DEBTORS' INDEPENDENT AUDITORS NOR ANY OTHER INDEPENDENT ACCOUNTANTS HAVE COMPILED, EXAMINED OR PERFORMED ANY PROCEDURES WITH RESPECT TO THE FINANCIAL PROJECTIONS, THE ENTERPRISE VALUATION OR THE LIQUIDATION ANALYSIS CONTAINED HEREIN. NOR HAVE THEY EXPRESSED ANY OPINION OR ANY OTHER FORM OF ASSURANCE AS TO SUCH INFORMATION OR ITS ACHIEVABILITY. NOR DO THEY ASSUME ANY RESPONSIBILITY FOR OR CLAIM ANY ASSOCIATION WITH THE FINANCIAL PROJECTIONS, THE ENTERPRISE VALUATION OR LIQUIDATION ANALYSIS.

FORWARD-LOOKING STATEMENTS ARE PROVIDED IN THIS SOLICITATION AND DISCLOSURE STATEMENT PURSUANT TO THE SAFE HARBOR ESTABLISHED UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995 AND SHOULD BE EVALUATED IN THE CONTEXT OF THE ESTIMATES, ASSUMPTIONS, UNCERTAINTIES AND RISKS DESCRIBED HEREIN.

SEE THE SECTION ENTITLED "RISK FACTORS" OF THIS SOLICITATION AND DISCLOSURE STATEMENT FOR A DISCUSSION OF CERTAIN RISK FACTORS THAT SHOULD BE CONSIDERED IN CONNECTION WITH THE PLAN.

CONTENTS

Table of Contents

Page

EXHIBITS

GENERAL BACKGROUND

Hilltop Energy, LLC ("**Energy**") and Hilltop Asset, LLC ("**Asset**") (together, the "**Company**" or the "**Debtors**") are soliciting votes on the Debtors' Prepackaged Joint Plan of Reorganization Under Chapter 11 of the Bankruptcy Code. A copy of the Plan is attached hereto as Exhibit A. All capitalized terms not defined herein shall have the meanings ascribed to them in the Plan. The Plan constitutes a separate plan of reorganization for each of the Debtors and notwithstanding anything herein, the Plan may be confirmed and consummated as to each of the Debtors separate from, and independent of, confirmation and consummation of the Plan as to any other Debtor.

Pursuant to the Plan, the Debtors seek to recapitalize their businesses primarily by converting the Senior Secured Notes to equity. The recapitalization contemplated by the Plan will also result in the cancellation of existing Energy Debtor Membership Interests and Asset Debtor Membership Interests. Solicitation on the Plan will commence on May 16, 2019, and conclude on May 16, 2019.

The Debtors negotiated the Plan with the Supporting Senior Secured Noteholder, Chase Lincoln First Commercial Corporation (the "Lender") and Rivershore Resources LLC ("Rivershore"), the non-debtor parties to the Restructuring Support Agreement. The Supporting Senior Secured Noteholder represents that it holds 100% of the aggregate principal amount of Senior Secured Notes Claims (Class 3), and the Lender represents that it holds 100% of the Professional Fee Note Claims (Class 4). The creditor parties to the Restructuring Support Agreement entitled to vote have agreed to vote in favor of the Plan, subject to the terms and conditions of the Restructuring Support Agreement. The Restructuring Support Agreement sets forth certain material terms of the financial restructuring agreed to among the Debtors, the Supporting Senior Secured Noteholder, the Lender and Rivershore, including proposed distributions to be received by creditors pursuant to the Plan, the funding of the restructuring pursuant to the Plan, the Debtors' proposed post-reorganization capital structure and select entity governance provisions, and other key terms of the Plan. A copy of the Restructuring Support Agreement is attached to the Plan as Exhibit 1.

The Debtors intend to commence chapter 11 cases (the "**Chapter 11 Cases**") shortly after soliciting votes on Plan and seek confirmation of the Plan promptly thereafter. The confirmation of the Plan is subject to, among other things, judicial approval of this Solicitation and Disclosure Statement and the Plan. If the Plan is confirmed by the Bankruptcy Court and the Effective Date occurs, all holders of Claims against and Membership Interests in the Debtors (including, in each case, those who are ineligible to vote, do not submit Ballots, submit Ballots to reject the Plan or submit Ballots that are rejected because such Ballots are late, illegible, incomplete or unsigned) will be bound by the Plan and the transactions contemplated thereby.

If the Plan is confirmed by the Bankruptcy Court, among other things, (i) the Holder of Senior Secured Notes Claims, or its assignee or designee, will receive, in full and final satisfaction of its Allowed Senior Secured Note Claims against the Debtors, 100% of the Reorganized Energy Debtor Membership Interests and $1,470,000 in Cash from the Exit Facility proceeds, (ii) the Holder of Professional Fee Note Claims will receive no distribution on account of its Allowed Professional Fee Note Claims, but the amount of such Claims will be, pursuant to the Roll In, rolled into the Exit Facility on the Effective Date and all Allowed

Professional Fee Note Claims shall be deemed satisfied, and (iii) Membership Interests will be cancelled.

Pursuant to this Solicitation and Disclosure Statement, the Debtors are soliciting votes only from the Holders of Senior Secured Noteholder Claims (Class 3) and Professional Fee Note Claims (Class 4). No other Class is entitled to vote. Other Priority Claims (Class 1), Other Secured Claims (Class 2), General Unsecured Claims (Class 5), and Intercompany Claims (Class 6) are Unimpaired under the Plan. Accordingly, Classes 1, 2, 5 and 6 are deemed to accept the Plan and are not entitled to vote. Membership Interests are Impaired under the Plan and are not receiving or retaining any property under the Plan on account of such Membership Interests. Accordingly, Class 7 and Class 8 are deemed to reject the Plan and are not entitled to vote.

The Debtors believe that confirmation of the Plan is in the best interests of their creditors and other parties in interest, and, therefore, that the Plan should be confirmed.

This Solicitation and Disclosure Statement and the Plan (and all exhibits, schedules and appendices hereto and thereto), the accompanying form of Ballot (the "**Ballot**"), and the related materials delivered together herewith are being furnished to the Holders of Senior Secured Noteholder Claims and Professional Fee Note Claims pursuant to and in reliance upon section 3(a)(9) of the Securities Act of 1933, as amended (the "**Securities Act**") and section 1126(b) of the Bankruptcy Code, in connection with the solicitation of votes to accept or reject the Plan. The Reorganized Energy Debtor Membership Interests and Reorganized Asset Debtor Membership Interests will be issued pursuant to the debtor exemption from the registration requirements of the Securities Act provided by section 1145 of the Bankruptcy Code.

The Voting Agent for the Plan is:

Hilltop Ballot Processing
c/o Cole Schotz P.C.
500 Delaware Avenue, Suite 1410
Wilmington, DE 19801
Email: kstickles@coleschotz.com
Phone: (302) 652-3131

All exhibits to this Solicitation and Disclosure Statement and the Plan are incorporated into and are a part of this Solicitation and Disclosure Statement as if fully set forth herein.

No person has been authorized to give any information or make any representation on the Debtors' behalf not contained, or incorporated by reference, in this Solicitation and Disclosure Statement or the Plan and, if given or made, such information or representation must not be relied upon as having been authorized.

The delivery of this Solicitation and Disclosure Statement shall not, under any circumstances, create any implication that the information it contains (or incorporates by reference from other documents or reports), is correct as of any time subsequent to the date hereof (or subsequent to the date of a document or report incorporated by reference), or that there has been no change in the information set forth herein (or in a document or report incorporated by reference) or in their affairs since the date hereof (or thereof). All statements contained in this Solicitation and Disclosure Statement are made as of the date hereof unless

otherwise specified.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Solicitation and Disclosure Statement contains statements relating to future results of the Company that are "forward-looking statements" as defined in the Private Securities Litigation Reform Act or by the SEC in its rules, regulations and releases. Any statements set forth in this Solicitation and Disclosure Statement with regard to the Company's expectations as to financial results and other aspects of its business may constitute forward-looking statements. These statements relate to the Company's future plans, objectives, expectations and intentions, and may be identified by words like "believe," "expect," "may," "will," "should," "seek," or "anticipate," and similar expressions. The Debtors caution readers that any such forward-looking statements are based on assumptions that the Debtors believe are reasonable, but are subject to a wide range of risks including, but not limited to, the risks identified in Article IX. "RISK FACTORS." Due to these uncertainties, the Debtors cannot assure readers that any forward-looking statements will prove to be correct. The Debtors are under no obligation to (and expressly disclaim any obligation to) update or alter any forward-looking statements whether as a result of new information, future events or otherwise; *provided, however*, that the Debtors may be required to update or otherwise modify the information contained herein in order to comply with certain provisions of the Bankruptcy Code governing the solicitation of votes for acceptance of the Plan.

There may be events in the future that the Debtors are not able to predict accurately or over which the Debtors have no control. The risk factors listed in this Solicitation and Disclosure Statement under "Risk Factors," as well as any cautionary language contained in this Solicitation and Disclosure Statement, provide examples of risks, uncertainties and events that may cause actual results to differ materially from the expectations the Debtors describe in their forward-looking statements. Creditors or parties in interest should be aware that the occurrence of the events described in these risk factors and elsewhere in this Solicitation and Disclosure Statement could have a material adverse effect on their business, operating results and financial condition.

SUMMARY OF THE SOLICITATION PROCESS AND PLAN

This below summary describes the Plan, the solicitation process, and the treatment of Claims and Membership Interests under the Plan. It does not contain all of the information that may be important to you, and it is qualified in its entirety by the more detailed information included elsewhere in this Solicitation and Disclosure Statement and in the accompanying Plan.

Background and General Overview:

The Debtors propose the Plan for the resolution of the outstanding Claims against, and Membership Interests in, the Debtors pursuant to the Bankruptcy Code. The Debtors will request that the Chapter 11 Cases be jointly administered pursuant to an order of the Bankruptcy Court, which will result in the cases being consolidated for procedural purposes only. The Plan constitutes a separate plan of reorganization for each of the Debtors and, notwithstanding anything herein, the Plan may be confirmed and consummated as to each of the Debtors separate from, and independent of, confirmation and consummation of the Plan as to any other Debtor.

The Plan was developed in accordance with the Restructuring Support Agreement among the Debtors, the Senior Secured Noteholder, which holds 100% of the outstanding principal amount of the Senior Secured Notes Claims against the Debtors, the Lender, which holds 100% of the Professional Fee Note Claims against the Debtors, and Rivershore, which is a non-debtor party to the Restructuring Support Agreement. The Restructuring Support Agreement obligates the Supporting Senior Secured Noteholder and the Lender, subject to certain terms and conditions, to vote to approve the Plan. To confirm the Plan, the Bankruptcy Code requires, among other things, acceptance by creditors in an Impaired Class of Claims that hold at least two-thirds in dollar amount and a majority in number of Allowed Claims in their respective Class, counting only those Claims of Holders actually voting to accept or reject the Plan. See Article XIII. "CONFIRMATION."

If the Plan is confirmed by the Bankruptcy Court, among other things, (i) the Supporting Senior Secured Noteholder, or its assignee or designee, will receive, in full satisfaction of all Allowed Senior Secured Notes Claims, 100% of the Reorganized Energy Debtor Membership Interests, and $1,470,000 in proceeds from the Exit Facility, (ii) the Lender will receive, in full satisfaction of all Allowed Professional Fee Note

	Claims, the Roll In treatment of such Claims and (iii) Rivershore will receive, in consideration of its agreement to the RMA Amendment, 55% of the Reorganized Asset Debtor Membership Interests. Day-to-day management and operation of the Debtors' business is provided by Rivershore pursuant to the RMA. Under the RMA Amendment, the Reorganized Asset Debtor will become the contract counterparty with Rivershore, the term of the agreement will be extended by 4 years from the Effective Date and during this extended term Rivershore will waive all management fees. Further, under certain terms and conditions, Rivershore also will provide up to $1,050,000 in equity contributions to the Reorganized Asset Debtor. **The Plan also provides for the payment in full of all general unsecured claims (including all trade Claims).** All Membership Interests will be cancelled on the Effective Date and Holders of such Interests will not receive a distribution.
The Solicitation:	The Debtors expect to commence the Chapter 11 Cases shortly after solicitation is complete. The solicitation period will close on May 16, 2019, prior to the commencement of the Chapter 11 Cases. The Debtors are soliciting votes to accept or reject the Plan only from the Holders of Senior Secured Notes Claims and Professional Fee Note Claims. See Article I.C. "VOTING PROCEDURES AND REQUIREMENTS—Procedures for Casting Votes and Deadlines for Voting on the Plan."
Voting Record Date:	The Voting Record Date has been set as the close of business on May 10, 2019. The Debtors reserve the right to establish a later Voting Record Date in the event that the Debtors, with the consent of the Supporting Senior Secured Noteholder, the Lender and Rivershore, decide to extend the Voting Deadline. See Article I.C. "VOTING PROCEDURES AND REQUIREMENTS—Procedures for Casting Votes and Deadlines for Voting on the Plan."
Voting Deadline, Extension:	The Voting Deadline is 5:00 p.m., Eastern Time, on May 16, 2019. If the Voting Deadline is extended, the term "Voting Deadline" will mean the latest time and date as to which the Voting Deadline is extended. See Article I.C. "VOTING PROCEDURES AND REQUIREMENTS—Procedures for Casting Votes and Deadlines for Voting on the Plan."

Voting Procedures:	If you are a Holder of Senior Secured Notes Claims or Professional Fee Note Claims as of the Voting Record Date, you must properly complete, sign and return your Ballot in accordance with the instructions (including the deadline) set forth herein. See Article I. "VOTING PROCEDURES AND REQUIREMENTS."
Revocation or Withdrawal of Ballots:	Upon the expiration of the Voting Deadline, the Holders of Senior Secured Notes Claims and Professional Fee Claims against the Debtors may not revoke or withdraw their Ballots, except as permitted pursuant to the Restructuring Support Agreement.
Voting Agent:	The Debtors have designated Cole Schotz P.C. as "**Voting Agent"** in connection with this solicitation. Delivery of the Ballots should be directed to the Voting Agent at the address provided herein before the Voting Deadline. See Article I. "VOTING PROCEDURES AND REQUIREMENTS."
Classes Entitled to Vote:	The only Classes of Claims or Interests Impaired under the Plan are Classes 3, 4, 7 and 8. Classes 1,2,5 and 6 are Unimpaired, are deemed to have accepted the Plan, and, pursuant to the Bankruptcy Code, are not entitled to vote on the Plan. Holders of Energy Debtor Membership Interests or Asset Debtor Membership Interests in Class 7 and Class 8, respectively, receive no distribution and retain no interests on account of their Energy Debtor Membership Interests or Asset Debtor Membership Interests, are deemed to reject the Plan, and, pursuant to the Bankruptcy Code are not entitled to vote on the Plan. Accordingly, only Holders of Claims in Classes 3 and 4 are entitled to vote. See Article IV. "SUMMARY OF THE PREPACKAGED PLAN."
Treatment of Claims and Membership Interests:	The table below summarizes each Class of Claims and Membership Interests in the Plan, the treatment of each Class, and the projected recoveries of each Class. The table is qualified in its entirety by reference to the full text of the Plan and this Solicitation and Disclosure Statement. The projected recoveries (if the Plan is approved) are based upon certain assumptions contained in the valuation analysis as set forth in Article IX hereof. See Article IV. "SUMMARY OF THE PREPACKAGED PLAN."

The Plan constitutes a separate chapter 11 plan of reorganization for each Debtor. The following chart represents the classification of Claims and Interests for each Debtor pursuant to the Plan.

Class	Claims or Interests	Treatment	Voting Rights	Projected Recovery
Class 1	Other Priority Claims	Unimpaired	No (deemed to accept)	100%
Class 2	Other Secured Claims	Unimpaired	No (deemed to accept)	100%
Class 3	Senior Secured Notes Claims	Impaired	Yes	9%
Class 4	Professional Fee Note Claims	Impaired[2]	Yes	100%
Class 5	General Unsecured Claims	Unimpaired	No (deemed to accept)	100%
Class 6	Intercompany Claims	Unimpaired	No (deemed to accept)	100%
Class 7	Energy Debtor Membership Interests	Impaired	No (deemed to reject)	0%
Class 8	Asset Debtor Membership Interests	Impaired	No (deemed to reject)	0%

Distribution Date: Distributions to be made under the Plan generally will be made as of the Effective Date (or on such other dates as are specified in the Plan), or as soon as practicable thereafter.

Plan Supplement: The Debtors will file the Plan Supplement no later than seven (7) days prior to the deadline to object to confirmation of the Plan. It is anticipated that the Plan Supplement will include, among other things, (i) the identity of the known members of the Reorganized Energy Board of Managers and the Reorganized Asset Board of Managers and the nature and compensation for any manager who is an "insider" under the Bankruptcy Code, (ii) the Schedule of Rejected Contracts, (iii) the Reorganized Debtors' Constituent Documents in substantially final form, (iv) the RMA, as amended by the RMA Amendment, (v) the Management Agreement, (vi) the Exit Facility, and (vii) all exhibits, attachments, supplements, annexes, schedules, and ancillary documents related to each of the foregoing.

Board of Managers: See Article IV. "SUMMARY OF THE PREPACKAGED PLAN."

Reporting Status: The Plan contemplates that Reorganized Debtors will not be reporting issuers under the Exchange Act.

[2] See Art, IV, B, 3(d) (i), *infra*. Allowed Professional Fee Note Claims will receive the Roll In, which treatment impairs such Claims.

Releases:	**In consideration for the contributions of certain parties to the Chapter 11 Cases, the Plan provides for certain releases, waivers, exculpations, and injunctions in favor of those parties, including the release of certain Claims held by the Debtors and their creditors. See Article IV. "SUMMARY OF THE PREPACKAGED PLAN."**
Federal Income Tax Consequences:	For a summary of certain U.S. federal income tax consequences of this solicitation, see Article XI. "FEDERAL INCOME TAX CONSEQUENCES."
Risk Factors:	**Prior to deciding whether and how to vote on the Plan, the Holders of Claims eligible to vote should consider carefully all of the information in this Solicitation and Disclosure Statement, including the "Risk Factors" described in Article IX hereof.**

The foregoing is only a summary of certain provisions of the Plan. You are encouraged to read the full text of the Plan and the more detailed information and financial statements contained elsewhere in this Solicitation and Disclosure Statement.

I. VOTING PROCEDURES AND REQUIREMENTS

The following instructions for voting to accept or reject the Plan, together with the instructions contained in the Ballot, constitute the "**Voting Instructions**." To vote on the Plan you must be a Holder of Senior Secured Notes Claims or Professional Fee Note Claims against the Debtors as of the Voting Record Date. To vote, you must fill out and sign a Ballot enclosed herewith.

A. *The Solicitation Package*

The solicitation package is provided to the Holders of Claims entitled to vote on the Plan. The solicitation package includes a copy of the Solicitation and Disclosure Statement, the Plan, the applicable Ballot and Voting Instructions, and any and all exhibits to such documents (together, the "**Solicitation Package**"). The Holders of Senior Secured Notes Claims and Professional Fee Note Claims will receive the Solicitation Package via electronic mail. Holders of Claims and Interests in Classes 1,2,5,6,7, and 8 will receive the *Notice of (I) Commencement of Prepackaged Chapter 11 Bankruptcy Cases, (II) Combined Hearing to Consider Approval of Disclosure Statement, Confirmation Of Prepackaged Joint Plan of Reorganization, and Related Matters, (III) Objection Deadline and Related Procedures, and (IV) Summary of the Plan.*

B. *Ballot*

1. General Provisions

After carefully reviewing the Solicitation Package, please indicate your acceptance or rejection of the Plan by completing the enclosed Ballot. The Ballot should be returned to the Voting Agent as directed below.

If you do not receive the Ballot for a Claim that you believe you hold and that is

entitled to vote on the Plan, or if a Ballot is damaged or lost, or if you have any questions regarding the procedures for voting on the Plan, you should contact:

Cole Schotz P.C.
500 Delaware Avenue, Suite1410
Wilmington, DE 19801
Email: npernick@coleschotz.com
kstickles@coleschotz.com
Phone: (302) 652-3131

C. *Procedures for Casting Votes and Deadlines for Voting on the Plan*

In order to be counted, the Ballot must be properly completed, signed and returned in accordance with the instructions set forth in the Ballot so that it is actually received no later than the Voting Deadline.

Please complete the information requested on the Ballot, sign, date, and indicate your vote on the Ballot, and return the Ballot by email to the Voting Agent at the following e-mail address:

kstickles@coleschotz.com

THE BALLOT WILL NOT BE COUNTED IF IT IS RECEIVED BY THE VOTING AGENT AFTER THE VOTING DEADLINE OR IS ILLEGIBLE, INCOMPLETE OR UNSIGNED, EXCEPT THAT THE DEBTORS, SUBJECT TO ANY CONTRARY ORDER OF THE BANKRUPTCY COURT, MAY WAIVE ANY DEFECTS OR IRREGULARITIES AS TO ANY PARTICULAR IRREGULAR BALLOT AT ANY TIME, EITHER BEFORE OR AFTER THE CLOSE OF VOTING, AND ANY SUCH WAIVERS WILL BE DOCUMENTED IN THE VOTING REPORT.

The Plan contains certain releases of Claims held by creditors. If you vote to accept the Plan you will be deemed to have consented to the releases contained in Section 9.3 of the Plan. Please refer to Section 9.3 of the Plan and to Article IV hereof for details regarding the relevant release provisions.

The Debtors reserve the right to terminate the solicitation at any time prior to the Voting Deadline, with the consent of the Supporting Senior Secured Noteholder, the Lender and Rivershore. Additionally, the Debtors reserve the right to amend this Solicitation and Disclosure Statement at any time prior to the Voting Deadline, with the consent of the Supporting Senior Secured Noteholder, the Lender and Rivershore; *provided*, *however*, that any such amendment complies with applicable law.

The Debtors, with the consent of the Supporting Senior Secured Noteholder, also reserve the right to extend the Voting Deadline, subject to the terms of the Restructuring Support Agreement.

Upon the expiration of the Voting Deadline, the Ballot may not be revoked or withdrawn except pursuant to the Restructuring Support Agreement.

At this time, the Debtors are not requesting the delivery of, and neither the Debtors nor the Voting Agent, will accept certificates representing any Senior Secured Notes.

D. *Parties Entitled to Vote on the Plan*

Pursuant to section 1126 of the Bankruptcy Code, each Class of Claims that is not deemed to accept or reject the Plan is entitled to vote to accept or reject the Plan. Pursuant to section 1124 of the Bankruptcy Code, a class is "impaired" unless the legal, equitable and contractual rights of the holders of claims or interests in that class are left unaltered by a plan of reorganization or if the plan reinstates the claims or interests held by members of such class by curing existing defaults (subject to limited exceptions), (ii) reinstating the maturity of such claims or interests, (iii) compensating the holders of such claims or interests for damages which result from the reasonable reliance on any contractual provision or law that allows acceleration of such claims or interests, (iv) compensating the holders (other than the debtor or an insider) of any claims arising from failure to perform a nonmonetary obligation for any actual pecuniary loss incurred by such holder as a result of such failure and (v) otherwise leaving unaltered any legal, equitable or contractual rights to which the claims or interests entitle the holders of such claims or interests.

Classes that are not impaired under a plan are conclusively presumed to accept such plan pursuant to section 1126(f) of the Bankruptcy Code. Accordingly, votes are not solicited from the holders of claims or interests in classes that are not impaired.

Section 1126(g) of the Bankruptcy Code provides that a class of claims or equity interests is deemed to have rejected a plan of reorganization if such plan does not entitle the holders of claims or equity interests in such class to receive or retain any property on account of such claims or interests. Accordingly, votes are not being solicited from the holders of claims or interests in such classes.

Votes to accept the Plan are being solicited only from Classes that are not deemed to accept or reject the Plan. The Holders of Senior Secured Notes Claims (Class 3) and Professional Fee Note Claims (Class 4) are Impaired under the Plan and not deemed to accept or reject. Therefore, the Holders of Class 3 Claims and Class 4 Claims are the only Holders of Claims that are entitled to vote to accept or reject the Plan. No other Class of Claims or Membership Interests is entitled to vote on the Plan.

E. *Counting of Ballots for Determining Acceptance of the Plan*

Only those Ballots that are properly completed and received prior to the Voting Deadline will be counted for purposes of determining whether each Impaired Class that is entitled to vote has voted to accept or reject the Plan, except that the Debtors, subject to any contrary order of the Bankruptcy Court, may waive any defects or irregularities as to any particular irregular Ballot at any time, either before or after the close of voting, and any such waivers will be documented in the voting report, subject to the Restructuring Support Agreement and the consent of the Supporting Senior Secured Noteholder, the Lender and Rivershore. Unless otherwise ordered by the Bankruptcy Court, Ballots that are signed, dated, and timely received, but on which a vote to accept or reject a Plan has not been indicated, will not be counted. Ballots attempting to partially reject and partially accept any Plan will not be counted. Where applicable, the Debtors, in their sole discretion, may request that the Voting Agent attempt to contact voters to cure any defects in their Ballots.

If a Ballot is signed by a trustee, executor, administrator, guardian, attorney-in-fact, officer of a corporation, or another acting in a fiduciary or representative capacity, such person should indicate such capacity when signing, and may be required, upon request, to submit proper evidence satisfactory to the Debtors of authority to so act.

Unless otherwise directed by the Bankruptcy Court, all questions as to the validity, form, eligibility (including time of receipt), acceptance, and revocation or withdrawal of Ballots will be determined by the Voting Agent or the Debtors, as applicable, in their sole discretion, which determination will be final and binding. The Debtors reserve the right to reject any and all Ballots submitted by any creditors not in proper form, the acceptance of which would, in the opinion of the Debtors or their counsel, be unlawful. The Debtors further reserve their rights to waive any defects or irregularities or conditions of delivery as to any particular Ballot by any of their creditors.

The interpretation by the Debtors of Ballots and the voting instructions contained therein and herein, unless otherwise directed by the Bankruptcy Court, will be final and binding on all parties. Unless waived, any defects or irregularities in connection with deliveries of Ballots must be cured within such time as the Debtors (or the Bankruptcy Court) determine. Neither the Debtors nor any other person will be under any duty to provide notification of defects or irregularities with respect to deliveries of Ballots nor will any of them incur any liabilities for failure to provide such notification.

F. *Solicitation Requirements for Prepackaged Plan of Reorganization*

Section 1126(b) of the Bankruptcy Code provides that a holder of a claim or interest that has accepted or rejected a plan before the commencement of a case under the Bankruptcy Code is presumed to have accepted or rejected the plan if (i) the solicitation of such acceptance or rejection was in compliance with any applicable non-bankruptcy law, rule or regulation governing the adequacy of disclosure in connection with such solicitation or (ii) if there is no such law, rule or regulation, such acceptance or rejection was solicited after disclosure to such holder of "adequate information," as defined in section 1125(a) of the Bankruptcy Code. Section 1125 of the Bankruptcy Code defines "adequate information" as information of a kind and in sufficient detail as is reasonably practicable in light of the nature and history of a company and the condition of such company's books and records, that would enable a hypothetical reasonable investor typical of holders of claims or equity interests of the relevant class to make an informed judgment about the plan of reorganization. In addition, Bankruptcy Rule 3018(b) states that a holder of a claim or interest that has accepted or rejected a plan before the commencement of the case under the Bankruptcy Code shall not be presumed to have accepted or rejected the plan if the court finds after notice and a hearing that the plan was not transmitted to substantially all creditors and equity security holders of the same class, that an unreasonably short time was prescribed for such creditors and equity security holders to accept or reject the plan, or that the solicitation was not in compliance with section 1126(b) of the Bankruptcy Code.

The Debtors believe that this solicitation is proper under applicable non-bankruptcy law, rules and regulations. The Solicitation Package is being transmitted to the Holders of Senior Secured Notes Claims and Professional Fee Note Claims to solicit their vote to accept or reject the Plan. The Debtors believe that this Solicitation and Disclosure Statement contains sufficient information for the Holders of Senior Secured Notes Claims and Professional Fee Note Claims to cast an informed vote to accept or reject the Plan.

The Debtors cannot be certain, however, that this Solicitation and Disclosure Statement will be approved by the Bankruptcy Court. If such approval is not obtained, then the Debtors may have to re-solicit votes to accept or reject the Plan from one or more Classes.

There also is a risk that confirmation of the Plan would be denied by the Bankruptcy Court and if confirmation (and subsequent consummation) does not occur by the 45th day after the Petition Date (or such later date as may be agreed to by the Debtors, the Supporting Senior Secured Noteholder, the Lender and Rivershore), the Restructuring Support Agreement may terminate. For a discussion of such risks in greater detail, see Article IX. "RISK FACTORS."

II. BACKGROUND

A. *The Debtors' Business*

The Debtors are independent energy companies engaged in the development and production of, and exploration for, crude oil and natural gas. The Debtors' oil and gas assets are all held by the Asset Debtor and located in Leon and Robertson Counties, Texas. The Debtors predecessor, Cubic Energy Inc. ("**Cubic**"), strived to maintain a balanced portfolio of drilling opportunities that ranged from lower risk, field extension wells, to the smaller scale pursuit of appropriate, higher risk, high reserve potential prospects. The Debtors also focused on exploration opportunities that could benefit from advanced technologies designed to reduce risks and increase success rates. Since the Company was formed in 2016, the Debtors have focused on maximizing production and minimizing costs associated with existing wells. In addition, the Debtors have identified prospective new drilling opportunities and would like to pursue these efforts but lack the resources.

The Debtors do not have any employees, and all oil and gas properties are operated and managed by Rivershore under the terms of the RMA.

B. *Membership Interest Ownership and Debt Structure*

The Debtors are parties to the Senior Secured Notes Indenture, the Financing Documents, and the RMA, which collectively form their most substantial prepetition obligations.

1. Membership Interest Ownership Structure

The Asset Debtor is a direct wholly-owned subsidiary of the Energy Debtor. The authorized Membership Interests of the Energy Debtor consist of one class of limited liability company interests. The Equity Debtor Membership Interests are held by approximately 30 holders with approximately 76% of the interests held by AIO III CE, L.P.

2. Debt Structure.

The Debtors are parties to (i) that certain Amended and Restated Indenture, dated as of March 23, 2017 (the "**A&R Indenture**"), between the Energy Debtor, the Indenture Agent, and the Asset Debtor (as guarantor) pursuant to which 14.00% Superpriority Senior Secured Notes due 2021 were issued in the principal amount outstanding of Five Million Dollars ($5,000,000) (the "**Superpriority Senior Secured Notes**"), and on which interest was paid in the form of additional notes (the "**Superpriority PIK Notes**"); and (ii) that certain Indenture, dated as of March 1, 2016 (the "**Indenture**"), between Cubic Energy, LLC (predecessor to the Energy Debtor), the Indenture Agent, and Cubic Asset, LLC (predecessor to the Asset Debtor) (as guarantor) pursuant to which 14.00% First Priority Senior Secured Notes due 2021 were issued in the principal amount outstanding of Thirty Million Dollars ($30,000,000) (the "**First Priority Senior Secured Notes**"), and on which interest was paid in the form of additional notes (the "**First Priority PIK Notes**" and together with the Superpriority Senior Secured Notes, the First

Priority Senior Secured Notes, and the Superpriority PIK Notes, the "**Senior Secured Notes**" and in each case with all other documents, notes, mortgages, pledges, security agreements, guarantees, instruments, amendments and any other agreements entered into or delivered in connection therewith and as amended, modified or supplemented from time to time, the "**Senior Secured Notes Documents**"). The Debtors further represent that all of the principal of, interest on and other amounts on account of the Superpriority Notes and the Superpriority PIK Notes (collectively, the "**Superpriority Notes Obligations**") must be paid in full before any portion of the principal of, interest on and other amounts on account of the First Priority Notes and the First Priority PIK Notes (collectively, the "**First Priority Notes Obligations**") may be paid.

C. *RMA: Rivershore Master Operating Agreement*

Under the terms of the RMA, Rivershore manages the day-to-day operations of the Debtors' oil and gas production at the well sites and advances expenses incurred with respect to all field and lease operations on account of its working interest in the well and that of holders of non-operating working interests. Rivershore then performs an accounting of these costs and seeks repayment from the holders of non-operating working interests. Rivershore's management and operation of the Company includes, but is not limited to, finance and accounting administration, such as managing audits, joint interest billing, payments; preparing budgets; maintaining accurate books and records; negotiating potential acquisitions or oil and gas interests; purchasing materials, equipment, supplies, labor, and services related to wells, production facilities, and gas assets; supervising contracts; securing necessary licenses, permits, and governmental approvals; tax administration; maintaining records of the Company; and procuring and maintaining insurance coverage.

D. *Manager's Employment Agreement*

Prior to the Petition Date, the Debtors entered into the Management Agreement with CAP Global Advisors Inc. ("CAP"), whereby CAP provides Claude A. Pupkin to serve as Manager of each of the Debtors, a copy of which will be included in the Plan Supplement. The Management Agreement will be assumed under the Plan.

III. EVENTS LEADING UP TO THE SOLICITATION AND CONTEMPLATED CHAPTER 11 CASES

A. *The Market Environment and Business Decline*

The Debtors have experienced production declines in the last several years, which is common in the industry and, absent development of new wells resulting in increased productivity, will continue to suffer a decline in revenue and, as a result, operating losses. These financial and operational factors materially impair the Debtors' ability to service their significant prepetition debts owed to the Supporting Senior Secured Noteholder. They also significantly impair the value of the Debtors' productive assets.

B. *Events Leading Up to the Chapter 11 Cases*

The Company has been cash flow negative every year since its formation following the chapter 11 cases of Cubic and its affiliates, as the revenue generated by producing wells is not sufficient to cover operating expenses and "workover" expenses, which is maintenance capex to keep the wells flowing. The Debtors' gross production has declined from approximately10.5 million cubic feet per day ("mmcfd"), in March 2016 to roughly 5.0

mmcfd as of the date hereof. Although the Debtors have been able to service their debt obligations (primarily by paying interest in the form of additional notes), over time, the yield of the Debtors' producing oil and gas wells has been and may continue to be in constant decline. Consequently, the Debtors anticipate that they will generate less revenue and cash flow and, ultimately, be unable to satisfy their debt obligaions before or at maturity.

C. *Restructuring Support Agreement*

After arm's length, intensive and good faith negotiations with certain of their creditors, as of May 13, 2019, the Debtors, the Supporting Senior Secured Noteholder (Holder of 100% of the outstanding principal amount of the Senior Secured Noteholder Claims), the Lender (Holder of 100% of the outstanding principal amount of Professional Fee Note Claims) and Rivershore entered into the Restructuring Support Agreement. Pursuant to the Restructuring Support Agreement, the Supporting Senior Secured Noteholder agreed, subject to certain terms and conditions, to support the restructuring set forth in the Plan to be filed in a case commenced under Chapter 11 of the Bankruptcy Code, which would be based on the Restructuring Term Sheet attached as Exhibit A to (and incorporated in) the Restructuring Support Agreement. Pursuant to the Restructuring Support Agreement, the Supporting Senior Secured Noteholder agreed pursuant to the Plan to significantly impair its claims by agreeing to equitize the Supporting Senior Secured Notes Claims in order to provide the Reorganized Debtors with a substantially deleveraged capital structure on the Effective Date. The Lender agreed, under certain terms and conditions, to loan on an unsecured basis to the Company funds to pay various professional fees and expenses to be incurred by the Company during the Restructuring. The Lender further agreed, on certain terms and conditions, that it would waive any distribution on account of its Allowed Claim arising out of the Professional Fee Loan, and receive the deferred payment contemplated by the Roll In in full satisfaction of Claims arising out of the Professional Fee Loan upon the occurrence of the Effective Date.

In accordance with the Restructuring Support Agreement, the Parties undertook various obligations. Specifically, the Supporting Senior Secured Noteholder agreed, among other things, to: (i) support and take all necessary actions in furtherance of the Restructuring; (ii) vote all of its Claims in favor of the Plan; (iii) not direct or take any action inconsistent with the Plan or the Supporting Senior Secured Noteholder's obligations; and (iv) not take any action that would, or is intended to in any material respect, interfere with, delay, or postpone the consummation of the Restructuring. Additionally, the Debtors agreed, among other things, to: (i) use their best efforts to commence the solicitation of votes to approve the Plan, file the Plan and seek confirmation of the Plan; (ii) use their best efforts to obtain orders from the Bankruptcy Court regarding the Restructuring; (iii) act in good faith and use their best efforts to support and complete the transactions contemplated in the Term Sheets; (iv) use their best efforts to obtain all required regulatory approvals and third party approvals of the Restructuring; (v) not take any actions inconsistent with the Restructuring Support Agreement, Term Sheets and the Plan; (vi) operate their business in the ordinary course consistent with past practice and preserve their businesses and assets; and (vii) support and take all actions that are necessary and appropriate to facilitate the confirmation of the Plan and the consummation of the Restructuring. The Lender and Rivershore likewise agreed to certain commitments under the Restructuring Support Agreement, as specifically set forth therein.

The Restructuring Support Agreement may be terminated by the Company upon the

occurrence of certain events, as described in the Restructuring Support Agreement. The Supporting Senior Secured Noteholder may also terminate the Restructuring Support Agreement upon the occurrence of certain events, including if the Company withdraws the Plan or this Solicitation and Disclosure Statement, the Company files any motion or pleading with the Bankruptcy Court that is not consistent with the Restructuring Support Agreement, the Company fails to achieve certain restructuring milestones by the specified dates, or if the Bankruptcy Court denies confirmation of the Plan or does not approve this Solicitation and Disclosure Statement. Similarly, the Lender and Rivershore may terminate the Restructuring Support Agreement upon the occurrence of certain events, as specifically set forth therein.

IV. SUMMARY OF THE PLAN

The Debtors believe that the Plan reflects an appropriate resolution of all Claims against and Membership Interests in the Debtors, and is in the best interests of the Debtors and their estates, taking into account the differing nature and priorities of such claims and interests. By substantially deleveraging the Debtors' balance sheets, the Plan provides a foundation for future growth and profitability.

THE FOLLOWING IS A SUMMARY OF SOME OF THE SIGNIFICANT ELEMENTS OF THE PLAN. THIS SOLICITATION AND DISCLOSURE STATEMENT IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE MORE DETAILED INFORMATION SET FORTH IN THE PLAN. THE TERMS OF THE PLAN GOVERN IN THE EVENT OF ANY INCONSISTENCY BETWEEN THE PLAN AND THIS SOLICITATION AND DISCLOSURE STATEMENT.

A. *Administrative Claims and Priority Claims.*

1. Administrative Claims.

(a) Each Holder of an Allowed Administrative Claim shall receive, in full satisfaction and discharge thereof, Cash equal to the unpaid amount of such Allowed Administrative Claim (except to the extent that such Holder agrees to less favorable treatment thereof) either on, or as soon as practicable after, the latest of (i) the Effective Date, (ii) the date that is 10 Business Days after the date on which such Administrative Claim becomes Allowed, (iii) the date on which such Administrative Claim becomes due and payable pursuant to any agreement between the Debtors and the Holder, and (iv) such other date as mutually may be agreed to by such Holder and the Debtors with the consent of the Supporting Senior Secured Noteholder, which consent should not be unreasonably withheld. Notwithstanding the foregoing, any Allowed Administrative Claim based on a liability incurred by the Debtors in the ordinary course of business during the Chapter 11 Cases may be paid in the ordinary course of business in accordance with the terms and conditions of any agreement relating thereto.

(b) Except with respect to requests for allowance of compensation and reimbursement of Professional Fee Claims and as otherwise provided in Article II of the Plan, requests for payment of Administrative Claims, if required, must be Filed and served on the Reorganized Debtors pursuant to the procedures specified in the

Confirmation Order and the notice of entry of the Confirmation Order no later than 45 days after the Effective Date. Holders of Administrative Claims that are required to, but do not, File and serve a request for payment of such Administrative Claim by such date shall be forever barred, estopped and enjoined from asserting such Administrative Claim against the Debtors or Reorganized Debtors or their property, and such Administrative Claim shall be deemed discharged as of the Effective Date. Objections to such requests, if any, must be Filed and served on the Reorganized Debtors and the requesting party no later than 90 days after the Effective Date or such later date as the Bankruptcy Court may approve. Notwithstanding the foregoing, no request for payment of an Administrative Claim shall be required with respect to any Administrative Claim determined to be an Allowed Administrative Claim by Final Order, including all Administrative Claims expressly made Allowed Administrative Claims under the Plan.

2. Priority Tax Claims.

Each Holder of an Allowed Priority Tax Claim shall receive, in full satisfaction and discharge thereof, Cash equal to the unpaid amount of such Allowed Priority Tax Claim (except to the extent that such Holder agrees to less favorable treatment thereof) either on, or as soon as practicable after, the latest of (i) the Effective Date, (ii) the date that is 10 Business Days after the date on which such Priority Tax Claim becomes Allowed, (iii) the date on which such Priority Tax Claim becomes due and payable, and (iv) such other date as mutually may be agreed to by and among such Holder and the Debtors with the consent of the Supporting Senior Secured Noteholder, acting reasonably and in good faith; *provided*, *however*, that the Debtors or Reorganized Debtors, as applicable shall be authorized, at their option, with the consent of the Supporting Senior Secured Noteholder, and in lieu of payment in full of an Allowed Priority Tax Claim, to make deferred Cash payments on account thereof in the manner and to the extent permitted under section 1129(a)(9)(C) of the Bankruptcy Code.

3. Professional Fee Claims.

(a) Each Professional requesting compensation pursuant to sections 330, 331 or 503(b) of the Bankruptcy Code for services rendered in connection with the Chapter 11 Cases prior to the Effective Date shall File an application for allowance of final compensation and reimbursement of expenses in the Chapter 11 Cases no later than 45 days following the Effective Date. Any Holder of a Professional Fee Claim that does not File and serve such application by such date shall be forever barred from asserting such Claim against the Debtors, the Reorganized Debtors or their respective properties, and such Claim shall be deemed discharged as of the Effective Date. Objections to any Professional Fee Claim must be Filed and served on the Reorganized Debtors and counsel to the Reorganized Debtors no later than 70 days after the Effective Date (unless otherwise agreed by the party requesting compensation for a Professional Fee Claim).

(b) Upon the Effective Date, any requirement that Professionals comply with sections 327 through 331 of the Bankruptcy Code in seeking retention or compensation for services rendered after such date shall terminate and the Debtors or Reorganized Debtors, as the case may be, may pay the charges incurred by the Debtors or Reorganized Debtors, as the case may be, on and after the Effective Date for any Professional Fee Claim without application to or approval by the Bankruptcy Court.

4. U.S. Trustee Statutory Fees.

Notwithstanding anything to the contrary contained herein, on the Effective Date, the Reorganized Debtors shall pay, in full, in Cash, any and all Bankruptcy Fees due and owing to the U.S. Trustee. On and after the Effective Date, the Reorganized Debtors shall be responsible for Filing required post-confirmation reports and paying quarterly Bankruptcy Fees due to the U.S. Trustee for the Reorganized Debtors until the entry of a final decree in the Chapter 11 Cases or until the Chapter 11 Cases are converted or dismissed.

B. *Classification and Treatment of Claims and Membership Interests*

1. Classification.

The categories of Claims and Membership Interests listed below (other than Administrative Claims and Priority Tax Claims, which are not required to be classified pursuant to section 1123(a)(1) of the Bankruptcy Code) classify Claims and Membership Interests for all purposes, including for purposes of voting, confirmation and Distribution pursuant to the Plan and pursuant to sections 1122 and 1123(a)(1) of the Bankruptcy Code. A Claim or Membership Interest shall be deemed classified in a particular Class only to the extent that such Claim or Membership Interest qualifies within the description of such Class and shall be deemed classified in a different Class to the extent that any remainder of such Claim or Membership Interest qualifies within the description of such different Class. A Claim or Membership Interest is in a particular Class only to the extent that such Claim or Membership Interest has not been paid or otherwise settled prior to the Effective Date. All Energy Debtor Membership Interests and Asset Debtor Membership Interests shall be cancelled, extinguished and discharged on the Effective Date.

2. Class Identification.

The following chart represents the classification of Claims and Membership Interests for the Debtors pursuant to the Plan.

Class	**Claims and Membership Interests**	**Status**	**Voting Rights**
Class 1	Other Priority Claims	Unimpaired	No (deemed to accept)
Class 2	Other Secured Claims	Unimpaired	No (deemed to accept)
Class 3	Senior Secured Notes Claims	Impaired	Yes
Class 4	Professional Fee Note Claims	Impaired	Yes
Class 5	General Unsecured Claims	Unimpaired	No (deemed to accept)

Class	Claims and Membership Interests	Status	Voting Rights
Class 6	Intercompany Claims	Unimpaired	No (deemed to accept)
Class 7	Energy Debtor Membership Interests	Impaired	No (deemed to reject)
Class 8	Asset Debtor Membership Interests	Impaired	No (deemed to reject)

3. Treatment and Voting Rights of Claims and Membership Interests.

(a) *Class 1—Other Priority Claims.*

(i) Treatment: The legal, equitable, and contractual rights of Holders of Allowed Other Priority Claims against the Debtors are unaltered by the Plan. Except to the extent that a Holder of an Allowed Other Priority Claim against the Debtors agrees to less favorable treatment, each Holder of such an Allowed Other Priority Claim shall receive Cash in an amount sufficient to leave unaltered the legal, equitable and contractual rights to which such Claim entitles such Holder, on, or as soon as practicable after, the latest of (a) the Effective Date, (b) the date that is 10 Business Days after the date on which such Other Priority Claim becomes Allowed, (c) the date on which such Other Priority Claim otherwise is due and payable, and (d) such other date as mutually may be agreed to by and among such Holder and the Debtors or Reorganized Debtors with the consent of the Supporting Senior Secured Noteholder.

(ii) Impairment and Voting: Other Priority Claims are Unimpaired. Holders of Other Priority Claims are conclusively presumed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, Holders of Other Priority Claims are not entitled to vote to accept or reject the Plan, and the votes of such Holders will not be solicited.

(b) *Class 2—Other Secured Claims.*

(i) Treatment: The legal, equitable and contractual rights of Holders of Allowed Other Secured Claims against the Debtors are unaltered by the Plan. Except to the extent that a Holder of an Allowed Other Secured Claim against the Debtors agrees to less favorable treatment, on the later of the Effective Date and the date that is 10 Business Days after the date such Other Secured Claim becomes an Allowed Claim, or as soon thereafter as is reasonably practicable, each Holder of an Allowed Other Secured Claim shall, at the option of the Reorganized Debtors, either (a) receive, on account of such Allowed Claim, Cash in an amount equal to the Allowed amount of such Claim, or (b) have such Claim Reinstated. The failure of the Debtors or any other party in interest to File an objection, prior to the Effective Date, with respect to any Other Secured Claim that is Reinstated hereunder shall be without prejudice to the rights of the Reorganized Debtors or any other party in interest to contest or otherwise defend against such Claim in an appropriate forum (including

the Bankruptcy Court, if applicable, in accordance with Article X of the Plan) when and if such Claim is sought to be enforced.

(ii) Impairment and Voting: Other Secured Claims are Unimpaired and Holders of such Claims are conclusively presumed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, Holders of Other Secured Claims are not entitled to vote to accept or reject the Plan and the votes of such Holders will not be solicited.

(c) *Class 3—Senior Secured Notes Claims.*

(i) Treatment: The Holder, or its designee or assignee, of the Allowed Senior Secured Notes Claims shall receive, in full and final satisfaction of its Allowed Senior Secured Notes Claim, (1) 100% of the Reorganized Energy Debtor Membership Interests and (2) $1,470,000 in Cash from the Exit Facility proceeds. On the Effective Date, all of the Senior Secured Notes shall be cancelled and discharged.

(ii) Impairment and Voting: Senior Secured Notes Claims are Impaired and the Holder of such Claims is entitled to vote to accept or reject the Plan.

(iii) Allowance: The Senior Secured Notes Claims shall be deemed Allowed in the Confirmation Order in the aggregate principal amount of $53,575,570.13 plus any accrued and unpaid interest thereon payable at the non-default rate through the Petition Date.

(d) *Class 4—Professional Fee Note Claims.*

(i) Treatment: The Holder of Allowed Professional Fee Note Claims shall receive the Roll In in full and final satisfaction of such Claims. On the Effective Date and upon receipt of the Roll In, Allowed Professional Fee Note Claims shall be deemed satisfied. The Holder of Allowed Professional Fee Note Claims shall receive no distribution on account of such claims.

(ii) Impairment and Voting: Professional Fee Note Claims are Impaired, and the Holder of such Claims is entitled to vote to accept or reject the Plan.

(iii) Allowance: The Professional Fee Note Claims shall be deemed Allowed in the Confirmation Order in the principal amount of $530,000, plus any accrued and unpaid interest thereon payable at the non-default rate through the Petition Date.

(e) *Class 5—General Unsecured Claims.*

(i) Treatment: Except to the extent that a Holder of an Allowed General Unsecured Claim agrees to a less favorable treatment of such Claim, in

full and final satisfaction, settlement, release, and discharge of, and in exchange for, such Allowed General Unsecured Claim, (a) the legal, equitable and contractual rights to which the Allowed General Unsecured Claim entitles the Holder of such Claim will remain unaltered, or (b) if such Allowed General Unsecured Claim is due and payable in Cash on or before the Effective Date, the Holder of such Allowed General Unsecured Claim shall receive payment in Cash or otherwise treated in a manner to render Unimpaired such Allowed General Unsecured Claim, on the later of (x) the Effective Date (or as soon as is reasonably practical thereafter) or (y) the date that is 10 Business Days after the date such General Unsecured Claim becomes an Allowed General Unsecured Claim. For avoidance of doubt, if an Allowed General Unsecured Claim is not due and payable before the Effective Date, the Holder of such Allowed Claim may be paid in the ordinary course of business consistent with past practices.

(ii) Impairment and Voting: General Unsecured Claims are Unimpaired and Holders of such Claims are conclusively presumed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, Holders of General Unsecured Claims are not entitled to vote to accept or reject the Plan and the votes of such Holders will not be solicited.

(f) *Class 6—Intercompany Claims.*

(i) Treatment: Except to the extent that a Holder of an Allowed Intercompany Claim agrees to a less favorable treatment, in full and final satisfaction of each such Allowed Intercompany Claim, (a) the legal, equitable and contractual rights to which the Allowed Intercompany Claim entitles the Holder of such Claim will remain unaltered, or (b) if such Allowed Intercompany Claim is due and payable in Cash on or before the Effective Date, the Holder of such Allowed Intercompany Claim shall receive payment in Cash or otherwise treated in a manner to render Unimpaired such Allowed Intercompany Claim, on the later of (x) the Effective Date (or as soon as is reasonably practical thereafter) or (y) the date that is 10 Business Days after the date such Intercompany Claim becomes an Allowed Intercompany Claim. For avoidance of doubt, if an Allowed Intercompany Claim is not due and payable before the Effective Date, the Holder of such Allowed Claim may be paid in the ordinary course of business consistent with past practices.

(ii) Impairment and Voting: Intercompany Claims are Unimpaired and Holders of such Claims are conclusively presumed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, Holders of Intercompany Claims are not entitled to vote to accept or reject the Plan and will not be solicited.

(g) *Class 7—Energy Debtor Membership Interests*.

(i) Treatment: On the Effective Date, all Energy Debtor Membership Interests shall be cancelled and discharged. Holders of Energy Debtor Membership Interests shall not receive a Distribution on account of such Energy Debtor Membership Interests.

(ii) Impairment and Voting: Energy Debtor Membership Interests are Impaired and Holders of Energy Debtor Membership Interests are deemed to have rejected the Plan pursuant to section 1126(g) of the Bankruptcy Code. Therefore, Holders of Energy Debtor Membership Interests are not entitled to vote to accept or reject the Plan and the votes of such Holders will not be solicited.

(h) *Class 8- Asset Debtor Membership Interests.*

(i) Treatment: On the Effective Date, all Asset Debtor Membership Interests shall be cancelled and discharged. Holders of Asset Debtor Membership Interests shall not receive a Distribution on account of such Asset Debtor Membership Interests.

(ii) Impairment and Voting: Asset Debtor Membership Interests are Impaired. Holders of Asset Debtor Membership Interests are deemed to have rejected the Plan pursuant to section 1126(g) of the Bankruptcy Code. Therefore, Holders of Asset Debtor Membership Interests are not entitled to vote to accept or reject the Plan and the votes of such Holders will not be solicited.

C. *Plan Funding*

The Reorganized Debtors shall be funded on the Effective Date by the proceeds of operations, the Reorganized Debtors' Cash balances, and the Exit Facility.

D. *Release, Exculpation and Injunction*

1. ***Releases.***

Releases by the Debtors. Releases by the Debtors. To the fullest extent permitted by applicable law, on the Effective Date, except for the rights that remain in effect from and after the Effective Date to enforce the Plan and the Plan Documents, the Debtors, the Reorganized Debtors and the Estates, in each case on behalf of themselves and their respective successors, assigns, and representatives and any and all other entities who may purport to assert any cause of action derivatively, by or through the foregoing entities, for good and valuable consideration, the adequacy of which is hereby confirmed, including, without limitation, the efforts of the Released Parties to facilitate the reorganization of the Debtors and the implementation of the Plan and the transactions contemplated herein and hereby, shall forever release, waive and discharge, all claims, obligations, suits, judgments, damages, demands, debts, rights, Causes of Action, losses, remedies, and liabilities whatsoever, including any derivative claims, asserted or assertable on behalf of the Debtors, the Reorganized Debtors or the Estates, whether liquidated or unliquidated, fixed or contingent, matured or unmatured, known or unknown, foreseen or unforeseen, then

existing or thereafter arising, in law, equity or otherwise against the Released Parties that are based in whole or in part on any act, omission, transaction, event or other occurrence taking place on or before the Effective Date, and in any way relating to (a) the Debtors and any Affiliates or subsidiaries of the Debtors, (b) the Reorganized Debtors, (c) the Estates, (d) the purchase, sale, or rescission of the purchase or sale of any security of the Debtors or the Reorganized Debtors, (e) the subject matter of, or the transactions or events giving rise to, any Claim or Membership Interest that is treated in the Plan, (f) the Chapter 11 Cases, (g) the Plan, including the solicitation of votes on the Plan, (h) the Disclosure Statement, (i) the restructuring of any Claim or Membership Interest before or during the Chapter 11 Cases, including the Out-of-Court Restructuring, (j) the Restructuring Support Agreement, (k) the Financing Documents, (l) the RMA, and (m) the negotiation, formulation or preparation of the foregoing agreements and transactions described in this paragraph (the foregoing, the "*Debtors Released Claims*"); *provided, however*, that (i) no Released Party shall be released hereunder from any Debtors Released Claims as a result of any act, omission, transaction, event or other occurrence by a Released Party that has been or is hereafter found by any court or tribunal by Final Order to constitute gross negligence, fraud, or willful misconduct and (ii) the foregoing release shall not apply to or release any express contractual or financial obligations owed to the Debtors or the Reorganized Debtors or any right or obligation arising under or that is part of the Plan or any agreement entered into pursuant to, in connection with or contemplated by, the Plan.

Releases by Holders of Claims. To the fullest extent permitted by applicable law, on the Effective Date, for good and valuable consideration, the adequacy of which is hereby confirmed, including, without limitation, the efforts of the Released Parties to facilitate the expeditious reorganization of the Debtors and the implementation of the Plan and the transactions, contracts and instruments contemplated herein and hereby (including, without limitation, the treatment of the Allowed Claims of the Releasing Parties), each of the Releasing Parties agrees to the release provisions in the Plan and shall forever release, waive and discharge, all Claims, obligations, suits, judgments, damages, demands, debts, rights, Causes of Action and liabilities whatsoever, including any derivative claims, asserted or assertable on behalf of the Debtors, the Reorganized Debtors or the Estates, whether liquidated or unliquidated, fixed or contingent, matured or unmatured, known or unknown, foreseen or unforeseen, then existing or thereafter arising, in law, equity or otherwise against any and all of the Released Parties that are based in whole or in part on any act, omission, transaction, event or other occurrence taking place on or before the Effective Date and in any way relating to or arising from, in whole or in part, (a) the Debtors and any Affiliates or subsidiaries of the Debtors, (b) the Reorganized Debtors, (c) the Estates, (d) the purchase, sale, or rescission of the purchase or sale of any security of the Debtors or the Reorganized Debtors, (e) the subject matter of, or the transactions or events giving rise to, any Claim or Membership Interest that is treated in the Plan, (f) the contractual arrangements between the Debtors and any Released Party, (g) the Chapter 11 Cases, (h) the Plan, including the solicitation of votes on the Plan, (i) the Disclosure Statement, (j) the Restructuring Support Agreement, (k) the Financing Documents, (l) the restructuring of any Claim or Membership Interest before or during the Chapter 11 Cases, including the Out-Of-Court Restructuring, and (m) the negotiation, formulation or preparation of the foregoing agreements and transactions described in this paragraph (the

foregoing, the "*Releasing Parties Released Claims*"); *provided, however*, that (i) no Released Party shall be released hereunder from any Releasing Parties Released Claims as a result of any act, omission, transaction, event or other occurrence by a Released Party that has been or is hereafter found by any court or tribunal by Final Order to constitute gross negligence, fraud, or willful misconduct; (ii) the foregoing release shall not apply to or release any express contractual or financial obligations or any right or obligation arising under or that is part of the Plan or any agreement entered into pursuant to, in connection with or contemplated by, the Plan.

Each Person providing releases under the Plan, including the Debtors, the Reorganized Debtors and the Releasing Parties, shall have granted the releases set forth herein notwithstanding that such Person may hereafter discover facts in addition to, or different from, those which it now knows or believes to be true, and without regard to the subsequent discovery or existence of such different or additional facts, and such Person expressly waives any and all rights that it may have under any statute or common law principle which would limit the effect of such releases to those claims or Causes of Action actually known or suspected to exist at the time of execution of such release.

*2. **Exculpation and Limitation of Liability.***

Notwithstanding anything herein to the contrary, and to the fullest extent permitted by applicable law, except with respect to any acts or omissions expressly set forth in and preserved by the Plan or the Plan Supplement, no Exculpated Party shall have or incur, and each Exculpated Party is hereby released and exculpated from, any claim, member interest, obligation, suit, judgment, damage, demand, debt, right, cause of action, loss, remedy, or liability for any claim in connection with or arising out of the administration of the Chapter 11 Cases; the negotiation, formulation, preparation, and pursuit of the Disclosure Statement, the Financing Documents, the Restructuring Support Agreement, the transactions relating to the Debtors' restructuring, the Plan, the Plan Supplement, the Reorganized Debtors Constituent Documents, or any related documents; or the solicitation of votes in favor of the Plan and confirmation of the Plan; any contract, instrument, release or other agreement or documents (including providing any legal opinion requested by any Entity regarding any transaction, contract, instrument, document or other agreement contemplated by the Plan or the reliance by any Exculpated Party on the Plan or the Confirmation Order in lieu of such legal opinion) created or entered into in connection with the Disclosure Statement or the Plan; the funding or consummation of the Plan; the occurrence of the Effective Date; the administration of the Plan or the property to be distributed under the Plan; the issuance of securities under or in connection with the Plan; or negotiations, regarding or concerning any of the foregoing, or the administration of the plan or property to be distributed under the Plan, or any transactions in furtherance of any of the foregoing; except for gross negligence, fraud or willful misconduct as determined by a Final Order, but in all respects such Entities shall be entitled to reasonably rely upon the advice of counsel with respect to their duties and responsibilities pursuant to the Plan. The Exculpated Parties and each of their respective affiliates, agents, directors, officers, employees, advisors, and attorneys have acted in compliance with the applicable provisions of the Bankruptcy Code with regard to the solicitation and Distribution of securities pursuant to the Plan and, therefore, are not, and on account of such Distributions shall not

be, liable at any time for the violation of any applicable law, rule or regulation governing the solicitation of acceptances or rejections of the Plan or such Distributions made pursuant to the Plan including the issuance of securities thereunder. This exculpation shall be in addition to, and not in limitation of, all other releases, indemnities, exculpations, and any other applicable law or rules protecting such Exculpated Parties from liability.

*3. **Injunction.***

***General*. All Entities who have held, hold or may hold Claims or Membership Interests (other than the Claims or Membership Interests Reinstated under the Plan, if any) and all other parties in interest, along with their respective current and former employees, agents, managers, officers, directors, principals and Affiliates, permanently are enjoined, from and after the Effective Date, from (i) commencing, conducting or continuing in any manner, directly or indirectly any suit, action or other proceeding of any kind against the Debtors or the Reorganized Debtors, (ii) enforcing, levying, attaching, collecting or otherwise recovering by any manner or means, whether directly or indirectly, of any judgment, award, decree or order against the Debtors or Reorganized Debtors, (iii) creating, perfecting or otherwise enforcing in any manner, directly or indirectly, any encumbrance of any kind against the Debtors or Reorganized Debtors, or the property of the Debtors or Reorganized or (iv) asserting any right of setoff, subrogation or recoupment of any kind, directly or indirectly, against any obligation due the Debtors or Reorganized Debtors or against the property or interests in property of the Debtors or Reorganized Debtors, on account of such Claims or Membership Interests, except as contemplated or allowed by the Plan; and (v) acting or proceeding in any manner, in any place whatsoever, that does not conform to or comply with the provisions of the Plan.**

***Injunction Against Interference with the Plan*. Upon entry of the Confirmation Order, all Holders of Claims and Membership Interests and other parties in interest, along with their respective current and former employees, agents, managers, officers, directors, principals and Affiliates shall be enjoined from taking any actions to interfere with the implementation or consummation of the Plan in relation to any Claim or Membership Interest extinguished, discharged or released pursuant to the Plan; *provided*, *however*, that the foregoing shall not enjoin any party to the Restructuring Support Agreement from exercising any of its rights or remedies under the Restructuring Support Agreement in accordance with the terms thereof.**

E. *First Day Orders*

On the first day of the Chapter 11 Cases, or as soon as practicable thereafter, the Debtors intend to seek relief in the form of various "first day orders" from the Bankruptcy Court as to various matters, certain of which are described below. The Debtors believe that each of the requests, if granted, would facilitate the Chapter 11 Cases. There can be no assurance, however, that the Bankruptcy Court will grant any such relief. The following "first day motions" are not exhaustive and the Debtors reserve the right to seek additional relief from the Bankruptcy Court to the extent that the Debtors determine that such orders and relief are necessary or appropriate at such time as the bankruptcy proceedings are commenced, or to not seek portions of the relief described below.

1. Joint Administration.

The Debtors believe that joint administration will provide significant administrative convenience and cost savings to the Debtors without harming the substantive rights of any party in interest during the Chapter 11 Cases. The Debtors intend to seek Bankruptcy Court approval to consolidate the Chapter 11 Cases for procedural purposes only.

2. Appointing Stretto as Claims and Noticing Agent.

The Debtors believe that the appointment of Stretto as the claims and noticing agent for the Debtors in the Chapter 11 Cases will maximize the efficiency of the distribution of notices and the processing of claims, as well as relieve the Clerk's Office and the Debtors from the administrative burden of processing a large number of claims and notices. The Debtors intend to seek an order from the Bankruptcy Court appointing Stretto as the Claims and Noticing Agent.

3. Royalty Payments.

The Debtors believe that maintaining strong working relationships with important business contractors is necessary during the Chapter 11 Cases. The Debtors intend to seek an order from the Bankruptcy Court (i) authorizing the Debtors to pay prepetition and postpetition obligations on account of joint interest billings, royalties, overriding royalty interests, pipeline courts, and severance taxes; and (ii) authorizing the Debtors' banks to honor and process related checks and electronic transfers.

4. Critical Vendors.

The Debtors believe that good relationships with their vendors are necessary to the continued viability of their business during the Chapter 11 Cases. The Debtors intend to seek an order from the Bankruptcy Court authorizing payments as they become due in the ordinary course of business to such vendors, including amounts related to Claims arising prior to the Petition Date.

5. Cash Management.

The Debtors believe it would be disruptive to their operations if the Debtors were forced to implement significant changes to their cash management system upon the commencement of the Chapter 11 Cases. The Debtors intend to seek relief from the Bankruptcy Court authorizing them to (i) continue use of existing cash management system, including maintenance of existing bank accounts, checks and business forms; (ii) continue existing deposit practices; and (iii) waive the requirements of 11 U.S.C. § 345(b).

6. *Use of Cash Collateral.*

The Debtors must obtain Bankruptcy Court approval to use Cash, which is Collateral of the Supporting Senior Secured Noteholder. The Debtors and the Senior Secured Noteholder have reached agreement on certain terms and conditions that if satisfied by the Debtors will allow them to use Cash Collateral. The Debtors intend to seek Bankruptcy Court approval of these terms and conditions.

7. *Taxes.*

The Debtors intend to seek authority to pay prepetition tax claims owed to various taxing authorities.

F. *Second Day Orders*

On the first day of the Chapter 11 Cases or as soon as practicable thereafter, the Debtors also intend to seek relief, after notice and, if necessary, a hearing in the form of various "second day orders" from the Bankruptcy Court as to various matters, including the granting of all first day relief on a final basis and approval of the retention of the Debtors' professionals. The Debtors will seek to employ Cole Schotz as their legal advisors, Dundon Advisers as their financial advisors. There can be no assurance that the Bankruptcy Court will grant any such relief.

The foregoing "second day orders" are not exhaustive and the Debtors reserve the right to seek further orders and additional relief from the Bankruptcy Court to the extent that the Debtors determine that such orders and relief are necessary or appropriate at such time as Chapter 11 Cases are commenced, or to not seek portions of the relief described.

V. POST-REORGANIZATION CAPITAL STRUCTURE

As of an assumed Effective Date of June 28, 2019, and as adjusted to give effect to the Plan, the Reorganized Debtors are projected to have $3 million in senior secured debt outstanding.

VI. FINANCIAL PROJECTIONS

A. *Financial Projections*

In connection with the Disclosure Statement, the Debtors' management team **(**including Rivershore, **"Management")** prepared projected financial information **("Financial Projections")** for the six months from July 1, 2019 to December 31, 2019, and the full calendar years 2020 and 2021 (collectively the **"Projection Period")**. In connection with the planning and development of the Plan, the Financial Projections were prepared by the Debtors to present the anticipated impact of the Plan. The Financial Projections assume that the Plan will be implemented in accordance with its stated terms.

The Financial Projections are based on a number of assumptions made by Management with respect to key economic variables and the future performance of the Reorganized Debtors' operations and may be significantly impacted by, among other factors, changes in the competitive environment, regulatory changes and/or a variety of other factors, including those factors listed in the Plan and the Disclosure Statement. Accordingly, the estimates and assumptions underlying the Financial Projections are inherently uncertain and are subject to significant business, economic and competitive uncertainties. Furthermore, although Management prepared the Financial Projections in good faith and believes the assumptions to be reasonable, it is important to note that the Debtors can provide no assurance that such assumptions will be realized. Therefore, such Financial Projections, estimates and assumptions are not necessarily indicative of current values or future performance, which may be significantly less or more favorable than set forth herein. The Financial Projections included herein were prepared in May 2019, and except as otherwise warranted were based on results of operations through March 31, 2019 and the assets and obligations of the Debtors shown on their balance sheets as of March 31, 2019. Neither results of operations between January 1, 2018 and March 31, 2019, nor the balance sheet as of December 31, 2018 or March 31, 2019, has been subject of

the audit of a public accounting firm. Management is unaware of any circumstances as of the date hereof that would require the reforecasting of the Financial Projections due to a material change in the Debtors' prospects.

THE FINANCIAL PROJECTIONS WERE NOT PREPARED WITH A VIEW TO COMPLYING WITH THE GUIDELINES FOR PROSPECTIVE FINANCIAL STATEMENTS PUBLISHED BY THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS. THE DEBTORS' INDEPENDENT ACCOUNTANTS, HAVE NEITHER COMPILED NOR EXAMINED THE ACCOMPANYING PROSPECTIVE FINANCIAL INFORMATION TO DETERMINE THE REASONABLENESS THEREOF AND, ACCORDINGLY, HAVE NOT EXPRESSED AN OPINION OR ANY OTHER FORM OF ASSURANCE WITH RESPECT THERETO.

THE DEBTORS DO NOT, AS A MATTER OF COURSE, PUBLISH PROJECTIONS OF THE DEBTORS' ANTICIPATED FINANCIAL POSITION, RESULTS OF OPERATIONS OR CASH FLOWS. ACCORDINGLY, THE DEBTORS DO NOT INTEND, AND DISCLAIM ANY OBLIGATION, TO (A) FURNISH UPDATED PROJECTIONS TO HOLDERS OF CLAIMS OR EQUITY INTERESTS PRIOR TO THE EFFECTIVE DATE OR ANY OTHER PARTY AFTER THE EFFECTIVE DATE, (B) INCLUDE SUCH UPDATED INFORMATION IN ANY DOCUMENTS WHICH THE DEBTORS MAY FILE WITH THE SEC OR INCLUDE ON THE DEBTORS' WEBSITE, OR (C) OTHERWISE MAKE SUCH UPDATED INFORMATION PUBLICLY AVAILABLE. THE PROJECTIONS PROVIDED IN THIS SOLICITATION AND DISCLOSURE STATEMENT HAVE BEEN PREPARED EXCLUSIVELY BY THE DEBTORS' MANAGEMENT. THESE PROJECTIONS, ALTHOUGH PRESENTED WITH NUMERICAL SPECIFICITY, NECESSARILY ARE BASED ON A VARIETY OF ESTIMATES AND ASSUMPTIONS, WHICH, THOUGH CONSIDERED REASONABLE BY MANAGEMENT, MAY NOT BE REALIZED, AND ARE INHERENTLY SUBJECT TO SIGNIFICANT BUSINESS, ECONOMIC AND COMPETITIVE UNCERTAINTIES AND CONTINGENCIES, MANY OF WHICH ARE BEYOND THE DEBTORS' CONTROL.

THE DEBTORS CAUTION THAT NO REPRESENTATIONS CAN BE MADE AS TO THE ACCURACY OF THESE FINANCIAL PROJECTIONS OR TO THE DEBTORS' ABILITY TO ACHIEVE THE PROJECTED RESULTS. SOME ASSUMPTIONS INEVITABLY WILL NOT MATERIALIZE, AND EVENTS AND CIRCUMSTANCES OCCURRING SUBSEQUENT TO THE DATE ON WHICH THESE PROJECTIONS WERE PREPARED MAY BE DIFFERENT FROM THOSE ASSUMED OR MAY BE UNANTICIPATED, AND THUS MAY AFFECT FINANCIAL RESULTS IN A MATERIAL AND POSSIBLY ADVERSE MANNER. THE PROJECTIONS, THEREFORE, MAY NOT BE RELIED UPON AS A GUARANTY OR OTHER ASSURANCE OF THE ACTUAL RESULTS THAT WILL OCCUR. SEE ARTICLE X. “RISK FACTORS.”

THE FOLLOWING ASSUMPTIONS AND RESULTANT COMPUTATIONS WERE MADE SOLELY FOR PURPOSES OF PREPARING THE PROJECTIONS.

The estimated and projected consolidated financial statements of the Debtors set forth below have been prepared based on the assumption that the Effective Date would occur on or about June 28, 2019. Although the Debtors would seek to cause the Effective Date to occur as

soon as practicable, there can be no assurance as to when the Effective Date actually would occur.

	July 1 to 31-Dec-19	2020	2021
Beginning Cash Balance	**$ 409,241**	**$ 1,021,575**	**$ 480,881**
Operating Cash Inflows:			
Gas Receipts	2,145,872	3,896,378	3,348,435
Oil Receipts (net of severance)	123,382	213,383	194,705
Gas Severance	(111,001)	(230,892)	(242,680)
Royalty and WI partner payments	(602,927)	(1,091,634)	(942,983)
Net Revenue Received	**$ 1,555,325**	**2,787,236**	**2,357,477**
Operating Cash Outflows:			
Transportation, Gathering & Compression Fees	$ (595,151)	$ (1,080,174)	$ (926,644)
Recurring Lease Operating Expenses	(467,400)	(959,800)	(959,800)
Recurring Leasehold Costs	(120,000)	(240,000)	(240,000)
G&A	(270,507)	(449,244)	(464,244)
Professional Fees From Reorganization	(45,676)	-	-
Total Recurring Operating Cash Flow (prior to workovers)	**$ 56,592**	**$ 58,018**	**$ (233,211)**
Workover Expenses	-	-	-
Remedial Workovers	(105,000)	(180,000)	(180,000)
Total Payment for Workover Expenses	**$ (105,000)**	**$ (180,000)**	**$ (180,000)**
Total Operating CF Incl. Workovers & Development Spending	**$ (48,408)**	**$ (121,982)**	**$ (413,211)**
Non-recurring Operating Expenses			
P&A	$ (60,000)	$ (120,000)	$ (120,000)
Estimated Monarch Shortfall Payment	(180,626)	(206,017)	(228,025)
Estimated Ad Valorem and Texas Franchise Taxes	(98,630)	(92,695)	(79,027)
Total Non-recurring Operating Expenses	$ (339,257)	$ (418,712)	$ (427,052)
Total Cash Flow Incl. Workovers and Non-recurring Exp.	**$ (387,665)**	**$ (540,694)**	**$ (840,263)**
Ending Cash Balance Before Cash Infusion	$ 21,575	$ 480,881	$ (359,382)
CLFCC Exit Facility	1,000,000	-	-
Rivershore Equity Contribution (a)	-	-	559,382
Ending Cash Balance (a)	**$ 1,021,575**	**$ 480,881**	**$ 200,000**

(a) Rivershore equity commitment to maintain a minimum monthly cash balance of $200,000, subject to a maximum equity commitment of $1,050,000.

Additional information relating to the principal assumptions used in preparing the Projections is set forth below:

1. Net Production: Net Production: Oil and gas production volumes are estimates made by applying to recent historical production levels the estimated decline curves for existing wells.

2. Commodity Pricing: Commodity prices are estimates made by applying to May 10, 2019 New York Mercantile Exchange ("NYMEX") strip pricing for crude oil and natural gas the price differentials for its own production which the company has recently realized.

3. Operating Expenses: Operating expense estimates are based upon recent historical lease operating expenses, marketing, transport and processing expenses, production and property taxes – all varied by expected production and/or pricing to the extent such expenses are variable according to production and/or realized price.

4. General and Administrative Expenses: G&A expense is based upon historical

senior management and other personnel costs, rent, insurance, and corporate overhead necessary to manage the business and comply with regulatory requirements, *less* certain discounts which a key services vendor has agreed to provide in connection with the restructuring.

5. Capital Expenditures: We assume that the Company will meet its projected budget for drilling and completion activities, land spending, and other activities of $1.1 million over the projection period.

6. Working Capital Changes: We expect changes in working capital to be immaterial over the Projection Period.

7. Capital Structure: We assume that the core financial provisions of the Plan as discussed elsewhere in this Disclosure Statement (i.e., the assumption of trade payables, the equitization of pre-petition funded indebtedness, the cancellation of pre-petition equity interests, and the provision of the Exit Facility) are implemented as provided in the Plan.

VII. VALUATION ANALYSIS

The Debtors have been advised by Dundon with respect to the reorganization value of the Reorganized Debtors on a going concern basis.

A. *Valuation Overview*

The Debtors have been advised that, for purposes of the valuation described below, it has been assumed that (i) the proposed capitalization of the Reorganized Debtors will be as set forth in the Plan; (ii) market, business and general economic conditions will be similar to conditions observed as of the date hereof; (iii) the financial and other information furnished by the Company and its professionals and the publicly available information with respect to the Company was accurate and complete; and (iv) the Plan will be confirmed without material changes from those detailed herein. The valuation analysis herein is based on information as of the date of the Disclosure Statement and is based on the Financial Projections for the Projection Period. For purposes of this valuation, it has been assumed that no material changes that would affect value occur between the date of the Disclosure Statement and the assumed Effective Date.

Based upon the analyses detailed below, the assumptions made, matters considered and limits of review also set forth below, the Debtors estimate that the total reorganization value range of the Reorganized Debtors to be between $12.2 million and $14.3 million, with a midpoint of approximately $13.2 million, as of an assumed Effective Date of June 28, 2019.

Based upon the assumed range of the reorganization value of the Reorganized Debtors of between $12.2 million and $14.3 million and assumed net debt of approximately $2.6 million, Dundon estimates the range of equity value for the Reorganized Debtors to be between approximately $9.6 million and $11.7 million, with a midpoint estimate of $10.7 million.

THE ASSUMED RANGE OF THE REORGANIZATION VALUE, AS OF AN ASSUMED EFFECTIVE DATE OF JUNE 28, 2019, REFLECTS WORK PERFORMED BY DUNDON ON THE BASIS OF INFORMATION IN RESPECT OF THE BUSINESS AND ASSETS OF THE DEBTORS AVAILABLE TO DUNDON AS OF APRIL 30, 2019 AND BROADER PUBLICLY-AVAILABLE INFORMATION REGARDING THE COMMODITY MARKETS AND COMPARABLE COMPANIES AS OF MAY 10, 2019. (THE PUBLIC INFORMATION OF COMPARABLE COMPANIES IS CURRENT AS OF THE CLOSE OF

THEIR MOST-RECENTLY-REPORTED CALENDAR QUARTER, IN MOST CASES MARCH 31, 2019).

DUNDON'S ESTIMATE OF A RANGE OF REORGANIZATION VALUES DOES NOT CONSTITUTE AN OPINION AS TO THE FAIRNESS FROM A FINANCIAL POINT OF VIEW OF THE CONSIDERATION TO BE RECEIVED UNDER THE PLAN OR OF THE TERMS AND PROVISIONS OF THE PLAN. THE ESTIMATED ENTERPRISE VALUE AND IMPLIED EQUITY VALUE DO NOT CONSTITUTE A RECOMMENDATION TO ANY HOLDER OF CLAIMS OR INTERESTS AS TO HOW SUCH PERSON SHOULD VOTE OR OTHERWISE ACT WITH RESPECT TO THE PLAN. DUNDON HAS NOT BEEN ASKED TO AND DOES NOT EXPRESS ANY VIEW AS TO WHAT THE TRADING VALUE OF THE REORGANIZED DEBTORS' SECURITIES WOULD BE ON ISSUANCE AT ANY TIME.

THE REORGANIZATION VALUE IS BASED UPON A NUMBER OF ESTIMATES AND ASSUMPTIONS WHICH ARE INHERENTLY SUBJECT TO SIGNIFICANT UNCERTAINTIES AND CONTINGENCIES BEYOND THE CONTROL OF THE DEBTORS AND THEIR ADVISORS. ACCORDINGLY, THERE CAN BE NO ASSURANCE THAT THE RANGES REFLECTED IN THE ESTIMATED REORGANIZATION VALUE WOULD BE REALIZED IF THE PLAN WERE TO BECOME EFFECTIVE, AND ACTUAL RESULTS COULD VARY MATERIALLY FROM THOSE SHOWN HERE. ADDITIONALLY, THE ESTIMATED REORGANIZATION VALUE DOES NOT NECESSARILY REFLECT, AND SHOULD NOT BE CONSTRUED AS REFLECTING, VALUES THAT WILL BEATTAINED IN THE PUBLIC OR PRIVATE MARKETS. THE VALUE DESCRIBED IN THE ANALYSIS DOES NOT PURPORT TO BE AN ESTIMATE OF THE POST- REORGANIZATION MARKET TRADING VALUE OF THE NEW SECURITIES ISSUES PURSUANT TO THE PLAN. SUCH TRADING VALUE MAY BE MATERIALLY DIFFERENT FROM THE IMPLIED REORGANIZATION EQUITY VALUE RANGES ASSOCIATED WITH THE VALUATION ANALYSIS. INDEED, THERE CAN BE NO ASSURANCE THAT A TRADING MARKET WILL DEVELOP FOR THE NEW SECURITIES.

The estimated valuation assumes that the Reorganized Debtors will continue as a going concern and operate in a manner consistent with the projections. The estimate reflects the computations of the estimated enterprise value of the Reorganized Debtors through the application of various generally accepted valuation techniques and does not constitute appraisals of the Reorganized Debtors' assets or the actual market value of securities issued pursuant to the Plan. It should be understood that, although subsequent developments may affect the conclusions before or after the Confirmation Hearing, there is no obligation to update, revise or reaffirm the estimate set forth herein.

In preparing its analysis, Dundon has, among other things: (i) reviewed certain recent publicly available financial results of the Debtors; (ii) reviewed certain internal financial and operating data of the Debtors; (iii) discussed with certain members of Management the current operations and prospects of the Debtors; (iv) reviewed certain operating and financial forecasts prepared by the Debtors, including the projections; (v) discussed with certain members of Management key assumptions related to the projections; (vi) prepared discounted cash flow analyses based on the projections, utilizing various discount rates, and incorporated the Debtors'

projected NOLs following the Effective Date, including the existing limitations thereon under the Tax Code and additional limitations assumed to apply as a result of the Plan; (vii) considered the market value of certain publicly-traded companies in businesses reasonably comparable to the operating business of the Debtors; (viii) considered the value assigned to certain precedent merger and acquisition transactions for businesses similar to the Debtors, as well as certain economic and industry information relevant to the operating business of the Debtors and (ix) conducted such other analyses as deemed necessary under the circumstances.

Dundon assumed and relied on the accuracy and completeness of all financial and other information furnished to it by the Debtors' management as well as publicly available information. It was also assumed that the projections have been reasonably prepared on a basis reflecting the Debtors' best estimates and judgment as to future operating and financial performance. To the extent the estimated valuation is dependent upon the Reorganized Debtors' achievement of the results upon which the projections are based, the estimated valuation must be considered speculative. No representation or warranty as to the fairness of the terms of Plan have been made.

B. *Methodology*

Generally accepted valuation techniques have been employed in estimating the reorganization value of the Reorganized Debtors. The two primary methodologies that were relied on are (i) comparable public company analysis and (ii) Risked Net Asset Value Analysis. . In addition, Dundon considered a precedent transactions analysis, another commonly used valuation technique, but determined that (1) the number of recent comparable transactions was insufficient to support its inclusion and (2) the Debtors' recent financial performance against which a precedent transaction multiple would be applied was not indicative of the normal business performance of the Debtors. As a result, Dundon did not believe the inclusion of this approach was appropriate.

This summary does not purport to be a complete description of the analyses performed and factors considered by Dundon. The preparation of a valuation analysis is a complex analytical process involving various judgments as to the most appropriate and relevant methods of financial analysis and the application of those methods to particular facts and circumstances.

1. Comparable Public Company Analysis

In a comparable public company analysis, a subject company is valued by comparing it with publicly held companies in reasonably similar lines of business. The comparable public companies are chosen based on, among other attributes, their similarity to the subject company's operating and financial characteristics. Under this methodology, the enterprise value for each selected public company (collectively, the **"Peer Group")** was determined by examining the trading prices for the equity securities of such company in the public markets and adding the value of outstanding net debt for such company and any minority interests held by such company. Once the enterprise value of the selected comparable companies is calculated, it is commonly expressed as a multiple of various measures of operating statistics. After considering a broad set of comparable public company valuation metrics, Dundon selected Enterprise Value

to Average Daily Production as most useful for this analysis[3]. The enterprise value to daily production multiples were calculated by dividing the enterprise value of each comparable company as of May 9, 2019 by their most-recently-reported average daily production. The May 9, 2019 date permits us to incorporate the market's assessment of first calendar quarter 2019 production and realized pricing for comparable companies, and the trends of the first four months of 2019 in oil and gas pricing.)

A key factor in this approach is the selection of companies with relatively similar business and operational characteristics to the Debtors. The selection of appropriate comparable companies is often difficult, a matter of judgment and subject to limitations due to sample size, the availability of meaningful market-based information and updated financial projections from financial research sources. Although the Peer Group was used for comparison purposes, no comparable company is identical to the businesses of the Debtors. Accordingly, Dundon's comparison of the selected companies to the business of the Debtors and analysis of the results of such comparisons were not purely mathematical, but instead necessarily involved considerations and judgments concerning differences in financial and operating characteristics and other factors that could affect the relative values of the selected companies and the Debtors.

2. Risked Net Asset Value Analysis

While the Enterprise Value to Average Daily Production metric is useful, Dundon believes that the Risked Net Asset Value methodology is overall a more useful indicator of value for these assets. Accordingly, Dundon relied primarily on this approach to estimate the value of the Debtors. This valuation methodology evaluates the specific geologic characteristics of the Debtors' assets and the required costs to realize value from those assets. In this analysis, Dundon relied on the Debtors' 2018 reserve reports prepared by Netherland, Sewell & Associates (the "Reserve Report"). Dundon updated the reserve reports to reflect current prices for oil and natural gas as of May 10, 2019. Dundon did not independently verify the underlying geological and engineering analysis and resulting operational, production and financial figures provided by the Reserve Report.

In order to calculate the Net Asset Value of the Debtors' assets, Dundon relied on the "PV-10" values provided by the Reserve Report. PV-10 is the pre-tax present value of estimated future gross revenues generated from the production of proved reserves net of projected development and production costs, discounted at an annual rate of 10%. Revenues are derived based on forward-looking production figures, forward pricing curves for NYMEX WTI and Henry Hub indices as of the date of the estimate, and historical differentials (as discussed above). Cost estimates are based on management's expectations (as discussed above). Non-property related expenses such as general and administrative expenses, debt service and future income tax expense, depreciation, amortization and depletion are *not* customarily considered. However, in order to estimate Total Enterprise Value, Dundon, with management's guidance, imputed annual overhead expenses of $1.8 million.

[3] In general, companies such as the Debtors tend to be valued additionally, or even preferentially, by metrics based upon their earnings before depreciation, taxes and amortization ("EBITDA") or by reference to their free cash flow; but the Debtors in these cases with both negative recent historical EBITDA and free cash flow cannot be valued by use of those metrics.

Dundon risk-adjusted the PV-10 value based upon risk factors that are applied to conventional reserves based on each category ("proved developed producing," "proved developed non-producing," and "proved undeveloped"). Dundon further adjusted the Net Risked Asset Value analysis by performing discount rate sensitivities based on the estimated weighted average cost of capital of the exploration and production sector and making adjustments for the higher expected return required by an investor from an asset of the nature of the Debtors.

To estimate the Discount Rate, Dundon calculated the cost of equity and the after-tax cost of debt for the Reorganized Debtors, assuming a targeted total debt-to-total capitalization ratio based on an assumed range of the Reorganized Debtors' long term target capitalization. Dundon calculated the cost of equity based on the "Capital Asset Pricing Model," which assumes that the required equity return is a function of the risk-free cost of capital, the correlation of a publicly traded stock's performance to the return on the broader market as well as taking into consideration the size and situation of the company being valued. To estimate the cost of debt, Dundon analyzed the average cost of debt of the Peer Group and the current average yield of the Bloomberg High Yield Energy Bond Index sector.

Although formulaic methods are used to derive the key estimates for the DCF methodology, their application and interpretation still involve complex considerations and judgments concerning potential variances in the projected financial and operating characteristics of the Reorganized Debtors, which in tum affect their cost of capital and terminal values.

VIII. LIQUIDATION ANALYSIS

Section 1129(a)(7) of the Bankruptcy Code requires that each Holder of an Impaired Claim or Impaired Membership Interest that has not voted to accept the Plan must receive or retain under the Plan property of a value, as of the Effective Date, that is not less than the value such Holder would receive or retain if the Debtors were liquidated under chapter 7 of the Bankruptcy Code (often referred to as the "best interests test," which is described in greater detail in Article hereof). If all members of an Impaired Class of Claims or Membership Interests have accepted the Plan, the "best interests test" does not apply with respect to that Class.

A determination of the value that Holders will receive or retain if the Debtors were to be liquidated in a hypothetical case under chapter 7 of the Bankruptcy Code begins with an estimation of the gross proceeds that would be generated from the hypothetical liquidation of the Debtors' assets and properties in the context of a chapter 7 liquidation case, including the Cash and Cash equivalents held by Debtors at the time of the commencement of the hypothetical chapter 7 case. The gross liquidation proceeds then are reduced by the costs and expenses of the liquidation - including such additional administrative expenses and priority claims that may result from the termination of Debtors' business and the use of chapter 7 for the liquidation - to determine the net liquidation proceeds available for distribution to creditors. Such net liquidation proceeds *(i.e.,* cash available for distribution) are then applied on a hypothetical basis to creditors and equity holders in strict priority in accordance with section 726 of the Bankruptcy Code.

Based on the following liquidation analysis prepared by Dundon, the Debtors believe that the Plan satisfies the "best interests test" and that individual Holders of Claims will receive value under the Plan that is not less than the value they would receive under a chapter 7 liquidation. We believe that under all conceivable reorganization and liquidation valuation scenarios, holders

of Membership Interests would receive no value. The liquidation analysis considers the effects that a liquidation under chapter 7 of the Bankruptcy Code would have on the ultimate proceeds available for distribution to creditors, including:

1. the cost and expenses of a liquidation under chapter 7 arising from fees payable to a trustee in bankruptcy and professional advisors to such trustee;

2. the erosion in value of assets in chapter 7 proceedings in the context of the liquidation required under chapter 7 and the "forced sale" atmosphere that would prevail;

3. the substantial increase in claims treated as priority and general unsecured claims than the Debtors anticipate in a chapter 11 case; and

4. the absence of a robust market for the liquidation sale of the Debtors' assets and services in which such assets and services could be marketed and sold.

Moreover, the Debtors believe that the value of any distributions from the liquidation proceeds to each class of allowed claims and interests in chapter 7 proceedings would be less than the value of distributions under the Plan because such distributions in chapter 7 may not occur for a substantial period of time. In this regard, it is possible that distribution of the proceeds of the liquidation could be delayed for a substantial time after the completion of such liquidation to resolve objections to claims and prepare for distributions. The Debtors prepared the liquidation analysis with the assistance of their advisors. The liquidation analysis estimates the values that may be obtained by Holders of Claims and Membership Interests upon disposition of the Debtors' assets, pursuant to a liquidation in bankruptcy cases under chapter 7 of the Bankruptcy Code, as an alternative to continued operations of the Debtors' businesses under the Plan. In addition to the assumptions set forth below, the liquidation analysis assumes that the chapter 11 cases are commenced under chapter 7 of the Bankruptcy Code, or are converted to chapter 7 shortly after commencement under chapter 11, and that no prepackaged Plan is filed. **Because of the numerous risks, uncertainties and contingencies beyond the Debtors' control, there can be no assurances whatsoever that the recoveries set forth below could be realized in actual liquidation.** Moreover, because the liquidation analysis was prepared for purposes of evaluating the Plan in respect of section 1129(a)(7) of the Bankruptcy Code and reflects the Debtors' and Dundon's estimates of potential recoveries that could be realized in a liquidation, the amounts disclosed are not likely to be meaningful for evaluating the Debtors' businesses as a going concern or indicative of actual returns that may eventually be realized in a non-liquidation context.

UNDERLYING THE LIQUIDATION ANALYSIS ARE NUMEROUS ESTIMATES AND ASSUMPTIONS REGARDING LIQUIDATION PROCEEDS THAT, ALTHOUGH DEVELOPED AND CONSIDERED REASONABLE BY THE DEBTORS AND THEIR ADVISORS, ARE INHERENTLY SUBJECT TO SIGNIFICANT BUSINESS, ECONOMIC, REGULATORY, AND COMPETITIVE UNCERTAINTIES, AND CONTINGENCIES BEYOND THE CONTROL OF THE DEBTORS AND THEIR ADVISORS. THE LIQUIDATION ANALYSIS IS ALSO BASED ON THE DEBTORS' BEST JUDGMENT OF HOW NUMEROUS DECISIONS IN THE LIQUIDATION PROCESS WOULD BE RESOLVED. ACCORDINGLY, THERE CAN BE NO ASSURANCE THAT THE VALUES REFLECTED IN THE LIQUIDATION ANALYSIS

WOULD BE REALIZED IF THE DEBTORS WERE, IN FACT, TO UNDERGO SUCH A LIQUIDATION, AND ACTUAL RESULTS COULD MATERIALLY DIFFER FROM THE RESULTS HEREIN. THE UNDERLYING FINANCIAL INFORMATION IN THE LIQUIDATION ANALYSIS WAS NOT COMPILED OR EXAMINED BY ANY INDEPENDENT ACCOUNTANTS. ANY BALANCES REFLECTED HEREIN ARE UNAUDITED AND PRESENTED AS SUCH.

Additional information concerning the assumptions underlying the liquidation analysis is as follows.

The Debtors are an independent energy concern engaged in the development, production and exploration of crude oil and natural gas. The Debtors' oil and gas assets are located in Texas (Leon and Robertson counties). As of the Petition Date, the Debtors will not have any employees. The Debtors outsource operation of their oil and gas properties to Rivershore.

If the Debtors were to elect to liquidate over a longer period of time, the costs of liquidation would increase materially, and neither Dundon nor the Debtors believe that a longer liquidation period would allow the Debtors materially to increase the range of liquidation values. The Debtors would then require additional time to wind-down their estates.

The Debtors' have generated two scenarios to evaluate the range of potential outcomes in a liquidation, a **"High Value"** scenario and a **"Low Value"** scenario.

Unless otherwise stated, the liquidation analysis is based on the Energy Debtor's consolidated balance sheet as of March 31, 2019. The Debtors believe that the asset and liability accounts would not be significantly different in the period of time that would be required to liquidate the Debtors. Because each of the Debtors is either a borrower or a guarantor of the Debtors' secured debt facilities *(i.e.,* Senior Secured Notes), totaling over $53.5 million in debt, the liquidation analysis is presented on a consolidated basis. **Although the liquidation analysis is being presented on a consolidated basis, each Debtor is a separate legal entity with separate books and records.** Presenting the liquidation analysis on a consolidated basis does not change the results of the analysis, however, as the secured debt facilities are obligations of each Debtor must be paid in full before any recoveries may be made available for unsecured creditors of individual Debtors, and the liquidation analysis finds no such recoveries.

THIS LIQUIDATION ANALYSIS IS NOT AN ADMISSION AS TO THE VALIDITY OF ANY CLAIMS THAT MAY BE FILED IN THESE CASES.

Any difference in asset values between the values used herein and actual values on the date a liquidation process would begin would result in a variance to the estimated recovery amounts.

This analysis has not been examined or reviewed by independent accountants in accordance with standards promulgated by the AICPA.

A summary of the assets available for distribution in a High Value scenario and a Low Value scenario is presented (including of notes) on the following pages for the consolidated Debtors:

CONSOLIDATED LIQUIDATION ANALYSIS

	Book/Reserve	Recovery Estimate (%)		Estimate ($)	
GROSS LIQUIDATION PROCEEDS	**Value**	**Low**	**High**	**Low**	**High**
Cash and Equivalents	409,240	100%	100%	409,240	409,240
Trade Account Receivables	555,494	100%	100%	555,494	555,494
Inventory	131,258	25%	40%	32,815	52,503
Prepaid Assets	387,563	58%	65%	225,000	251,916
Proven Developed Producing Reserves	5,119,000	50%	60%	2,559,500	3,071,400
Total Gross Liquidation Proceeds				**3,782,049**	**4,340,553**
CHAPTER 7 EXPENSES					
Operational Wind Down Costs				200,000	150,000
Chapter 7 Trustee Fees				113,461	130,217
Professional Fees and Expenses				1,500,000	1,250,000
Administrative Claims				400,000	350,000
Other Priority Claims				-	-
Total Fees and Expenses				**2,213,461**	**1,880,217**
Net Proceeds Available For Distribution				**1,568,587**	**2,460,337**
DISTRIBUTIONS					
Senior Secured Notes	53,575,570	2.9%	4.6%	1,568,587	2,460,337
General Unsecured Claims	731,030	0.0%	0.0%	-	-

(a) Includes $531,030 in principal and accrued interest of the CLFCC loan provided to cover certain restructuring professional fees and expenses. Interest ceases to accrue on Petition Date.

Notes to Consolidated Liquidation Analysis:

1. Cash and Cash Equivalents: Cash and cash equivalents consist of all cash or liquid investments projected at June 28, 2019, with maturities of three months or less in banks or operating accounts and are assumed to be fully recoverable.
2. Trade Account Receivable: Account receivable is comprised of revenue collection from British Petroleum, the Debtors marketing partner. Debtors expect a full recovery in a liquidation scenario.
3. Inventory: Inventory is comprised of tubing, pipes and well head equipment.
4. Prepaid Assets: Prepaid Assets is comprised primarily of transportation deposits and prepaid management fees. The Debtor is highly confident that it would be able to recover its $225,000 for two prepaid months of transportation.
5. Proven Developed Producing Reserves: The company's Proven Reserves are located in East Texas, in Leon and Robertson counties. Management estimates that in a liquidation, gross proceeds received from the sale of proved developed producing reserves would range between 50% and 60% of Dundon's estimated value based on the Net Risk Asset Value valuation methodology and a 15% discount rate. This amount is net of a hypothetical buyer's estimated value for Asset Retirement Obligations. Management believes that due to time constraints, and based on their observations in the acquisition market, proved non-producing reserves and proved undeveloped reserves would be attributed little to no value.
6. Operational Wind-down Costs: For purposes of the liquidation analysis, Estate wind down costs consist primarily of the regularly occurring general and administrative costs

which will be required to operate the Debtors' businesses for a three month period following the asset monetization period.

7. Chapter 7 Trustee Fees: Section 326 of the Bankruptcy Code provides for Trustee fees of 3.0% for liquidation proceeds in excess of $1 million.

8. Professional Fees and Expenses: During the liquidation period, it will be necessary for the Debtors' estates to engage the services of various professionals to assist in the estates' liquidation including counsel, accountants, financial advisors, investment bankers and brokers. Once the asset sales are complete, certain corporate and administrative functions would be required to oversee the distribution of proceeds, to maintain and close the accounting records, and to prepare tax returns for the estates, among other things.

9. Administrative Claims: this is our range of estimate for post-Chapter 11 petition, pre-Chapter 7 conversion administrative expense claims.

10. Other Priority Claims: The Debtors estimate that there will be few if any priority claims additional to those included in the above categories.

11. Secured Claims: Secured creditor balances for purposes of the liquidation analysis are assumed to be the unpaid principal balance plus accrued interest as of June 28, 2019 on the Senior Secured Notes. We assume that the Senior Secured Notes will cease to accrue interest on Petition Date.

12. General Unsecured Claims: General unsecured creditors of the Debtors primarily include petition-date obligations to vendors and the deficiency claims of the pre-petition secured debt. These deficiency claims would significantly dilute any potential recovery to other general unsecured creditors to the extent that any value derived from the liquidation of assets unencumbered by the pre-petition secured debt remained after the satisfaction of administrative expense and priority unsecured claims.

IX. RISK FACTORS

Prior to voting to accept or reject the Plan, Holders of Class 3 or Class 4 Claims should read and carefully consider the risk factors set forth below, in addition to the information set forth in this Solicitation and Disclosure Statement, together with any attachments, exhibits, or documents incorporated by reference hereto. The factors below should not be regarded as the only risks associated with the Plan or its implementation.

A. *Risks Relating to the Chapter 11 Cases and the Debtors' Indebtedness*

1. *General*

While the Debtors believe that the Chapter 11 Cases will be of short duration and will not be materially disruptive to their businesses, the Debtors cannot be certain that this will be the case. Although the Plan is designed to minimize the length of the Chapter 11 Cases, it is impossible to predict with certainty the amount of time that one or more of the Debtors may spend in bankruptcy or to assure parties in interest that the Plan will be confirmed.

Even if confirmed on a timely basis, a bankruptcy case could have an adverse effect on the Debtors' businesses. Among other things, it is possible that the Chapter 11 Cases could adversely affect the Debtors' relationships with their key customer and suppliers. The

Chapter 11 Cases will also involve additional expense and may divert some of the attention of the Debtors' Management away from business operations.

2. *Availability and Approval of the Use of Cash Collateral.*

The Debtors' ability to use Cash Collateral depends on the Debtors' satisfaction of a number of conditions and approval by the Supporting Senior Secured Noteholder of a budget for the Debtors. To the extent that the Debtors are unable or fail to satisfy these or other conditions, including obtaining Court approval for the use of Cash Collateral, Cash Collateral may not be made available to them.

3. *Solicitation.*

Section 1126(b) of the Bankruptcy Code provides that the holder of a claim against, or interest in, a debtor who accepts or rejects a plan of reorganization before the commencement of a chapter 11 case is deemed to have accepted or rejected such plan under the Bankruptcy Code so long as the solicitation of such acceptance was made in accordance with applicable non- bankruptcy law governing the adequacy of disclosure in connection with such solicitations, or, if such laws do not exist, such acceptance was solicited after disclosure of "adequate information," as defined in section 1125 of the Bankruptcy Code.

In addition, Bankruptcy Rule 3018(b) states that a holder of a claim or interest who has accepted or rejected a plan before the commencement of the case under the Bankruptcy Code shall not be deemed to have accepted or rejected the plan if the court finds that the plan was not transmitted to substantially all creditors and equity security holders of the same class, that an unreasonably short time was prescribed for such creditors and equity security holders to accept or reject the plan, or that the solicitation was not in compliance with section 1126(b) of the Bankruptcy Code.

In order to satisfy the requirements of section 1126(b) of the Bankruptcy Code and Bankruptcy Rule 3018(b), the Debtors are attempting to deliver this Solicitation and Disclosure Statement to the Holders of Senior Secured Noteholder Claims and Professional Fee Claims as of the Voting Record Date. The Debtors rely upon section 3(a)(9) of the Securities Act to exempt this solicitation from the registration requirements of the Securities Act. The Debtors believe that the solicitation of votes to accept or reject the Plan is proper under applicable non- bankruptcy law, rules and regulations. The Debtors cannot be certain, however, that their solicitation of acceptances or rejections will be approved by the Bankruptcy Court and, if such approval is not obtained, the confirmation of the Plan could be denied.

If the Bankruptcy Court were to conclude that the Debtors did not satisfy the solicitation requirements, then the Debtors may seek to resolicit votes to accept or reject the Plan or to solicit votes to accept or reject the Plan from one or more Classes, including Classes that were not previously solicited. The Debtors cannot provide any assurances that such a resolicitation would be successful. In the event that the Debtors resolicit acceptances of the Plan from parties entitled to vote thereon, confirmation of the Plan could be delayed and possibly jeopardized. Non-confirmation of the Plan could result in an extended chapter 11 proceeding, during which time the Debtors could experience significant deterioration in their liquidity and their relationships with their trade vendors and major customers. Furthermore, if the Effective Date is significantly delayed, there is a risk that the Restructuring Support

Agreement may, or the use of Cash Collateral, expire or be terminated in accordance with their terms.

4. *Amendment of Plan Prior to Confirmation by the Debtors.*

The Debtors, subject to the terms and conditions of the Plan and the Restructuring Support Agreement, reserve the right to modify the terms and conditions of the Plan or waive any conditions thereto if and to the extent necessary or desirable. The potential impact of any such amendment or waiver on Holders of Claims and Membership Interests cannot presently be foreseen but may include a change in the economic impact of the Plan on some or all of the proposed Classes or a change in the relative rights of such Classes. In addition, if the Debtors seek to modify or amend the Plan after receiving sufficient acceptances, but prior to Confirmation, resolicitation of certain Classes may be required.

5. *Classification and Treatment of Claims and Membership Interests.*

Section 1122 of the Bankruptcy Code requires that the Plan classify Claims against, and Membership Interests in, the Debtors. The Bankruptcy Code also provides that the Plan may place a Claim or Membership Interest in a particular Class only if such Claim or Membership Interest is substantially similar to the other Claims or Membership Interests of such Class.

The Debtors believe that all Claims and Membership Interests have been appropriately classified in the Plan. The Debtors have elected to separately classify General Unsecured Claims because allowing these creditors holding such Claims to remain unimpaired allows the Debtors to pursue streamlined, prepackaged bankruptcy cases, minimizing their time in chapter 11 and its attendant costs and detrimental effects on the Debtors' businesses. Moreover, the Debtors believe that the classification proposed in the Plan maximizes the value of the Debtors' estates and the recoveries available to the creditor body at large because, such Claims are largely those of trade creditors, many of which are key suppliers of products and services essential to the Debtors' operations and who will continue to provide essential products and services to the Reorganized Debtors. Any impairment of these Claims could be detrimental to the Debtors' ability to obtain products, services and trade credit. To the extent that the Bankruptcy Court determines that such classification is incorrect, the Bankruptcy Court could deny confirmation of the Plan as to any Debtor. The Debtors separately classify the Senior Secured Notes Claims and Professional Fee Note Claims against the Debtors so that they may be solicited prepetition. The Holder of Professional Fee Note Claims is waiving any distribution under the Bankruptcy Code.

The Bankruptcy Code requires that the Plan provide the same treatment for each Claim or Membership Interest of a particular Class unless the Holder of a particular Claim or Membership Interest agrees to a less favorable treatment of its Claim or Membership Interest. The Debtors believe that the Debtors have complied with the requirement of equal treatment. To the extent that the Bankruptcy Court finds that the Plan does not satisfy such requirement, the Bankruptcy Court could deny confirmation of the Plan.

Issues or disputes relating to classification and/or treatment could result in a delay in the confirmation and consummation of the Plan, could make the Chapter 11 Cases more expensive to conduct than anticipated, and could increase the risk that the Plan will not be confirmed or consummated.

6. *Alternatives to Confirmation and Consummation of the Plan.*

There can be no assurance that the Plan will be confirmed or consummated as to any Debtor. If the Debtors commence the Chapter 11 Cases and the Plan is not subsequently confirmed by the Bankruptcy Court and consummated, the alternatives include: (i) confirmation of the Plan as to any Debtor following modifications approved by the Bankruptcy Court and potentially following re-solicitation of the Plan with regard to all or certain Debtors and Classes, (ii) confirmation of an alternative plan of reorganization under chapter 11 of the Bankruptcy Code, (iii) dismissal of the Chapter 11 Cases, and (iv) liquidation of the Debtors under chapter 7 or chapter 11 of the Bankruptcy Code (including through a sale under section 363 of the Bankruptcy Code). The Debtors believe the Plan is significantly more attractive than these alternatives because the Debtors believe, among other things, that it will ultimately result in a larger distribution to creditors than would other types of reorganizations under chapter 11 of the Bankruptcy Code or liquidation under chapter 7 of the Bankruptcy Code. Additionally, the Debtors believe the Plan will provide stakeholders with more valuable recoveries, minimize disputes concerning their reorganization, significantly shorten the time required to accomplish the reorganization, reduce the expenses of a case under chapter 11 of the Bankruptcy Code, and minimize the disruption to their business that would result from a protracted or contested bankruptcy case.

7. *Risk of Nonoccurrence of the Effective Date.*

Although the Debtors believe that the Effective Date will occur soon after the Confirmation Date, there can be no assurance as to such timing. The effectiveness of the Plan is subject to a number of conditions precedent, as outlined in section 8.1 of the Plan, and there can be no assurance that all such conditions will occur (or be waived in accordance with the terms of the Plan). If, for this or any other reason, the Effective Date is significantly delayed, there is a risk that the Restructuring Support Agreement may expire or be terminated in accordance with their terms. In such case, it is possible the Plan will not be consummated and the other restructuring alternatives described in Section A.8. of this Article will be pursued.

In particular, a condition precedent to consummation of the Plan is that the aggregate amount of all projected prepetition, non-contingent undisputed Claims against the Debtors, including, without limitation, all trade and other General Unsecured Claims, other than Claims with respect to, without limitation, amounts owed under the Senior Secured Notes projected by the Debtors to become Allowed Claims (including such Claims that at such date are already reasonably determined to be Allowed Claims) do not exceed in the aggregate $600,000. If this condition precedent is not met, the Plan may not be consummated. Additionally, this condition precedent may be waived, and the Plan may be consummated with a greater aggregate amount of General Unsecured Claims than the amount contemplated in Section 8.1(i) of the Plan.

If no plan of reorganization can be confirmed, or if the Bankruptcy Court otherwise finds that it would be in the best interest of Holders of Claims and Membership Interests, the Chapter 11 Cases may be converted to cases under chapter 7 of the Bankruptcy Code, pursuant to which a trustee would be appointed or elected to liquidate the Debtors' assets for distribution in accordance with the priorities established by the Bankruptcy Code.

8. *Termination of the Restructuring Support Agreement.*

The Debtors' ability to consummate the transactions contemplated by the Plan is

conditioned upon, among other things, satisfaction of the terms contained in the Restructuring Support Agreement. The Restructuring Support Agreement contains certain provisions that give parties the ability to terminate the Restructuring Support Agreement or individual parties' participation in the Restructuring Support Agreement upon the satisfaction of various conditions or occurrence of certain events. Pursuant to the terms of the Restructuring Support Agreement, upon termination of the Restructuring Support Agreement, the parties shall be released from their obligations thereunder, the Plan shall automatically be deemed withdrawn and the Debtors shall effectuate such withdrawal, and all consents and Ballots tendered by the Supporting Senior Secured Noteholder and the Lender prior to such termination shall be deemed automatically null and void *ab initio*. Accordingly, if the Restructuring Support Agreement terminates, the Debtors may need to further negotiate with the parties under the Restructuring Support Agreement to resolve any impediments to confirmation and consummation of the Plan, or resort to exploring other alternatives to consummation of the Plan. In addition, if the Restructuring Support Agreement is terminated, the Debtors will no longer have the support of or any incremental funding from the Supporting Senior Secured Noteholder, its largest secured creditor.

9. *Even if the Consummation of the Plan is Successful, the Debtors Will Continue to Face Risks.*

The transactions contemplated by the Plan are generally designed to improve the Debtors' liquidity and financial and operational flexibility to generate long-term growth and sustainability. Even if the implementation of the Plan is successful, the Debtors will continue to face a number of risks, including those beyond the Debtors' control, such as changes to economic conditions, changes in the Debtors' industry, changes in commodity prices, as well as the Debtors' reliance on their key customer and business relationships. As such, there is no guarantee that the transactions contemplated by the Plan will achieve the Debtors' goals.

B. *Risks Related to Financial Condition of Reorganized Debtors.*

1. *Natural gas and oil prices are highly volatile, and lower prices negatively affect the Reorganized Asset Debtor's financial results.*

The Reorganized Asset Debtor's revenue, profitability, cash flow, oil and natural gas reserves value, future growth, and ability to borrow funds or obtain additional capital, as well as the carrying value of its properties, are substantially dependent on prevailing prices of natural gas and oil. Historically, the markets for natural gas and oil have been volatile, and those markets are likely to continue to be volatile in the future. Predicting future natural gas and oil price movements with certainty is impossible. Prices for natural gas and oil are subject to wide fluctuations in response to relatively minor changes in the supply of and demand for natural gas and oil, market uncertainty, and a variety of additional factors beyond the Reorganized Asset Debtor's control. These factors include:

- the level of consumer energy product demand;
- the domestic and foreign supply of oil and natural gas;
- overall economic conditions;
- weather conditions;

- domestic and foreign governmental regulations and taxes;
- the price and availability of alternative fuels;
- political conditions in or affecting oil and natural gas producing regions;
- the level and price of foreign imports of oil and liquefied natural gas; and
- the ability of the members of the Organization of Petroleum Exporting Countries and other state controlled oil companies to agree upon and maintain oil price and production controls.

Declines in natural gas and oil prices may materially adversely affect the financial condition, liquidity, ability to finance planned capital expenditures and results of operations of the Reorganized Asset Debtor and may reduce the amount of oil and/or natural gas that such entities can produce economically.

2. [RESERVED]

C. *Risks Related to the Reorganized Asset Debtor's Assets and Projected Operations.*

1. *Drilling for and producing oil and natural gas are high risk activities with many uncertainties that could adversely affect the Reorganized Asset Debtor's business, financial condition or results of operations.*

- delays imposed by or resulting from compliance with regulatory requirements;
- pressure or irregularities in geological formations;
- shortages of or delays in obtaining equipment and qualified personnel;
- equipment failures or accidents;
- adverse weather conditions;
- reductions in oil and natural gas prices; and
- oil and natural gas property title problems.

2. *Reserve estimates depend on many assumptions that may turn out to be inaccurate. Any material inaccuracies in these reserve estimates or underlying assumptions will materially affect the quantities and present value of the Reorganized Asset Debtor's reserves.*

The process of estimating oil and natural gas reserves is complex, and it requires interpretations of available technical data and many assumptions, including assumptions relating to economic factors. Any significant inaccuracies in these interpretations or assumptions could materially affect the estimated quantities and present value of the Reorganized Asset Debtor's reported reserves. In order to prepare the Reorganized Asset Debtor's estimates, it must project production rates and the timing of development expenditures. It must also analyze available geological, geophysical, production and engineering data. The extent, quality and reliability of this data can vary. The process also requires that economic assumptions be made about matters such as oil and natural gas prices,

drilling and operating expenses, capital expenditures, taxes, and availability of funds. Therefore, estimates of oil and natural gas reserves are inherently imprecise. Actual future production, oil and natural gas prices received, revenues, taxes, development expenditures, operating expenses and quantities of recoverable oil and natural gas reserves most likely will vary from the Reorganized Asset Debtor's estimates. Any significant variance could materially affect the estimated quantities and present value of the Reorganized Asset Debtor's reported reserves. In addition, the Reorganized Asset Debtor may adjust estimates of proved reserves to reflect production history, results of exploration and development, prevailing oil and natural gas prices and other factors, many of which are beyond the Reorganized Asset Debtor's control.

3. *Seismic studies do not guarantee that hydrocarbons are present or if present will be produced in economic quantities.*

The Reorganized Asset Debtor will rely on seismic studies to assist it with assessing prospective drilling opportunities on its properties, as well as on properties that they may acquire. Such seismic studies are merely an interpretive tool and do not necessarily guarantee that hydrocarbons are present or if present will be produced in economic quantities.

4. *The Reorganized Asset Debtor depends on successful exploration, development and acquisitions to maintain revenue in the future.*

Generally, the volume of production from natural gas and oil properties declines as reserves are depleted, with the rate of decline depending on reservoir characteristics. Except to the extent that the Reorganized Asset Debtor conducts successful exploration and development activities or acquires properties containing proved reserves, or both, its proved reserves will decline as reserves are produced. To the extent that the Reorganized Debtors Asset have insufficient developmental opportunities within their existing acreage positions, their respective future natural gas and oil production will therefore be highly dependent on their level of success in finding or acquiring additional reserves.

As explained above, the business of exploring for, developing, or acquiring reserves is capital intensive. Recovery of the Reorganized Asset Debtor's reserves, particularly undeveloped reserves, will require significant additional capital expenditures and successful drilling operations. To the extent cash flow from operations is lower than anticipated due to low commodity prices, the Reorganized Asset Debtor's ability to make the necessary capital investment to maintain or expand its asset base of natural gas and oil reserves may be impaired unless other external sources of capital become available. In addition, the Reorganized Asset Debtor may be required to find partners for any future exploratory activity. To the extent that others in the industry do not have the financial resources or choose not to participate in the Reorganized Asset Debtor's exploration activities could be adversely affected.

5. *Market conditions or operational impediments may hinder the Reorganized Asset Debtor's access to oil and natural gas markets or delay its production.*

Unexpected and depressed market conditions or the unavailability of satisfactory oil and natural gas transportation arrangements may hinder the Reorganized Asset Debtor's

access to oil and natural gas markets or delay its production. The availability of a ready market for the Reorganized Asset Debtor's oil and natural gas production depends on a number of factors, including the demand for and supply of oil and natural gas and the proximity of reserves to pipelines and terminal facilities. The Reorganized Asset Debtor's ability to market production depends in substantial part on the availability and capacity of gathering systems, pipelines and processing facilities owned and operated by third parties. The Reorganized Asset Debtor's failure to obtain such services on acceptable terms could materially harm their business. Productive properties may be located in areas with limited or no access to pipelines, thereby necessitating delivery by other means, such as trucking, or requiring compression facilities. Such restrictions on the ability to sell oil or natural gas could have several adverse effects, including higher transportation costs, fewer potential purchasers (thereby potentially resulting in a lower selling price) or, in the event the Reorganized Asset Debtor is unable to market and sustain production from a particular lease for an extended time, possibly causing it to lose a lease due to lack of production.

6. *The Reorganized Asset Debtor may not be able to keep pace with technological developments.*

The natural gas and oil industry is characterized by rapid and significant technological advancements and introduction of new products and services which utilize new technologies. As others use or develop new technologies, the Reorganized Asset Debtor may be placed at a competitive disadvantage or competitive pressures may force it to implement those new technologies at substantial costs. In addition, other natural gas and oil companies may have greater financial, technical, and personnel resources that allow them to enjoy technological advantages and may in the future allow them to implement new technologies before the Reorganized Asset Debtor is able to implement such technologies. The Reorganized Asset Debtor may not be able to respond to these competitive pressures and implement new technologies on a timely basis or at an acceptable cost. If one or more of the technologies the Reorganized Asset Debtor uses now or in the future were to become obsolete or if it was unable to use the most advanced commercially available technology, the Reorganized Asset Debtor's business, financial condition, and results of operations could be materially adversely affected.

7. *The Reorganized Asset Debtor faces strong competition from other natural gas and oil companies.*

The Reorganized Asset Debtor encounters competition from other natural gas and oil companies in all areas of operations, including the acquisition of exploratory prospects and proved properties. The Reorganized Asset Debtor's competitors include major integrated natural gas and oil companies and numerous independent natural gas and oil companies, individuals, and drilling and income programs. Many of these competitors are large, well-established companies that have been engaged in the natural gas and oil business much longer than the Reorganized Asset Debtor has and possess substantially larger operating staffs and greater capital resources than the Reorganized Asset Debtor. These companies may be able to pay more for exploratory projects and productive natural gas and oil properties and may be able to define, evaluate, bid for, and purchase a greater number of properties and prospects than the Reorganized Asset Debtor's financial or human resources permit. In addition, these companies may be able to expend greater resources on the existing and changing technologies that the Reorganized Asset Debtor believes are and will be increasingly important to attaining

success in the industry. The Reorganized Asset Debtor may not be able to conduct operations, evaluate, and select suitable properties and consummate transactions successfully in this highly competitive environment.

8. *The Reorganized Asset Debtor is subject to complex laws that can affect the cost, manner or feasibility of doing business.*

The exploration, development, production and sale of oil and natural gas is subject to extensive federal, state, local and international regulation. The Reorganized Asset Debtor may be required to make large expenditures to comply with such governmental regulations. Matters subject to regulation include:

- permits for operations;
- drilling and plugging bonds;
- reports concerning operations;
- the spacing and density of wells;
- unitization and pooling of properties;
- environmental maintenance and cleanup of drill sites and surface facilities; and
- protection of human health

From time to time, regulatory agencies have also imposed price controls and limitations on production by restricting the rate of flow of natural gas and oil wells below actual production capacity in order to conserve supplies of natural gas and oil. Under these laws, the Reorganized Asset Debtor could be liable for personal injuries, property damage and other damages. Failure to comply with these laws also may result in the suspension or termination of the Reorganized Asset Debtor's operations and subject it to administrative, civil and criminal penalties. Moreover, these laws could change in ways that substantially increase the Reorganized Asset Debtor's costs. Any such liabilities, penalties, suspensions, terminations or regulatory changes could materially adversely affect the Reorganized Asset Debtor's financial condition and results of operations.

9. *The Reorganized Asset Debtor's Mineral Leases Could Expire or Become Involuntarily Terminated*

The Reorganized Asset Debtor's properties are held in the form of leases and working interests in leases. If the Reorganized Asset Debtor fails to meet the specific requirement of a lease, the lease may terminate or expire. There can be no assurance that any of the obligations required to maintain each of the Reorganized Asset Debtor's leases will be met or have been met prior to the Petition Date. The termination or expiration of a lease or the working interest relating to a lease may have a material adverse effect on the results of the Reorganized Asset Debtor's operations and business. In addition, title to the Reorganized Asset Debtor's properties can become subject to dispute and defeat the Reorganized Asset Debtor's claim to title over certain of its properties.

10. *The Reorganized Asset Debtor's operations may cause it to incur substantial liabilities for failure to comply with environmental laws and regulations.*

The Reorganized Asset Debtor's oil and natural gas operations are subject to stringent federal, state and local laws and regulations relating to the release or disposal of materials into the environment or otherwise relating to environmental protection. These laws and regulations may require the acquisition of a permit or other authorizations before drilling commences, restrict the types, quantities and concentration of substances that can be released into the environment in connection with drilling and production activities, require permitting or authorization for release of pollutants into the environment, limit or prohibit drilling activities on certain lands lying within wilderness, wetlands, areas inhabited by endangered or threatened species, and other protected areas, and impose substantial liabilities for pollution resulting from historical and current operations. Failure to comply with these laws and regulations may result in the assessment of administrative, civil and criminal penalties, incurrence of investigatory or remedial obligations or the imposition of injunctive relief. Changes in environmental laws and regulations occur frequently, and any changes that result in more stringent or costly waste handling, storage, transport, disposal or cleanup requirements could require the Reorganized Asset Debtor to make significant expenditures to maintain compliance, and may otherwise have a material adverse effect on its results of operations, competitive position or financial condition as well as on the industry in general. Under these environmental laws and regulations, the Reorganized Asset Debtor could be held strictly liable for the removal or remediation of previously released materials or property contamination regardless of whether it was responsible for the release or operations were standard in the industry at the time they were performed.

11. *The Reorganized Debtors may not have enough insurance to cover all of the risks that they face, and operators of prospects in which they participate may not maintain or may fail to obtain adequate insurance.*

In accordance with customary industry practices, the Reorganized Debtors maintain insurance coverage against some, but not all, potential losses in order to protect against the risks they face. The respective Reorganized Debtors may elect not to carry insurance if management believes that the cost of available insurance is excessive relative to the risks presented. In addition, the respective Reorganized Debtors cannot insure fully against all risks. The occurrence of an event not fully covered by insurance could have a material adverse effect on the respective Reorganized Debtors' financial condition and results of operations.

Oil and natural gas operations are subject to particular hazards incident to the drilling and production of oil and natural gas, such as blowouts, cratering, explosions, uncontrollable flows of oil, natural gas or well fluids, fires and pollution and other environmental risks. These hazards can cause personal injury and loss of life, severe damage to and destruction of property and equipment, pollution or environmental damage and suspension of operation. The occurrence of a significant adverse event that is not fully covered by insurance could result in the loss of the respective Reorganized Asset Debtor's total investment in a particular prospect which could have a material adverse effect on its financial condition and results of operations.

X. CERTAIN OTHER LEGAL CONSIDERATIONS

A. *Solicitation of Votes Prior to Commencement of Chapter 11 Cases and Section 3(a)(9) of the Securities Act*

The Debtors are relying on section 3(a)(9) of the Securities Act to exempt from the registration requirements of the Securities Act the offer to the Holder of the Senior Secured Notes Claims of the Reorganized Energy Debtor Common Stock that may be deemed to be made pursuant to the solicitation of votes on the Plan. Section 3(a)(9) of the Securities Act provides an exemption from the registration requirements of the Securities Act for any security exchanged by the issuer with its existing security holders exclusively where no commission or other remuneration is paid or given directly or indirectly for soliciting such exchange.

The Debtors have no contract, arrangement or understanding relating to, and will not, directly or indirectly, pay any commission or other remuneration to any broker, dealer, salesperson, agent or any other person for soliciting votes to accept or reject the Plan or for soliciting any exchanges of Senior Secured Notes or Professional Fee Note Claims. In addition, none of their financial advisors nor those to the Supporting Senior Secured Noteholders or the Lender, and no broker, dealer, salesperson, agent or any other person, has been engaged or authorized to express any statement, opinion, recommendation or judgment with respect to the relative merits and risks of the solicitation or the Plan (and the transactions contemplated thereby).

B. *Section 1145 of the Bankruptcy Code*

1. *Initial Offer and Sale of Securities.*

Section 1145(a)(1) of the Bankruptcy Code exempts the offer and sale of securities under a plan of reorganization from registration under section 5 of the Securities Act and state securities laws if three principal requirements are satisfied: (i) the securities are offered and sold under a plan of reorganization and are securities of the debtor, of an Affiliate participating in a joint plan with the debtor, or of a successor to the debtor under the plan; (ii) the recipients of the securities must hold a claim against, or an interest in, the debtor or such Affiliate; and (iii) the securities are issued entirely in exchange for the recipient's claims against or interests in the debtor, or are issued "principally" in such exchange and "partly" in exchange for cash or property. In addition, section 1145(a)(2) exempts from the registration under section 5 of the Securities Act and state securities laws, the offer of a security through any warrant, option, right to subscribe, or conversion privilege that was sold in the manner specified in section 1145(a)(1). The Debtors believe that the distribution of the Reorganized Energy Debtor Membership Interests and Reorganizing Asset Debtor Membership Interests under the Plan satisfies the requirements of sections 1145 of the Bankruptcy Code and are, therefore, exempt from registration under the Securities Act and state securities laws.

2. *Subsequent Transfers of Securities.*

To the extent not otherwise prohibited, and subject to the terms of the Reorganized Energy Debtor Constituent Documents, as applicable, all Reorganized Energy Debtor Membership Interests and Reorganizing Asset Debtor Membership Interests issued under the Plan and covered by section 1145 of the Bankruptcy Code may be resold by the holders thereof without registration unless, as more fully described below, the holder is an "underwriter" with respect to such securities, as such term is defined in section 1145(b)(1) of the Bankruptcy Code. Generally, section 1145(b)(1) of the Bankruptcy Code defines an "underwriter" as any person who: (i) purchases a claim against, an interest in, or a claim for an administrative expense in the case concerning, the debtor, if such purchase is with a view

to distributing any security received in exchange for such a claim or interest; (ii) offers to sell securities offered under a plan for the holders of such securities; (iii) offers to buy such securities from the holders of such securities, if the offer to buy is: (a) with a view to distributing such securities; and (b) under an agreement made in connection with the plan, the consummation of the plan, or with the offer or sale of securities under the plan; or (iv) is an "issuer" with respect to the securities, as the term "issuer" is used in section 2(a)(11) of the Securities Act. Under section 2(a)(11) of the Securities Act, an "issuer" includes, in addition to an issuer, any person directly or indirectly controlling or controlled by the issuer, or any person under direct or indirect common control of the issuer. "Control" (as such item is defined in rule 405 promulgated under the Securities Act) means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a person, whether through the ownership of voting of securities, by contract or otherwise.

To the extent that Persons who receive Reorganized Energy Debtor Membership Interests or Reorganizing Asset Debtor Membership Interests pursuant to the Plan are deemed to be "underwriters" as defined in section 1145(b) of the Bankruptcy Code, including as an "affiliate" of the issuer, resales by such Persons would not be exempted by section 1145 of the Bankruptcy Code from registration under the Securities Act or other applicable law. Consequently, an "underwriter" or "affiliate" may not resell Reorganized Energy Debtor Membership Interests or Reorganizing Asset Debtor Membership Interests except in compliance with the registration requirements of the Securities Act or an exemption therefrom, including Rule 144. In addition, any person who is an "underwriter" but not an "issuer," including an "affiliate," with respect to an offer and sale of securities is entitled to engage in exempt "ordinary trading transactions" within the meaning of section 1145(b) of the Bankruptcy Code.

Whether or not any particular person would be deemed to be an "underwriter" with respect to the Reorganized Energy Debtor Membership Interests or Reorganizing Asset Debtor Membership Interests to be issued pursuant to the Plan would depend upon various facts and circumstances applicable to that person. Accordingly, the Debtors express no view as to whether any particular Person receiving Reorganized Energy Debtor Membership Interests or Reorganizing Asset Debtor Membership Interests under the Plan would be an "underwriter" with respect to such Reorganized Energy Debtor Membership Interests or Reorganizing Asset Debtor Membership Interests.

Given the complex and subjective nature of the question of whether a particular holder may be an "underwriter," the Debtors make no representation concerning the right of any Person to trade in Reorganized Energy Debtor Membership Interests or Reorganizing Asset Debtor Membership Interests. The Debtors recommend that potential recipients of Reorganized Energy Debtor Membership Interests or Reorganizing Asset Debtor Membership Interests consult their own counsel concerning whether they may freely trade Reorganized Energy Debtor Membership Interests or Reorganizing Asset Debtor Membership Interests without taking additional action to ensure compliance with the Securities Act, the Exchange Act or similar state and federal laws.

3. *Subsequent Transfers Under State Law.*

State securities laws generally provide registration exemptions for subsequent

transfers by a bona fide owner for the owner's own account and subsequent transfers to institutional or accredited investors. Such exemptions generally are expected to be available for subsequent transfers of the Reorganized Energy Debtor Membership Interests or Reorganizing Asset Debtor Membership Interests.

4. *No Representation Regarding Appropriateness of Investment*

The Debtors are not making any representation to any creditor or offeree of the securities issued under the Plan regarding the legality of any investment therein by such creditor or offeree under "appropriate legal investment" or similar laws or regulations.

XI. FEDERAL INCOME TAX CONSEQUENCES

A. *General.*

The following discussion summarizes certain anticipated U.S. federal income tax consequences of the Plan to the Debtors and certain Holders of Claims or Interests. This summary is provided for general information purposes only and should not be relied upon for purposes of determining the specific tax consequences of the Plan with respect to any particular holder of a Claim or an Interest. This summary does not purport to be a complete analysis or listing of all potential tax considerations.

This summary is based on the Internal Revenue Code of 1986, as amended (the "Tax Code"), Treasury regulations promulgated thereunder (the "Regulations"), judicial authorities, current published administrative rulings and pronouncements of the Internal Revenue Service (the "IRS"), and other applicable authorities, all as in effect as of the date hereof. Legislative, judicial, or administrative changes or new interpretations enacted or promulgated after the date hereof could alter or modify the analyses set forth below with respect to the U.S. federal income tax consequences of the Plan. Any such changes or new interpretations could have retroactive effect and could significantly affect the U.S. federal income tax consequences described below.

This summary does not address all aspects of U.S. federal income taxation that may be relevant to a particular holder of a Claim or an Interest in light of its particular facts and circumstances or to certain types of holders of Claims subject to special treatment under the Tax Code (e.g., persons who are related to either of the Debtors within the meaning of the Tax Code, non-U.S. taxpayers, banks, mutual funds, financial institutions, broker-dealers, insurance companies, small business investment companies, tax-exempt organizations, real estate investment trusts, regulations investment companies, grantor trusts, persons holding a Claim as part of a "hedging," "integrated," or "constructive" sale or straddle transaction, persons holding Claims through a partnership or other pass-through entity, persons that have a "functional currency" other than the U.S. dollar, and holders of Claims or Interests who are themselves in bankruptcy). If a partnership (or other entity or arrangement taxed as a partnership) holds a Claim or an Interest, the tax treatment of a partner in the partnership generally will depend upon the status of the partner and upon the activities of the partnership. This summary does not address the tax considerations applicable to holders who obtained their Claims or Interests (or the rights underlying such Claims or Interests) in connection with the performance of services. This summary does not discuss any aspects of foreign, state, local, estate, or gift taxation, nor does it apply to any person that acquires any of the exchange consideration in the secondary market. This summary does not address the U.S. federal income

tax consequences to holders of Claims or Interests that are not entitled to vote on the Plan, including holders whose Claims or Interests are entitled to reinstatement or payment in full in Cash under the Plan or holders whose Claims or Interests are otherwise not Impaired under the Plan.

The U.S. federal income tax consequences of the Plan are complex and are subject to significant uncertainties. In addition, a substantial amount of time may elapse between the date of this Disclosure Statement and the receipt of a final distribution or transfer under the Plan. Events occurring after the date of this Disclosure Statement, such as additional tax legislation, court decisions, or administrative changes, could affect the U.S. federal income tax consequences of the Plan and the transactions contemplated hereby. Thus, there can be no assurance that the IRS will not take a contrary view with respect to one or more of the issues discussed below. No ruling will be sought from the IRS with respect to any of the tax aspects of the Plan, and no opinion of counsel has been or will be obtained by the Debtors with respect thereto.

TO ENSURE COMPLIANCE WITH TREASURY DEPARTMENT CIRCULAR 230, EACH HOLDER OF A CLAIM OR AN INTEREST IS HEREBY NOTIFIED THAT (1) ANY DISCUSSION OF U.S. FEDERAL TAX ISSUES IN THIS DISCLOSURE STATEMENT IS NOT INTENDED OR WRITTEN TO BE RELIED UPON, AND CANNOT BE RELIED UPON, BY ANY HOLDER OF A CLAIM OR AN INTEREST FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON A HOLDER OF A CLAIM OR AN INTEREST UNDER THE TAX CODE; (2) SUCH DISCUSSION IS WRITTEN IN CONNECTION WITH THE CONFIRMATION OF THE PLAN TO WHICH THE TRANSACTIONS DESCRIBED IN THIS DISCLOSURE STATEMENT ARE ANCILLARY; AND (3) A HOLDER OR ITS ASSIGNEE OR DESIGNEE OF A CLAIM OR AN INTEREST SHOULD SEEK ADVICE BASED UPON ITS PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

THE DISCUSSION SET FORTH IN THIS DISCLOSURE STATEMENT IS INCLUDED FOR GENERAL INFORMATION ONLY AND IS NOT A SUBSTITUTE FOR CAREFUL TAX PLANNING AND ADVICE BASED ON THE INDIVIDUAL CIRCUMSTANCES PERTAINING TO A HOLDER OF A CLAIM OR AN INTEREST. EACH HOLDER SHOULD CONSULT ITS OWN TAX ADVISOR REGARDING THE FEDERAL INCOME TAX CONSEQUENCES, AS WELL AS OTHER FEDERAL, STATE, LOCAL, AND OTHER TAX CONSEQUENCES, CONTEMPLATED UNDER OR IN CONNECTION WITH THE PLAN IN LIGHT OF ITS PARTICULAR CIRCUMSTANCES.

B. *Tax Consequences to the Debtors.*

1. *Cancellation of Debt Income.*

Under the Tax Code, a U.S. taxpayer generally must include in gross income the amount of any cancellation of indebtedness ("COD") income recognized during the taxable year. COD income generally equals the excess of the adjusted issue price of the indebtedness discharged over the sum of (i) the amount of cash, (ii) the issue price of any new debt, and (iii) the fair market value of any other property (including stock) transferred by the debtor in

satisfaction of such discharged indebtedness. COD income also includes any interest that has been previously accrued and deducted but remains unpaid at the time the indebtedness is discharged.

Section 108(a)(l)(A) of the Tax Code provides an exception to this rule, however, where a taxpayer is in bankruptcy and where the discharge is granted, or is effected pursuant to a plan approved by, the Bankruptcy Court. In such a case, instead of recognizing income, the taxpayer is required, under Section 108(b) of the Tax Code, to reduce certain of its tax attributes by the amount of COD income. The attributes of the taxpayer are to be reduced in the following order: current year Net Operating Losses ("NOL") and NOL carryforwards, general business and minimum tax credit carryforwards, capital loss carryforwards, the basis of the taxpayer's assets, and finally, foreign tax credit carryforwards (collectively, "Tax Attributes"). The reduction in Tax Attributes generally occurs after the calculation of a debtor's tax for the year in which the debt is discharged. Section 108(b)(5) of the Tax Code permits a taxpayer to elect to first apply the reduction to the basis of the taxpayer's depreciable assets, with any remaining balance applied to the taxpayer's other Tax Attributes in the order stated above. In addition to the foregoing, Section 108(e)(2) of the Tax Code provides a further exception to the realization of COD income upon the discharge of debt, providing that a taxpayer will not recognize COD income to the extent that the taxpayer's satisfaction of the debt would have given rise to a deduction for federal income tax purposes.

The Debtors may realize COD income as a result of the Plan. The ultimate amount of any COD income realized by the Debtors is uncertain because, among other things, it will depend on the fair market value of all equity securities or debt issued, respectively, to Holders of Class 3 Claims and Class 4 Claims on the Effective Date.

2. *NOLs and Other Attributes.*

Following the Effective Date, the Debtors expect to have NOLs. In addition, the respective Reorganized Energy and Asset Debtors may generate NOLs in future taxable years if and to the extent that future deductible expenses exceed their income and gain in those years.

3. *Annual Limitation on Use of NOLs.*

The amount of the Debtors' NOLs may be reduced as a result of the reduction of Tax Attributes described above. Additionally, the Debtors' ability to utilize its NOLs allocable to periods prior to the Effective Date (the "Pre-Change Losses") may be subject to limitation pursuant to Section 382 of the Tax Code as a result of the change in ownership of the Debtors that will occur upon the emergence from bankruptcy, as described below.

General Section 382 Limitation. In general, when a corporation undergoes an "ownership change" and the corporation does not qualify for (or elects out of) the Bankruptcy Exception discussed below, Section 382 of the Tax Code limits the corporation's ability to utilize its Pre-Change Losses to offset future taxable income. Such limitation also may apply to certain losses or deductions that are "built-in" (i.e., economically accrued but unrecognized) as of the date of the ownership change and that are subsequently recognized. An "ownership change" generally is defined as a more than 50 percentage point aggregate increase in ownership of the value of the stock of a "loss corporation" (a corporation with NOLs) by one or more stockholders holding at least 5% of the outstanding equity of the corporation that takes place during a testing period (generally three years) ending on the date on which such change

in ownership is tested. It is anticipated that the Debtors will undergo an ownership change as a result of the Plan.

In general, unless the corporation is eligible for and does not elect out of the Bankruptcy Exception (defined below), when a corporation undergoes an ownership change pursuant to a bankruptcy plan, Section 382 of the Tax Code places an annual limitation on a corporation's use of Pre-Change Losses equal to the product of (i) the fair market value of the stock of the corporation immediately after the ownership change (with certain adjustments, and unless the fair market value of all of the corporation's assets immediately before the ownership change is less than the post-change stock value); and (ii) the highest of the adjusted federal "long-term tax exempt rates" in effect for any month in the three-calendar-month period ending with the month in which the ownership change occurs (the "Annual Limitation"). In the case of an ownership change occurring not under the Bankruptcy Exception, the stock value used in determining the Annual Limitation is the value immediately before the ownership change. For any taxable year ending after an ownership change, the NOLs that can be used in that year to offset taxable income of a corporation cannot exceed the amount of the Annual Limitation. Any unused Annual Limitation may be carried forward, thereby increasing the Annual Limitation in the subsequent taxable years. If the corporation does not continue its historic business or use a significant portion of its assets in a new business for two years after the ownership change, the Annual Limitation resulting from the ownership change is zero.

Built-in Gain and Losses. Under certain circumstances, Section 382 of the Tax Code also limits the deductibility of certain built-in losses that are recognized during the five years following the date of an ownership change. In particular, subject to a de minimis exception, if a loss corporation has a net unrealized built-in loss at the time of an ownership change (taking into account the difference between the tax basis and value of its assets and its items of "built-in" income and deduction), then any built-in losses recognized during the following five years (up to the amount of the net unrealized built-in loss at the time of the ownership change) generally will be treated as a Pre-Change Loss and will be subject to the Annual Limitation.

Conversely, if the loss corporation has more than a de minimis net unrealized built-in gain at the time of an ownership change, any built-in gains recognized during the following five years (up to the amount of the net unrealized built-in gain at the time of the ownership change) generally will increase the Annual Limitation in the year recognized, such that the loss corporation would be permitted to use its Pre-Change Losses against such built-in gain income in addition to its regular Annual Limitation.

Bankruptcy Exception. Section 382(l)(5) of the Tax Code provides an exception to the Annual Limitation for corporations under the jurisdiction of a court in a Title 11 case (the "Bankruptcy Exception") if shareholders of the debtor immediately before an ownership change and qualified (so-called "historic") creditors of a debtor receive, in respect of their claims, stock with at least 50% of the vote and value of all the stock of the reorganized debtor pursuant to a confirmed bankruptcy plan of reorganization. For this purpose, a "historic creditor" is a creditor that (i) has held its indebtedness since the date that is at least eighteen months before the date on which the debtor filed its petition with the Bankruptcy Court; or (ii) whose indebtedness arose in the ordinary course of the business of the debtor and is held by the creditor who at all times was the beneficial owner of such claim. In determining whether the Bankruptcy Exception applies, certain holders of claims that own directly or indirectly less than 5% of the total fair market value of the debtor's stock immediately after the ownership

change are presumed to have held their claims since the origination of such claims, other than in certain cases where the debtor has actual knowledge that the creditor has not owned the debt for the requisite period. The Bankruptcy Exception applies to a reorganized debtor if these requirements are satisfied unless the debtor files an election for the Bankruptcy Exception not to apply.

If a corporation is eligible for and applies the Bankruptcy Exception, its Pre-Change Losses will not be subject to the Annual Limitation. However, under the Bankruptcy Exception, the amount of the corporation's Pre-Change Losses and certain pre-change Tax Attributes that may be carried over to a post-change year must be reduced to the extent attributable to any interest paid or accrued during the taxable year of the ownership change (up to the date of the ownership change) and the three preceding taxable years in respect of certain indebtedness that was exchanged for stock pursuant to the bankruptcy reorganization. In addition, if the Bankruptcy Exception applies and there is another ownership change of the Debtor within two years after consummation of the bankruptcy plan of reorganization, an Annual Limitation of zero will be imposed on the use of NOLs and built-in losses that remain on the date of the second ownership change.

Even if an applicable Debtor qualifies for the Bankruptcy Exception, it may nevertheless elect for such exception not to apply and instead remain subject to the Annual Limitation described above. This election would have to be made on the applicable Debtor's U.S. federal income tax return for the taxable year in which the ownership change occurs. The determination of the application of the Bankruptcy Exception is fact specific. The Debtors have not yet determined whether they will be eligible for the Bankruptcy Exception, and if either of the Debtors were entitled to such exception, whether such Debtor(s) would make the election not to have the Bankruptcy Exception apply.

4. *Federal Alternative Minimum Tax.*

In general, a federal alternative minimum tax ("AMT") is imposed on a corporation's alternative minimum taxable income at a rate of 20% to the extent that such tax exceeds the corporation's regular federal income tax for the year. A corporation's alternative minimum taxable income generally is equal to its regular taxable income with certain adjustments. In computing taxable income for AMT purposes, certain tax deductions and other beneficial allowances are modified or eliminated. In particular, even though a corporation otherwise might be able to offset all of its taxable income for regular federal income tax purposes by applying NOL carryforwards, only 90% of the corporation's taxable income for AMT purposes may be offset by available NOL carryforwards (as computed for AMT purposes). Accordingly, usage of the Debtors' NOLs by the applicable Reorganized Debtors may be subject to limitations for AMT purposes in addition to any other limitations that may apply.

In addition, if a corporation undergoes an "ownership change" within the meaning of Section 382 of the Tax Code and has a net unrealized built-in loss on the date of the ownership change, the corporation's aggregate tax basis in its assets may be reduced for certain AMT purposes to reflect the fair market value of the assets on the ownership change date. Accordingly, if an applicable Debtor is in a net unrealized built-in loss position on the Effective Date, for AMT purposes the tax benefits attributable to basis in assets may be reduced.

Any AMT that a corporation pays generally will be allowed as a nonrefundable credit

against its regular federal income tax liability in future years when the corporation is no longer subject to the AMT.

C. *Tax Consequences to Holders of Class 3 and Class 4 Claims.*

The U.S. federal income tax consequences of the Plan to the Holders of Class 3 and Class 4 Claims will depend upon, among other things, (a) the nature of the indebtedness owed to it; (b) whether the underlying documentation memorializing such Claims constitute "securities" for U.S. federal income tax purposes; (c) the type of consideration received by the Holders of Allowed Class 3 and Class 4 Claims in exchange for the Claims and whether such consideration constitutes a "security" for U.S. federal income tax purposes; (d) whether the Holder reports income on the accrual or cash basis; (e) whether the Holder has previously taken a bad debt deduction or worthless security deduction with respect to the Claims treated under the Plan; and (f) whether the Holder receives distributions under the Plan in more than one taxable year.

The tax consequences of the Plan to the Holders of Class 3 and Class 4 Claims are uncertain. Holders of such Claims should consult their tax advisors regarding whether the treatment of such Claims pursuant to the Plan will result in any taxable transactions or tax liability.

1. *Accrued but Unpaid Interest.*

Whether or not the Senior Secured Notes are treated as "securities" for U.S. federal income tax purposes, any amount received by a Holder of Senior Secured Notes Claims or its assignee or designee, that is attributable to accrued interest not theretofore included in income would be taxable to the lender as interest income. Conversely, a Holder, or its assignee or designee, of Senior Secured Notes Claims may be able to recognize a deductible loss (or, possibly, a write-off against a reserve for worthless debts) to the extent that any accrued interest on the Senior Secured Notes was previously included in such Holder's gross income but was not paid in full by the Debtors. Such loss may be ordinary, but the tax law is unclear on this point.

Although the manner in which consideration is to be allocated between accrued interest and principal for these purposes is unclear.

Certain legislative history indicates that an allocation of consideration as between principal and interest provided in a chapter 11 plan of reorganization is binding for U.S. federal income tax purposes, while certain Regulations treat payments as allocated first to any accrued but untaxed interest. Pursuant to the Plan, distributions in respect of Allowed Claims shall be allocated first to the principal amount of such Claims (as determined for U.S. federal income tax purposes) and then, to the extent the consideration exceeds the principal amount of the Claims, to any portion of such Claims for accrued but unpaid interest. However, the provisions of the Plan are not binding on either the IRS or a court with respect to the appropriate tax treatment for creditors.

2. *Market Discount.*

Under the "market discount" provisions of sections 1276 through 1278 of the Tax Code, some or all of any gain realized by a Holder, or its assignee or designee, exchanging the debt instruments constituting its Allowed Claim may be treated as ordinary income (instead of capital gain), to the extent of the amount of "market discount" on the debt constituting the

surrendered allowed claim.

In general, a debt instrument is considered to have been acquired with "market discount" if it is acquired other than on original issue and if its Holder's, or its assignee's or designee's, adjusted tax basis in the debt instrument is less than (i) the sum of all remaining payments to be made on the debt instrument, excluding "qualified stated interest" or, (ii) in the case of a debt instrument issued with "original issue discount," its adjusted issue price, by at least a de minimis amount (equal to 0.25% of the sum of all remaining payments to be made on the debt instrument, excluding qualified stated interest, multiplied by the number of remaining whole years to maturity).

Any gain recognized by a Holder, or its assignee or designee, on the taxable disposition (determined as described above) of debts that it acquired with market discount would be treated as ordinary income to the extent of the market discount that accrued thereon while such debts were considered to be held by the Holder, or its assignee or designee, (unless the Holder, or its assignee or designee, elected to include market discount in income as it accrued). To the extent that the surrendered debts that had been acquired with market discount are exchanged in a tax-free or other reorganization transaction for other property (as may occur here if the exchange is treated as a recapitalization), any market discount that accrued on such debts but was not recognized by the Holder, or its assignee or designee, may be required to be carried over to the property received therefor and any gain recognized on the subsequent sale, exchange, redemption or other disposition of such property may be treated as ordinary income to the extent of the accrued but unrecognized market discount with respect to the exchanged debt instrument.

D. *Information Reporting and Backup Withholding.*

Certain payments, including the payments with respect to Claims pursuant to the Plan, may be subject to information reporting by the Debtors to the IRS. Moreover, such reportable payments may be subject to backup withholding under certain circumstances. Backup withholding is not an additional tax. Rather, amounts withheld under the backup withholding rules may be credited against a Holder's, or its assignee or designee, federal income tax liability, and a Holder, or its assignee or designee, may obtain a refund of any excess amounts withheld under the backup withholding rules by filing an appropriate claim for refund with the IRS (generally a U.S. federal income tax return). The Debtors intend to comply with all applicable reporting withholding requirements of the Tax Code.

Holders, or their assignees or designees, should consult their tax advisors regarding their qualification for exemption from backup withholding and information reporting and the procedures for obtaining such an exemption.

The Regulations generally require disclosure by a taxpayer on its U.S. federal income tax return of certain types of transactions in which the taxpayer participated, including, among other types of transactions, certain transactions that result in the taxpayer's claiming a loss in excess of certain thresholds. Holders, or their assignees or designees, should consult their tax advisors regarding these Regulations and whether the exchanges contemplated by the Plan would be subject to these Regulations and require disclosure on the Holders', or their assignees or designees, tax returns.

E. *Importance of Obtaining Professional Tax Assistance.*

THE FOREGOING SUMMARY HAS BEEN PROVIDED FOR INFORMATIONAL PURPOSES ONLY. THE TAX CONSEQUENCES ARE IN MANY CASES UNCERTAIN AND MAY VARY DEPENDING ON A HOLDER'S, OR ITS ASSIGNEE'S OR DESIGNEE'S, PARTICULAR CIRCUMSTANCES. ALL HOLDERS, OR THEIR ASSIGNEES OR DESIGNEES, OF CLAIMS AND INTERESTS SHOULD CONSULT THEIR TAX ADVISORS CONCERNING THE FEDERAL, STATE, LOCAL, AND OTHER TAX CONSEQUENCES APPLICABLE UNDER THE PLAN.

XII. CONFIRMATION

Confirmation Hearing

A. *Combined Disclosure Statement and Confirmation Hearing.*

Section 1128(a) of the Bankruptcy Code requires a bankruptcy court, after notice, to hold a confirmation hearing on a chapter 11 plan. Section 1128(b) provides that any party in interest may object to the confirmation of the chapter 11 plan. When the Debtors commence their Chapter 11 Cases, they will file a motion on or after the Petition Date to schedule a hearing to confirm the adequacy of the Plan and the Solicitation and Disclosure Statement (such combined hearing described herein as the "**Confirmation Hearing**"). Notice of the Confirmation Hearing will be provided to all Holders of Claims and Equity Interests or their agents or representatives. Objections to the Solicitation and Disclosure Statement and/or the Plan must be filed with the Bankruptcy Court by the date set forth in the notice of the hearing and served upon all parties as required by Bankruptcy Rules 3017(a) and 3020(b). UNLESS AN OBJECTION IS TIMELY FILED AND SERVED IN THE MANNER SET FORTH IN THE BANKRUPTCY CODE, THE BANKRUPTCY RULES, AND LOCAL RULES OF THE BANKRUPTCY COURT, SUCH OBJECTION MAY NOT BE CONSIDERED BY THE BANKRUPTCY COURT.

B. *Confirmation of the Plan.*

At the Confirmation Hearing, the Bankruptcy Court will confirm the Plan only if the requirements of section 1129 of the Bankruptcy Code are met. Among the requirements for confirmation are that the plan be (i) feasible, (ii) in the "best interests" of impaired creditors and interest holders, and (iii) accepted by all Impaired Classes of Claims and Equity Interests or, in the event that a plan is rejected by an Impaired Class, section 1129(b) of the Bankruptcy Code provides that the bankruptcy court may still confirm the plan pursuant to "cram-down" provisions described below.

Holders of Impaired Claims are entitled to vote on the Plan. A Class of Claims or Membership Interests accepts the Plan if at least two-thirds (2/3) in amount and a majority in number of Holders within such Class that vote, vote to accept the Plan, excluding votes designated under section 1126(e) of the Bankruptcy Code.

1. *Feasibility.*

Section 1129(a)(11) of the Bankruptcy Code permits a plan to be confirmed if it is not likely to be followed by a liquidation or the need for further financial reorganization of the debtor. For purposes of determining whether the Plan meets this requirement, the Debtors analyzed their ability to meet their obligations under the Plan. Based upon the Debtors' Financial Projections annexed hereto and the assumptions set forth therein, and the Debtors'

intention to obtain exit financing, the Debtors believe that they will be able to make all distributions required under the Plan and fund their operations going forward and, therefore, that confirmation of the Plan is not likely to be followed by a liquidation or the need for further reorganization.

The Plan substantially deleverages the Debtors' balance sheet by converting the vast majority of the Senior Secured Notes into equity. This results in an approximately **$53 million** reduction in funded secured debt. Cash flows from operations and the Exit Facility will provide the Debtors with sufficient liquidity to fund Effective Date distributions under the Plan.

2. *Best Interests Test.*

Section 1129(a)(7) of the Bankruptcy Code requires, unless otherwise assented to, that each holder of a claim or equity interest receive or retain under the plan value not less than the amount that such holder would receive or retain if the debtor's assets were liquidated under chapter 7 of the Bankruptcy Code. This is known as the "best interests test."

To determine if a plan is in the best interest of each impaired class, the value of the distributions from the proceeds of a liquidation of the debtors' unencumbered assets and properties, after subtracting the amounts attributable to any and all senior claims, are then compared with the value of the compensation offered to such classes of claims and equity interests under the plan.

After considering the effects that a chapter 7 liquidation would have on the ultimate proceeds available for distribution to Holders of Claims and Membership Interests in the Chapter 11 Cases, including, without limitation, (i) the costs and expenses of a liquidation under chapter 7 of the Bankruptcy Code arising from fees payable to a trustee in bankruptcy and professional advisors to such trustee and (ii) the likely erosion in value of assets in a chapter 7 case in the context of an expeditious liquidation and the "forced sale" atmosphere that would prevail under a chapter 7 liquidation, the Debtors have determined that confirmation of the Plan will provide each Holder of an Allowed Claim or Membership Interest with a recovery that is not less than such Holder would receive pursuant to a liquidation of the Debtors under chapter 7 of the Bankruptcy Code.

3. *"Cram-down" under Section 1129(b) of the Bankruptcy Code.*

In the event that one or more Impaired Classes, but not all, reject the Plan, the Debtors may seek to, and reserve the right to, confirm the Plan under section 1129(b) of the Bankruptcy Code.

Pursuant to section 1129(b) of the Bankruptcy Code, the Debtors may "cram-down" the Plan on Classes that reject the Plan; *provided*, *however*, that (i) the Plan otherwise satisfies the requirements for confirmation under 1129(a) of the Bankruptcy Code, (ii) at least one Impaired Class of Claims has accepted the Plan without taking into consideration the votes of any insiders in such Class, and (iii) the plan does not "discriminate unfairly" and is "fair and equitable" as to each Impaired Class that has not accepted the Plan.

4. *Unfair Discrimination.*

The "unfair discrimination" test applies to Classes of Claims and Membership

Interests that are of equal priority yet receive different treatment under the Plan. Under the Bankruptcy Code, a chapter 11 plan may not discriminate unfairly between Classes of equal priority. There is no unfair discrimination, within the meaning of the Bankruptcy Code, if the legal rights of a dissenting Class are treated in a manner consistent with the treatment of other Classes who are of equal priority to the dissenting Class. This test does not require that the treatment of Classes that are of equal priority be the same or equivalent, but rather that such treatment be "fair."

The Debtors believe that the classification and treatment of all Classes under the Plan is fair and justified by business needs. As such, the Debtors believe that the Plan does not discriminate unfairly and satisfies the "unfair discrimination" test.

5. *Fair and Equitable.*

The "fair and equitable" test applies to classes of different priority and status (*e.g.*, secured versus unsecured) and includes the general requirement that no class of claims receive more than 100% of the allowed amount of the claims in such class. As to dissenting classes, the Bankruptcy Code establishes different tests for determining whether a plan is "fair and equitable" to classes of secured creditors, unsecured creditors and equity interest holders as follows:

a. Secured Creditors.

A plan is fair and equitable to a class of secured claims that has not accepted the plan if the plan provides: (i) that each of the holders of the claims retains the liens securing its claim to the extent of the allowed amount of such claim, whether the property subject to those liens is retained by the debtor or transferred to another entity, and receives on account of its claim deferred cash payments having a present value, as of the effective date of the plan, at least equal to such holder's interest in the estate's interest in such property; (ii) that each of the holders of the claims receives the "indubitable equivalent" of its allowed secured claim; or (iii) for the right to credit bid the amount of its secured claim if its collateral is sold, and to retain its liens on the proceeds of the sale.

b. Unsecured Creditors.

A plan is fair and equitable as to a class of unsecured claims that has not accepted the plan if the plan provides that: (i) each holder of a claim included in the rejecting class receives or retains under the plan, property of a value, as of the effective date of the plan, equal to the amount of its allowed claim; or (ii) the holders of claims and interests that are junior to the claims of the class subject to cram-down will not receive or retain any property under the plan.

c. Holders of Membership Interests.

A plan is fair and equitable as to a class of equity interests that has not accepted the plan if the plan provides that: (i) each holder of an equity interest included in the rejecting class receives or retains under the plan property of a value, as of the effective date of the plan, equal to the greatest of the allowed amount of (a) any fixed liquidation preference to which such holder is entitled, (b) the fixed redemption price to which such holder is entitled, or (c) the value of the interest; or (ii) the holder of any interest that is junior to the equity interests will not receive or retain any property under the plan.

The Debtors believe that the Plan's treatment of unsecured claims and equity interests satisfies the "fair and equitable" requirement with respect to unsecured claims and equity interests under the Plan. Therefore, the Debtors may confirm the Plan pursuant to section 1129(b) of the Bankruptcy Code notwithstanding that all Membership Interests (Class 7 and Class 8) are deemed to reject the Plan.

XIII. RECOMMENDATION AND CONCLUSION

The Debtors believe that confirmation of the Plan is in the best interests of all Holders of Allowed Claims and Membership Interests and that, as such, the Plan should be confirmed. The Debtors recommend that all Holders of Claims that are entitled to vote on the Plan vote to accept the Plan.

EXHIBIT A

PREPACKAGED JOINT PLAN OF REORGANIZATION OF HILLTOP ENERGY, LLC AND HILLTOP ASSET, LLC

IMPORTANT: NO CHAPTER 11 CASES HAVE BEEN COMMENCED AT THIS TIME. THIS CHAPTER 11 PLAN IS BEING SOLICITED FOR ACCEPTANCE OR REJECTION IN ACCORDANCE WITH BANKRUPTCY CODE SECTION 1125 AND WITHIN THE MEANING OF BANKRUPTCY CODE SECTION 1126. THE SOLICITATION MATERIALS ACCOMPANYING THE PLAN OF REORGANIZATION HAVE NOT BEEN APPROVED BY THE BANKRUPTCY COURT AS CONTAINING "ADEQUATE INFORMATION" WITHIN THE MEANING OF 11 U.S.C. § 1125(a). IN THE EVENT THE DEBTORS DO FILE CHAPTER 11 CASES, THE DEBTORS EXPECT TO SEEK AN ORDER OR ORDERS OF THE BANKRUPTCY COURT, AMONG OTHER THINGS: (1) APPROVING THE SOLICITATION OF VOTES AS HAVING BEEN IN COMPLIANCE WITH 11 U.S.C. § 1126(b); AND (2) CONFIRMING THE PLAN OF REORGANIZATION PURSUANT TO 11 U.S.C. § 1129.

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:	Chapter 11
HILLTOP ENERGY, LLC, *et al.*,[1]	Case No. 19-_____ (___)
Debtors.	

PREPACKAGED JOINT CHAPTER 11 PLAN OF REORGANIZATION OF HILLTOP ENERGY, LLC AND HILLTOP ASSET, LLC

COLE SCHOTZ P.C.
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Proposed Attorneys for Debtors and Debtors in Possession

[1] The Debtors along with the last four digits of each Debtor's federal taxpayer identification numbers, are: Hilltop Energy, LLC (2095) and Hilltop Asset, LLC (7565). The Debtors' headquarters is located at 4925 Greenville Avenue, Suite 1200, Dallas, TX 75206.

TABLE OF CONTENTS

ARTICLE V.

TREATMENT OF EXECUTORY CONTRACTS AND UNEXPIRED LEASES

ARTICLE VI.

PROVISIONS GOVERNING DISTRIBUTIONS

ARTICLE VII.

PROCEDURES FOR RESOLVING DISPUTED CLAIMS

ARTICLE VIII.

CONDITIONS PRECEDENT TO THE EFFECTIVE DATE

ARTICLE IX.

EFFECT OF PLAN CONFIRMATION

ARTICLE X.

RETENTION OF JURISDICTION

ARTICLE XI.

MISCELLANEOUS PROVISIONS

PREPACKAGED JOINT PLAN OF REORGANIZATION UNDER CHAPTER 11 OF THE BANKRUPTCY CODE OF HILLTOP ENERGY, LLC AND HILLTOP ASSET, LLC

The Debtors (as defined herein) propose this prepackaged joint plan of reorganization (the "**Plan**") for the resolution of the outstanding claims against, and interests in, each of the Debtors pursuant section 1121 (a) of the Bankruptcy Code.

Each of the Debtors is a proponent of the Plan within the meaning of section 1129 of the Bankruptcy Code. No materials other than the Plan, the Disclosure Statement, and their respective exhibits and schedules have been authorized by the Debtors for use in soliciting acceptances or rejections of the Plan.

NOTICE TO CUBIC ENERGY PARTIES IN INTEREST

This Plan does not amend or otherwise affect the Third Amended Prepackaged Plan of Reorganization of Cubic Energy, Inc., et. al., pursuant to Chapter 11 of the Bankruptcy Code (the "*Cubic Energy Plan*"), or the confirmation order entered approving the Cubic Energy Plan, in the Chapter 11 Bankruptcy Cases captioned *In re Cubic Energy, Inc. et. al., Case No. 15-12500 (CSS)* (Jointly Administered Debtors), including the classification, treatment, and allowance of any claims or interests addressed, and releases, exculpations and injunctions contained in the Cubic Energy Plan.

ARTICLE I.

DEFINED TERMS, RULES OF INTERPRETATION AND COMPUTATION OF TIME

Section 1.1 *Defined Terms.*

The following terms shall have the respective meanings specified below when used in capitalized form in the Plan:

"***Administrative Claims***" means any and all Claims for costs or expenses of administration of the Chapter 11 Cases incurred after the Petition Date through the Effective Date under sections 503(b), 507(a) and 507(b) of the Bankruptcy Code that have not already been paid by the Debtors, including, but not limited to: (a) the actual and necessary costs and expenses incurred preserving the Estates and operating the business of the Debtors, (b) Professional Fee Claims and (c) Bankruptcy Fees.

"***Affiliate***" shall have the meaning set forth in section 101(2) of the Bankruptcy Code.

"***Allowed***" means with respect to any Claim (or a portion thereof), a Claim arising before the Plan Effective Date against the Company (a) listed by the Company in its books and records as liquidated in an amount and not Disputed or contingent, (b) proof of which is timely Filed, would be Filed in the Chapter 11 Cases provided that such Filing is required by order of the

Bankruptcy Court or pursuant to the Plan, (c) that is compromised, settled or otherwise resolved pursuant to the authority of the Company or the Reorganized Company, as applicable, in a Final Order or (d) expressly allowed in a specified amount pursuant to the Plan, the Confirmation Order or a Final Order.

"***Assets***" means, with respect to the Debtors, all of the Debtors' right, title and interest of any nature in property of any kind, wherever located, as specified in section 541 of the Bankruptcy Code.

"***Asset Debtor***" means Hilltop Asset, LLC.

"***Asset Debtor Membership Interests***" means any and all Membership Interests in the Asset Debtor.

"***Bankruptcy Code***" means title 11 of the United States Code, 11 U.S.C. §§ 101 *et seq.*, as in effect on the Petition Date, together with any amendments made thereto subsequent to the Petition Date, to the extent that any such amendments are applicable to the Chapter 11 Cases.

"***Bankruptcy Court***" means the United States Bankruptcy Court for the District of Delaware, or such other court having jurisdiction over the Chapter 11 Cases or any proceeding within, or appeal of an order entered in, the Chapter 11 Cases.

"***Bankruptcy Fees***" means any and all fees or charges assessed against the Estates under section 1930 of title 28 of the United States Code.

"***Bankruptcy Rules***" means the Federal Rules of Bankruptcy Procedure, promulgated under section 2075 of title 28 of the United States Code, the Official Bankruptcy Forms or the Local Rules of Bankruptcy Practice and Procedure of the United States Bankruptcy Court for the District of Delaware, together with any amendments made thereto subsequent to the Petition Date, to the extent that any such amendments are applicable to the Chapter 11 Cases.

"***Borrowers***" means the Company.

"***Business Day***" means any day, other than a Saturday, Sunday or a "legal holiday" (as such term is defined in Bankruptcy Rule 9006(a)).

"***Cash***" means legal tender of the United States of America.

"***Causes of Action***" means, without limitation, any and all actions, causes of action, suits, debts, dues, sums of money, accounts, reckonings, rights to legal remedies, rights to equitable remedies, rights to payment and claims, bonds, bills, specialties, covenants, contracts, controversies, agreements, promises, variances and trespasses of, or belonging to, the Debtors or the Estates, whether known or unknown, reduced to judgment, not reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, Disputed, undisputed, secured or unsecured and whether asserted or assertable directly or indirectly or derivatively, in law, equity or otherwise.

"***Chapter 11 Cases***" means the cases for the Debtors to be commenced under chapter 11 of the Bankruptcy Code in the Bankruptcy Court.

"***Claim***" means a claim as defined in section 101(5) of the Bankruptcy Code against the Company, whether or not asserted.

"***Class***" means a category of Holders of Claims or Membership Interests classified by the Plan pursuant to section 1122(a)(1) of the Bankruptcy Code, as set forth in Article III hereof.

"***Collateral***" means any asset of the Estates that is subject to a Lien securing the payment of performance of a Claim, which Lien is valid, perfected, and enforceable, and has not been avoided under the Bankruptcy Code or applicable nonbankruptcy law.

"***Committee***" means the Official Committee of Unsecured Creditors appointed in the Chapter 11 Cases, if any.

"***Confirmation Date***" means the date upon which the Confirmation Order is entered on the docket maintained by the Bankruptcy Court pursuant to Bankruptcy Rule 5003.

"***Confirmation Hearing***" means the hearing to be held by the Bankruptcy Court to consider approval of the Disclosure Statement under section 1125 of the Bankruptcy Code and confirmation of the Plan under section 1129 of the Bankruptcy Code, as such hearing may be adjourned or continued from time to time.

"***Confirmation Order***" means the order entered by the Bankruptcy Court confirming the Plan pursuant to section 1129 of the Bankruptcy Code, the form of which shall be subject to approval (such approval not to be unreasonably withheld) by the Parties, to the Restructuring Support Agreement.

"***Covered Persons***" means any and all managers and employees of the Debtors, as of the Petition Date, other than such managers and employees who are expelled or terminated for cause between the Petition Date and the Effective Date.

"***Cure Claim***" means a Claim based upon any and all amounts payable to a counterparty of an executory contract or unexpired lease at the time such contract or lease is assumed by such Debtors pursuant to Bankruptcy Code section 365(b).

"***Debtors***" means, together, Hilltop Energy, LLC and Hilltop Asset, LLC.

"***Debtors Released Claims***" has the meaning set forth in Section 9.3(a) hereof.

"***Disallowed***" means, with respect to any Claim or Membership Interest, such Claim or Membership Interest or portion thereof that (i) has been disallowed or expunged by a Final Order or by a specific provision of the Plan, or (ii) has been agreed to by the Holder of such Claim or Membership Interest and the applicable Debtor to be equal to $0 or to be expunged.

"***Disbursing Agent***" means the Reorganized Debtors, or any Person designated by the Reorganized Debtors, in the capacity as disbursing agent under the Plan.

"***Disclosure Statement***" means the Disclosure Statement for the Plan, the form and substance of which shall be subject to approval (such approval not to be unreasonably withheld) by the Parties, as supplemented or amended from time to time, that is prepared and distributed in accordance with the Bankruptcy Code, the Bankruptcy Rules and other applicable law.

"***Disputed***" means, with respect to any Claim or Membership Interest, (a) such Claim or Membership Interest, or any portion thereof, that is neither Allowed or Disallowed under the Plan or a Final Order, not deemed Allowed under sections 502, 503, or 1111 of the Bankruptcy Code, or (b) such Claim or Membership Interest, or any portion thereof, that the Debtors or any party in interest has interposed a timely objection or request for estimation in accordance with the Bankruptcy Code and the Bankruptcy Rules or that otherwise is disputed by any Debtor at any time, including after the Effective Date, through notice to the Holder of the Claim or Membership Interest in accordance with applicable law, which objection has not been withdrawn by the Debtors or determined by a Final Order.

"***Distribution***" means any initial or subsequent payment or transfer under the Plan.

"***Distribution Record Date***" means the Confirmation Date.

"***Effective Date***" means the date that is the first Business Day selected by the Debtors, with the consent of the Supporting Senior Secured Noteholder, on which (a) all conditions to the effectiveness of the Plan set forth in Section 8.1 hereof have been satisfied or waived in accordance with the terms of the Plan, and (b) no stay of the Confirmation Order is in effect.

"***Energy Debtor***" means Hilltop Energy LLC.

"***Energy Debtor Membership Interests***" means any and all Membership Interests in the Energy Debtor.

"***Entity***" means an "entity" as defined in section 101(15) of the Bankruptcy Code.

"***Estates***" means the estates created for the Debtors pursuant to section 541 of the Bankruptcy Code upon the commencement of the Chapter 11 Cases.

"***Excluded Parties***" means, collectively, any Holder of a Claim against, or Membership Interests in, the Debtors or current or former principal, member, manager, employee, agent or advisory board member thereof, that (a) seeks any relief materially adverse to the restructuring transactions contemplated by the Plan or objects to or opposes any material relief sought by (including any request for relief by any other party that is joined by any of the foregoing) the Debtors, (b) is entitled to vote on the Plan and does not vote to accept the Plan for which it is entitled to vote or opts out of any third-party releases sought in connection with the Plan, or (c) objects to the Plan or supports an objection to the Plan Supplement.

"***Exculpated Parties***" means collectively, and in each case excluding the Excluded Parties, (a) the Debtors, (b) the Committee (if any) and its members, and (c) each of their respective predecessors, successors, assigns, current and former principals, members, partners, managers, employees, agents, financial advisors, attorneys, accountants, investment bankers,

consultants, representatives, and other professionals (including any respective professionals retained by such entities), and all of the foregoing entities' respective heirs, executors, estates, servants, and nominees, in each case in their capacity as such.

"***Exit Facility***" means the financing to be provided by the Lender on a fully secured, first priority basis to Reorganized Asset on the Effective Date, containing, *inter alia*, the material terms listed in the Rivershore Term Sheet in the section titled "Exit Facility", and shall include the Roll In of the Obligations, subject to approval (such approval not to be unreasonably withheld) by the Lender, the Supporting Senior Secured Noteholder and Rivershore of commercial loan documentation they deem necessary for such financing.

"***File***", "***Filed***" or "***Filing***" means file, filed or filing with the Bankruptcy Court (or agent thereof) in connection with the Chapter 11 Cases.

"***Final Order***" means, as applicable, an order, ruling or judgment of the Bankruptcy Court or any other court of competent jurisdiction or governmental authority, as applicable, which has not been reversed, vacated or stayed and as to which the time to appeal, petition for certiorari, or move for reargument or rehearing has expired and as to which no appeal, petition for certiorari, or other proceedings for reargument or rehearing will then be pending, or as to which any right to appeal, petition for certiorari, or motion to reargue or rehear will have been waived in writing in form and substance satisfactory to the Company or, on and after the Plan Effective Date, the Reorganized Company or, in the event that an appeal, writ of certiorari, or reargument or rehearing thereof has been sought, such order of the Bankruptcy Court, or other court of competent jurisdiction (as applicable) will have been determined by the highest court to which such order was appealed, or certiorari, reargument or rehearing will have been denied and the time to take any further appeal, petition for certiorari or move for reargument or rehearing will have expired; *provided, however*, that the possibility that a motion under Rule 59 or Rule 60 of the Federal Rules of Civil Procedure, or any analogous rule under the Bankruptcy Rules or applicable state or provincial court rules of civil procedure, may be Filed with respect to such order will not cause such order not to be a Final Order.

"***Financing Documents***" means, together, that certain Financing Agreement dated May 6, 2019 by and between Borrowers and the Lender (the "***Financing Agreement***"), and the Promissory Note to loan Borrowers funds to pay certain restructuring fees and expenses set forth in the budget attached to the Financing Agreement.

"***Governmental Unit***" means a "governmental unit" as defined in section 101(27) of the Bankruptcy Code.

"***Holder***" means the beneficial holder of any Claim or Membership Interest.

"***Impaired***" means, with respect to a Claim or Membership Interest, such Claim or Membership Interest that is impaired within the meaning of section 1124 of the Bankruptcy Code.

"***Indenture Agent***" means Wilmington Trust Company, National Association as noteholder agent and collateral agent under the Senior Secured Notes Indenture, or any successor indenture agent thereunder.

"***Lender***" means Chase Lincoln First Commercial Corporation.

"***Lien***" means a lien as defined in section 101(37) of the Bankruptcy Code on or against any of the Debtors' property or the Estates.

"***Management Agreement***" means the Manager's Engagement Letter Agreement (as defined in the Restructuring Term Sheet) as amended on September 17, 2018.

"***Membership Interests***" means any and all membership interests of the Debtors, that existed immediately before the Effective Date and to the extent applicable, equity securities (as defined in section 101(16) of the Bankruptcy Code) of the Debtors, including all shares, common stock, preferred stock, or other instrument evidencing any fixed or contingent ownership interest in the Debtors, including any option, warrant, or other right, contractual or otherwise, to acquire any such interest in the Debtors, whether or not transferable and whether fully vested or vesting in the future, that existed immediately before the Effective Date.

"***Obligations***" means all indebtedness, obligations and liabilities of the Borrowers to the Lender, whether direct or indirect, joint or several, absolute or contingent, matured or unmatured, liquidated or unliquidated, secured or unsecured, arising by contract, operation of law or otherwise, in each case to the extent existing or arising under the Financing Documents.

"***Oil and Gas Leases***" means any and all unexpired instruments in favor of the Debtors by which a leasehold or working interest is created in oil and gas and/or other liquid or gaseous hydrocarbons, including methane.

"***Other Priority Claims***" means any and all Claims against the Debtors entitled to priority in right of payment under section 507(a) of the Bankruptcy Code that are not Administrative Claims or Priority Tax Claims.

"***Other Secured Claims***" means any and all Secured Claims against the Debtors that are not Senior Secured Note Claims, if any.

"***Out-of-Court Restructuring***" means all transactions and agreements related to a restructuring of the Debtors' indebtedness contemplated by and taken in connection with the Restructuring Support Agreement.

"***Parties***" means the Debtors, the Supporting Senior Secured Noteholder, the Lender and Rivershore.

"***Person***" means a "person" as defined in section 101(41) of the Bankruptcy Code.

"***Petition Date***" means the date on which the Debtors Filed their petitions for relief commencing the Chapter 11 Cases.

"***Plan***" means this prepackaged plan of reorganization under chapter 11 of the Bankruptcy Code, including all exhibits and schedules to the Plan including the Plan Supplement, as may be amended, supplemented or modified from time to time in accordance with the terms hereof, and in accordance with the terms of the Bankruptcy Code, the Bankruptcy Rules and other applicable law the form and substance of which shall be subject to approval (such approval not to be unreasonably withheld) by each of the Parties.

"***Plan Document***" means any and all of the documents, other than the Plan, to be executed, delivered, or performed in connection with the occurrence of the Effective Date, including, without limitation, insofar as such documents are not incorporated into the Plan through inclusion in the Plan Supplement, subject to any consent rights set forth in the Restructuring Support Agreement and in the Plan and as may be modified consistent with the Restructuring Support Agreement.

"***Plan Supplement***" means the compilation of documents and forms of documents, schedules, and exhibits to the Plan to be Filed by the Debtors at least seven (7) days before the deadline to object to confirmation of the Plan, as the same may be amended, modified, or supplemented, which shall be in form and substance satisfactory to the Parties, and including, without limitation, the following: (a) the identity of the known members of the Reorganized Energy Debtor Board of Managers and the Reorganized Asset Board of Managers and the nature and compensation for any director who is an "insider" under the Bankruptcy Code, (b) the Schedule of Rejected Contracts, (c) the Reorganized Debtors' Constituent Documents in substantially final form, (d) the RMA, as amended by the RMA Amendment, (e) the Management Agreement, (f) the Exit Facility, and (g) all exhibits, attachments, supplements, annexes, schedules, and ancillary documents related to each of the foregoing.

"***Priority Tax Claims***" means any and all Claims against the Debtors of the kind specified in section 507(a)(8) of the Bankruptcy Code.

"***Professional Fee Claim***" means any and all Claims of a Professional seeking an award by the Bankruptcy Court of compensation for services rendered or reimbursement of expenses incurred after the Petition Date through and including the Effective Date under sections 330, 331, 503(b)(2), 503(b)(3), 503(b)(4) or 503(b)(5) of the Bankruptcy Code.

"***Professional Fee Note***" means the Promissory Note.

"***Professional Fee Note Claims***" means any and all claims arising under the Professional Fee Note.

"***Professionals***" means (a) any and all professionals employed in the Chapter 11 Cases pursuant to sections 327, 328, or 1103 of the Bankruptcy Code or otherwise and (b) any and all professionals or other entities seeking compensation or reimbursement of expenses in connection with the Chapter 11 Cases pursuant to section 503(b)(4) of the Bankruptcy Code.

"***Promissory Note***" means that certain unsecured Promissory Note, dated May 6, 2019, executed by the Borrowers in the principal amount of Five Hundred Thirty Thousand Dollars

($530,000), obligating the Borrowers to repay the Lender under the terms and conditions of the Financing Documents.

"***Proof of Claim***" means a proof of Claim, as defined in Bankruptcy Rule 3001, filed against any of the Debtors in the Chapter 11 Cases.

"***Reinstated***" means, with respect to Claims and Membership Interests, the treatment provided for in section 1124 of the Bankruptcy Code.

"***Released Parties***" means, collectively, and in each case excluding the Excluded Parties, each of: (i) the Debtors; (ii) the Supporting Senior Secured Noteholder; (iii) the Lender; (iv) Rivershore; and (v) the Indenture Agent; and with respect to each of the foregoing entities, such entities' predecessors, successors, assigns, subsidiaries, present and former Affiliates, managed accounts and funds, current and former officers and directors, principals, shareholders, members, partners, managers, employees, subcontractors, agents, advisory board members, financial advisors, attorneys, accountants, investment bankers, consultants, representatives, management companies, fund advisors, and other professionals (including any professionals retained by such entities), and all of the foregoing entities' respective heirs, executors, estates, servants, and nominees, in each case in their capacity as such.

"***Releasing Parties***" means each Holder of a Claim.

"***Reorganized Asset Debtor***" means the Asset Debtor, as reorganized under the Plan.

"***Reorganized Asset Debtor Board of Managers***" means the board of managers of the Reorganized Asset Debtor.

"***Reorganized Asset Debtor Membership Interests***" means the membership interests of the Reorganized Asset Debtor authorized and issued 55% to Rivershore and 45% to the Reorganized Energy Debtor pursuant to the Reorganized Asset LLC Agreement.

"***Reorganized Asset LLC Agreement***" means the limited liability operating agreement for Reorganized Asset to be negotiated and entered into by and between the Supporting Senior Secured Noteholder and Rivershore prior to the Plan Effective Date containing, *inter alia*, the material terms in the Rivershore Term Sheet in the section titled "Structure of NewCo Operating Agreement", and that shall become effective as of the Effective Date, a substantially final form of which shall be contained in the Plan Supplement.

"***Reorganized Debtors***" means the Debtors, both as reorganized under the Plan.

"***Reorganized Debtors' Constituent Documents***" means, on or after the Effective Date, collectively, the operating agreements or similar governing documents of the Reorganized Debtors.

"***Reorganized Debtors' Membership Interests***" means all of the membership interests of the Reorganized Debtors.

"***Reorganized Energy Debtor***" means the Energy Debtor, as reorganized under the Plan

"***Reorganized Energy Debtor Board of Managers***" means the board of managers of the Reorganized Energy Debtor.

"***Reorganized Energy LLC Agreement***" means the limited liability operating agreement for the Reorganized Energy Debtor to be drafted and executed by the Supporting Senior Secured Noteholder prior to the Effective Date, and that shall become effective as of the Effective Date, a substantially final form of which shall be contained in the Plan Supplement.

"***Reorganized Energy Debtor Membership Interests***" means the membership interests of the Reorganized Energy Debtor authorized and issued 100% to the Supporting Senior Secured Noteholder, or its designee or assignee, pursuant to the Reorganized Energy LLC Agreement.

"***Restructuring Support Agreement***" means that certain Restructuring Support Agreement, dated as of May 13, 2019, entered into by and among the Parties, as it may be amended, supplemented or modified from time to time in accordance with the terms thereof, attached hereto as Exhibit 1.

"***Restructuring Term Sheet***" means that certain term sheet containing the material terms and provisions agreed to by the Debtors and the Supporting Senior Secured Noteholder that are to be incorporated into the Plan, a copy of which is attached to the Restructuring Support Agreement as Exhibit A.

"***Rivershore***" means Rivershore Resources LLC

"***Rivershore Term Sheet***" means that certain term sheet containing the material terms and provisions agreed to by the Supporting Senior Secured Noteholder and Rivershore that are to be incorporated into the Plan, a copy of which is attached to the Restructuring Support Agreement as Exhibit B.

"***RMA***" means that certain Rivershore Management Agreement between Energy and Rivershore, dated as of October 1, 2016, to be assumed by the Company as of the Plan Effective Date as amended by the RMA Amendment.

"***RMA Amendment***" has the meaning set forth in the Restructuring Support Agreement.

"***Roll In***" means the roll in of all Obligations of the Borrowers under the Promissory Note into, so as to be included in, the principal amount of the Exit Facility, pursuant to the terms of the Financing Documents and the Exit Facility.

"***Schedule of Rejected Contracts***" means the schedule of executory contracts and unexpired leases to be rejected by the Debtors pursuant to the Plan and included in the Plan Supplement, as the same may be amended, modified, or supplemented from time to time by the Debtors with the consent of the Supporting Senior Secured Noteholder.

"***Secured Claims***" means any and all Claims against the Debtors that are secured by a Lien on, or security interest in, property of the Debtors, or that has the benefit of rights of setoff under section 553 of the Bankruptcy Code, but only to the extent of the value of the Holder's

interest in the Debtors' interest in such property, or to the extent of the amount subject to setoff, which value shall be determined as provided in section 506 of the Bankruptcy Code.

"***Securities Act***" means the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

"***Security***" has the meaning ascribed to such term in section 101(49) of the Bankruptcy Code.

"***Senior Secured Noteholder***" means J.P. Morgan Securities, LLC.

"***Senior Secured Notes***" means, together, the (i) 14.00% Superpriority Senior Secured Notes due 2021 issued pursuant to the A&R Indenture in the principal amount outstanding of $5,000,000; (ii) 14.00% First Priority Senior Secured Notes due 2021 issued pursuant to the Indenture in the principal amount of $30,000,000; and (iii) PIK Interest Notes issued pursuant to the A&R Indenture and the Indenture in the principal amount outstanding of **$18,575,570.14**, plus all accrued prepetition interest, fees and other expenses due under all such notes and indentures.

"***Senior Secured Notes Claims***" means any and all Claims arising from or related to the Senior Secured Notes, including without limitation any related guarantee claims, which Claims shall be Allowed in the aggregate amount of approximately $53,575,570.13 through the Petition Date.

"***Senior Secured Notes Indenture***" means, together, that certain (i) Amended and Restated Indenture, dated as of March 23, 2017, between Hilltop Energy LLC, the Indenture Agent, guarantors and other parties thereto (the "**A&R Indenture**"), and (ii) Indenture, dated as of March 1, 2016, between Cubic Energy, LLC (predecessor to the Energy Debtor), the Indenture Agent, guarantors and other parties thereto (the "**Indenture**"), together with all other agreements entered into and documents delivered in connection therewith (in each case, as amended, modified or supplemented from time to time), pursuant to which the Senior Secured Notes were issued.

"***Stamp or Similar Tax***" means any stamp tax, recording tax, personal property tax, conveyance fee, intangibles or similar tax, real estate transfer tax, sales tax, use tax, transaction privilege tax (including, without limitation, such taxes on prime contracting and owner-builder sales), privilege taxes (including, without limitation, privilege taxes on construction contracting with regard to speculative builders and owner builders), and other similar taxes imposed or assessed by any Governmental Unit.

"***Supporting Senior Secured Noteholder***" means the Holder of Senior Secured Notes that is a party to the Restructuring Support Agreement.

"***U.S. Trustee***" means the United States Trustee for the District of Delaware.

"***Unimpaired***" means, with respect to any Claim or Membership Interest, or such Class of Claims or Membership Interests, not "Impaired" within the meaning of sections 1123(a)(4) and 1124 of the Bankruptcy Code.

Section 1.2 *Rules of Interpretation and Computation of Time.*

(a) For purposes of the Plan: (a) whenever from the context it is appropriate, each term, whether stated in the singular or the plural, shall include both the singular and the plural, and pronouns stated in the masculine, feminine or neuter gender shall include the masculine, feminine and the neuter gender; (b) any reference in the Plan to a contract, instrument, release, indenture or other agreement or document being in a particular form or on particular terms and conditions means that such document substantially shall be in such form or substantially on such terms and conditions; (c) any reference in the Plan to an existing document or exhibit Filed, or to be Filed, shall mean such document or exhibit, as it may have been or may be amended, modified or supplemented; (d) unless otherwise specified, all references in the Plan to Sections, Articles and Exhibits are references to Sections, Articles and Exhibits of or to the Plan; (e) the words "herein" and "hereto" refer to the Plan in its entirety rather than to a particular portion of the Plan; (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 the Plan; (g) the rules of construction set forth in section 102 of the Bankruptcy Code shall apply; (h) any term used in capitalized form in the Plan that is not defined in the Plan but is used in the Bankruptcy Code or the Bankruptcy Rules shall have the meaning assigned to such term in the Bankruptcy Code or the Bankruptcy Rules, as the case may be.

(b) In computing any period of time prescribed or allowed by the Plan, the provisions of Bankruptcy Rule 9006(a) shall apply.

Section 1.3 *Reference to Monetary Figures.*

All references in the Plan to monetary figures shall refer to the legal tender of the United States of America unless otherwise expressly provided.

Section 1.4 *Consent Rights of the Supporting Senior Secured Noteholder.*

Notwithstanding anything herein to the contrary, any and all consent rights of the Supporting Senior Secured Noteholder set forth in the Restructuring Support Agreement including with respect to the form and substance of the Plan, the Plan Supplement and any Plan Document, including any amendments, restatements, supplements, or other modifications to such documents, and any consents, waivers, or other deviations under or from any such documents, are incorporated in the Plan by this reference (including to the applicable definitions in Section 1.1 hereof) and fully enforceable as if stated in full herein.

ARTICLE II.

UNCLASSIFIED CLAIMS

Section 2.1 *Administrative Claims.*

(a) Each Holder of an Allowed Administrative Claim shall receive, in full satisfaction and discharge thereof, Cash equal to the unpaid amount of such Allowed Administrative Claim (except to the extent that such Holder agrees to less favorable treatment thereof) either on, or as soon as practicable after, the latest of (i) the Effective Date, (ii) the date that is 10 Business Days after the date on which such Administrative Claim becomes Allowed, (iii) the date on which such Administrative Claim becomes due and payable pursuant to any agreement between the Debtors and the Holder, and (iv) such other date as mutually may be agreed to by such Holder and the Debtors with the consent of the Supporting Senior Secured Noteholder, which consent should not be unreasonably withheld. Notwithstanding the foregoing, any Allowed Administrative Claim based on a liability incurred by the Debtors in the ordinary course of business during the Chapter 11 Cases may be paid in the ordinary course of business in accordance with the terms and conditions of any agreement relating thereto.

(b) *Administrative Claim Bar Date*. Except with respect to requests for allowance of compensation and reimbursement of Professional Fee Claims and as otherwise provided in this Article II, requests for payment of Administrative Claims, if required, must be Filed and served on the Reorganized Debtors pursuant to the procedures specified in the Confirmation Order and the notice of entry of the Confirmation Order no later than 45 days after the Effective Date. Holders of Administrative Claims that are required to, but do not, File and serve a request for payment of such Administrative Claim by such date shall be forever barred, estopped and enjoined from asserting such Administrative Claim against the Debtors or Reorganized Debtors or their property, and such Administrative Claim shall be deemed discharged as of the Effective Date. Objections to such requests, if any, must be Filed and served on the Reorganized Debtors and the requesting party no later than 90 days after the Effective Date or such later date as the Bankruptcy Court may approve. Notwithstanding the foregoing, no request for payment of an Administrative Claim shall be required with respect to any Administrative Claim determined to be an Allowed Administrative Claim by Final Order, including all Administrative Claims expressly made Allowed Administrative Claims under the Plan.

Section 2.2 *Priority Tax Claims.*

Each Holder of an Allowed Priority Tax Claim shall receive, in full satisfaction and discharge thereof, Cash equal to the unpaid amount of such Allowed Priority Tax Claim (except to the extent that such Holder agrees to less favorable treatment thereof) either on, or as soon as practicable after, the latest of (i) the Effective Date, (ii) the date that is 10 Business Days after the date on which such Priority Tax Claim becomes Allowed, (iii) the date on which such Priority Tax Claim becomes due and payable and (iv) such other date as mutually may be agreed to by and among such Holder and the Debtors with the consent of the Supporting Senior Secured Noteholder, acting reasonably and in good faith; *provided*, *however*, that the Debtors or Reorganized Debtors, as applicable shall be authorized, at their option, with the consent of the Supporting Senior Secured Noteholder, and in lieu of payment in full of an Allowed Priority Tax

Claim, to make deferred Cash payments on account thereof in the manner and to the extent permitted under section 1129(a)(9)(C) of the Bankruptcy Code.

Section 2.3 *Professional Fee Claims.*

(a) Each Professional requesting compensation pursuant to sections 330, 331 or 503(b) of the Bankruptcy Code for services rendered in connection with the Chapter 11 Cases prior to the Effective Date shall File an application for allowance of final compensation and reimbursement of expenses in the Chapter 11 Cases no later than 45 days following the Effective Date. Any Holder of a Professional Fee Claim that does not File and serve such application by such date shall be forever barred from asserting such Claim against the Debtors, the Reorganized Debtors or their respective properties, and such Claim shall be deemed discharged as of the Effective Date. Objections to any Professional Fee Claim must be Filed and served on the Reorganized Debtors and counsel to the Reorganized Debtors no later than 70 days after the Effective Date (unless otherwise agreed by the party requesting compensation for a Professional Fee Claim).

(b) Upon the Effective Date, any requirement that Professionals comply with sections 327 through 331 of the Bankruptcy Code in seeking retention or compensation for services rendered after such date shall terminate and the Debtors or Reorganized Debtors, as the case may be, may pay the charges incurred by the Debtors or Reorganized Debtors, as the case may be, on and after the Effective Date for any Professional Fee Claim without application to or approval by the Bankruptcy Court.

Section 2.4 *U.S. Trustee Statutory Fees.*

Notwithstanding anything to the contrary contained herein, on the Effective Date, the Reorganized Debtors shall pay, in full, in Cash, any and all Bankruptcy Fees due and owing to the U.S. Trustee. On and after the Effective Date, the Reorganized Debtors shall be responsible for Filing required post-confirmation reports and paying quarterly Bankruptcy Fees due to the U.S. Trustee for the Reorganized Debtors until the entry of a final decree in the Chapter 11 Cases or until the Chapter 11 Cases are converted or dismissed.

ARTICLE III.

CLASSIFICATION AND TREATMENT OF CLAIMS AND MEMBERSHIP INTERESTS

Section 3.1 *Classification.*

The categories of Claims and Membership Interests listed below (other than Administrative Claims and Priority Tax Claims, which are not required to be classified pursuant to section 1123(a)(1) of the Bankruptcy Code) classify Claims and Membership Interests for all purposes, including for purposes of voting, confirmation and Distribution pursuant to the Plan and pursuant to sections 1122 and 1123(a)(1) of the Bankruptcy Code. A Claim or Membership Interest shall be deemed classified in a particular Class only to the extent that such Claim or Membership Interest qualifies within the description of such Class and shall be deemed classified in a different Class to the extent that any remainder of such Claim or Membership Interest

qualifies within the description of such different Class. A Claim or Membership Interest is in a particular Class only to the extent that such Claim or Membership Interest has not been paid or otherwise settled prior to the Effective Date. All Energy Debtor Membership Interests and Asset Debtor Membership Interests shall be cancelled, extinguished and discharged on the Effective Date.

Section 3.2 *Class Identification*

The following chart represents the classification of Claims and Membership Interests for the Debtors pursuant to the Plan.

Class	**Claims and Membership Interests**	**Status**	**Voting Rights**
Class 1	Other Priority Claims	Unimpaired	No (deemed to accept)
Class 2	Other Secured Claims	Unimpaired	No (deemed to accept)
Class 3	Senior Secured Notes Claims	Impaired	Yes
Class 4	Professional Fee Note Claims	Impaired	Yes
Class 5	General Unsecured Claims	Unimpaired	No (deemed to accept)
Class 6	Intercompany Claims	Unimpaired	No (deemed to accept)
Class 7	Energy Debtor Membership Interests	Impaired	No (deemed to reject)
Class 8	Asset Debtor Membership Interests	Impaired	No (deemed to reject)

Section 3.3 *Treatment and Voting Rights of Claims and Membership Interests.*

(a) *Class 1—Other Priority Claims.*

(i) *Treatment:* The legal, equitable, and contractual rights of Holders of Allowed Other Priority Claims against the Debtors are unaltered by the Plan. Except to the extent that a Holder of an Allowed Other Priority Claim against the Debtors agrees to less favorable treatment, each Holder of such an Allowed Other Priority Claim shall receive Cash in an amount sufficient to leave unaltered the legal, equitable and contractual rights to which such Claim entitles such Holder, on, or as soon as practicable after, the latest of (a) the Effective Date, (b) the date that is 10 Business Days after the date on which such Other Priority Claim becomes Allowed, (c) the date on which such Other Priority Claim otherwise is due and payable, and (d) such other date as mutually may be agreed to by and among such Holder and the Debtors or Reorganized Debtors with the consent of the Supporting Senior Secured Noteholder.

(ii) *Impairment and Voting:* Other Priority Claims are Unimpaired. Holders of Other Priority Claims are conclusively presumed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, Holders of

Other Priority Claims are not entitled to vote to accept or reject the Plan, and the votes of such Holders will not be solicited.

(b) *Class 2—Other Secured Claims.*

(i) *Treatment:* The legal, equitable and contractual rights of Holders of Allowed Other Secured Claims against the Debtors are unaltered by the Plan. Except to the extent that a Holder of an Allowed Other Secured Claim against the Debtors agrees to less favorable treatment, on the later of the Effective Date and the date that is 10 Business Days after the date such Other Secured Claim becomes an Allowed Claim, or as soon thereafter as is reasonably practicable, each Holder of an Allowed Other Secured Claim shall, at the option of the Reorganized Debtors, either (a) receive, on account of such Allowed Claim, Cash in an amount equal to the Allowed amount of such Claim, or (b) have such Claim Reinstated. The failure of the Debtors or any other party in interest to File an objection, prior to the Effective Date, with respect to any Other Secured Claim that is Reinstated hereunder shall be without prejudice to the rights of the Reorganized Debtors or any other party in interest to contest or otherwise defend against such Claim in an appropriate forum (including the Bankruptcy Court, if applicable, in accordance with Article X of the Plan) when and if such Claim is sought to be enforced.

(ii) *Impairment and Voting*: Other Secured Claims are Unimpaired and Holders of such Claims are conclusively presumed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, Holders of Other Secured Claims are not entitled to vote to accept or reject the Plan and the votes of such Holders will not be solicited.

(c) *Class 3—Senior Secured Notes Claims.*

(i) *Treatment*: The Holder, or its designee or assignee, of the Allowed Senior Secured Notes Claims shall receive, in full and final satisfaction of its Allowed Senior Secured Notes Claim, (1) 100% of the Reorganized Energy Debtor Membership Interests and (2) $1,470,000 in Cash from the Exit Facility proceeds. On the Effective Date, all of the Senior Secured Notes shall be cancelled and discharged.

(ii) *Impairment and Voting*: Senior Secured Notes Claims are Impaired and the Holder of such Claims is entitled to vote to accept or reject the Plan.

(iii) *Allowance*: The Senior Secured Notes Claims shall be deemed Allowed in the Confirmation Order in the aggregate principal amount of $53,575,570.13 plus any accrued and unpaid interest thereon payable at the non-default rate through the Petition Date.

(d) *Class 4—Professional Fee Note Claims.*

(i) *Treatment*: The Holder of Allowed Professional Fee Note Claims shall receive the Roll In in full and final satisfaction of such Claims. On the Effective Date and upon receipt of the Roll In, Allowed Professional Fee Note Claims shall be deemed satisfied. The Holder of Allowed Professional Fee Note Claims shall receive no distribution on account of such Claims.

(ii) *Impairment and Voting*: Professional Fee Note Claims are Impaired, and the Holder of such Claims is entitled to vote to accept or reject the Plan.

(iii) *Allowance*: The Professional Fee Note Claims shall be deemed Allowed in the Confirmation Order in the principal amount of **$530,000**, plus any accrued and unpaid interest thereon payable at the non-default rate through the Petition Date.

(e) *Class 5—General Unsecured Claims.*

(i) *Treatment*: Except to the extent that a Holder of an Allowed General Unsecured Claim agrees to a less favorable treatment of such Claim, in full and final satisfaction, settlement, release, and discharge of, and in exchange for, such Allowed General Unsecured Claim, (a) the legal, equitable and contractual rights to which the Allowed General Unsecured Claim entitles the Holder of such Claim will remain unaltered, or (b) if such Allowed General Unsecured Claim is due and payable in Cash on or before the Effective Date, the Holder of such Allowed General Unsecured Claim shall receive payment in Cash or otherwise treated in a manner to render Unimpaired such Allowed General Unsecured Claim, on the later of (x) the Effective Date (or as soon as is reasonably practical thereafter) or (y) the date that is 10 Business Days after the date such General Unsecured Claim becomes an Allowed General Unsecured Claim. For avoidance of doubt, if an Allowed General Unsecured Claim is not due and payable before the Effective Date, the Holder of such Allowed Claim may be paid in the ordinary course of business consistent with past practices.

(ii) *Impairment and Voting*: General Unsecured Claims are Unimpaired and Holders of such Claims are conclusively presumed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, Holders of General Unsecured Claims are not entitled to vote to accept or reject the Plan and the votes of such Holders will not be solicited.

(f) *Class 6—Intercompany Claims.*

(i) *Treatment:* Except to the extent that a Holder of an Allowed Intercompany Claim agrees to a less favorable treatment, in full and final satisfaction of each such Allowed Intercompany Claim, (a) the legal, equitable and contractual rights to which the Allowed Intercompany Claim entitles the

Holder of such Claim will remain unaltered, or (b) if such Allowed Intercompany Claim is due and payable in Cash on or before the Effective Date, the Holder of such Allowed Intercompany Claim shall receive payment in Cash or otherwise treated in a manner to render Unimpaired such Allowed Intercompany Claim, on the later of (x) the Effective Date (or as soon as is reasonably practical thereafter) or (y) the date that is 10 Business Days after the date such Intercompany Claim becomes an Allowed Intercompany Claim. For avoidance of doubt, if an Allowed Intercompany Claim is not due and payable before the Effective Date, the Holder of such Allowed Claim may be paid in the ordinary course of business consistent with past practices.

(ii) *Impairment and Voting:* Intercompany Claims are Unimpaired and Holders of such Claims are conclusively presumed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, Holders of Intercompany Claims are not entitled to vote to accept or reject the Plan and will not be solicited.

(g) *Class 7—Energy Debtor Membership Interests*.

(i) *Treatment*: On the Effective Date, all Energy Debtor Membership Interests shall be cancelled and discharged. Holders of Energy Debtor Membership Interests shall not receive a Distribution on account of such Energy Debtor Membership Interests.

(ii) *Impairment and Voting*: Energy Debtor Membership Interests are Impaired and Holders of Energy Debtor Membership Interests are deemed to have rejected the Plan pursuant to section 1126(g) of the Bankruptcy Code. Therefore, Holders of Energy Debtor Membership Interests are not entitled to vote to accept or reject the Plan and the votes of such Holders will not be solicited.

(h) *Class 8- Asset Debtor Membership Interests.*

(i) *Treatment*: On the Effective Date, all Asset Debtor Membership Interests shall be cancelled and discharged. Holders of Asset Debtor Membership Interests shall not receive a Distribution on account of such Asset Debtor Membership Interests.

(ii) *Impairment and Voting*: Asset Debtor Membership Interests are Impaired. Holders of Asset Debtor Membership Interests are deemed to have rejected the Plan pursuant to section 1126(g) of the Bankruptcy Code. Therefore, Holders of Asset Debtor Membership Interests are not entitled to vote to accept or reject the Plan and the votes of such Holders will not be solicited.

Section 3.4 *Elimination of Vacant Classes.*

Any Class of Claims or Membership Interests that does not have a Holder of any Allowed Claim or Allowed Membership Interest, or Claim or Membership Interest temporarily Allowed by the Bankruptcy Court as of the date of the Confirmation Hearing, shall be deemed eliminated from the Plan for purposes of voting to accept or reject the Plan and for purposes of determining acceptance or rejection of the Plan by such Class pursuant to section 1129(a)(8) of the Bankruptcy Code.

Section 3.5 *Voting; Presumptions; Solicitation.*

(a) *Acceptance by Certain Impaired Classes*. Holders of Allowed Claims in Class 3 and Class 4 are entitled to vote to accept or reject the Plan. Holders of Class 3 and Class 4 Allowed Claims shall have accepted the Plan if the Holders of (a) at least two-thirds (2/3) in amount of the Allowed Claims actually voting in Class 3 and Class 4, respectively, have voted to accept the Plan and (b) more than one-half (1/2) in number of the Allowed Claims actually voting in Class 3 and Class 4, respectively, have voted to accept the Plan. Holders of Claims in Class 3 and Class 4 will receive ballots containing detailed voting instructions.

(b) *Deemed Acceptance by Unimpaired Classes*. Holders of Claims in Classes 1, 2, 5 and 6 are conclusively deemed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code. Accordingly, such Holders are not entitled to vote to accept or reject the Plan, and the votes of such Holders will not be solicited.

(c) *Deemed Rejection by Impaired Classes*. Holders of Interests in Classes 7 and 8 are deemed to have rejected the Plan pursuant to section 1126(g) of the Bankruptcy Code. Accordingly, such Holders are not entitled to vote to accept or reject the Plan, and the votes of such Holders will not be solicited.

Section 3.6 *Cram Down.*

If any Class of Claims or Membership Interests entitled to vote on the Plan shall not vote to accept the Plan, the Debtors may (a) seek confirmation of the Plan under section 1129(b) of the Bankruptcy Code or (b) amend or modify the Plan in accordance with Section 11.3 hereof. With respect to any Class of Claims or Membership Interests that conclusively is presumed to reject the Plan, the Debtors may request that the Bankruptcy Court confirm the Plan pursuant to section 1129(b) of the Bankruptcy Code. If a controversy arises as to whether any Claims or Membership Interests, or any Class of Claims or Membership Interests, are Impaired, the Bankruptcy Court shall, after notice and a hearing, determine such controversy on or before the Confirmation Date.

Section 3.7 *No Waiver.*

Nothing contained in the Plan shall be construed to waive the right of the Debtors', the Reorganized Debtors or other Entity to object on any basis to any Claim, including after the Effective Date and in any forum.

Section 3.8 *Special Provision Governing Unimpaired Claims*

Except as otherwise provided in the Plan, nothing under the Plan shall affect the rights of the Debtors or the Reorganized Debtors as applicable, in respect of any Unimpaired Claims, including all rights in respect of legal and equitable defenses to, or setoffs or recoupments against, any such Unimpaired Claims.

ARTICLE IV.

MEANS FOR IMPLEMENTATION OF THE PLAN

Section 4.1 *Compromise of Controversies.*

Pursuant to section 1123 of the Bankruptcy Code and Bankruptcy Rule 9019, and in consideration for the Distributions and other benefits provided under the Plan, the provisions of the Plan constitute a good faith compromise and settlement of all Claims and controversies resolved under the Plan as to the Debtors, Reorganized Debtors and the Senior Secured Noteholder. The entry of the Confirmation Order shall constitute the Bankruptcy Court's approval of such compromise and settlement under Bankruptcy Rule 9019, and the Bankruptcy Court's findings shall constitute its determination that such compromise and settlement is within the range of reasonableness, in the best interest of the Debtors, their Estate, their creditors and other parties in interest, and is fair and reasonable.

Section 4.2 *Sources of Cash for Plan Distribution.*

Except as otherwise provided in the Plan or Confirmation Order, all Cash required for the payments to be made hereunder shall be obtained from the Debtors' and the Reorganized Debtors' operations, Cash balances, and the Exit Facility.

Section 4.3 *RMA*

On the Effective Date, the RMA Amendment shall be effective. Pursuant to the RMA Amendment, and in consideration for the RMA Amendment, Rivershore shall receive 55% of Reorganized Asset Membership Interests.

Section 4.4 *Continued Corporate Existence.*

Except as otherwise provided in the Plan, the Debtors, as Reorganized Debtors, shall continue to exist on and after the Effective Date as separate legal entities with all of the powers available to such legal entities under applicable law and pursuant to the Reorganized Debtors' Constituent Documents, without prejudice to any right to alter or terminate such existence (whether by merger or otherwise) in accordance with such applicable law. On or after the Effective Date, without prejudice to the rights of any party to a contract or other agreement with the Reorganized Debtors, the Reorganized Debtors may, in their sole discretion, take such action as permitted by applicable law, and the Reorganized Debtors' organizational documents, as the Reorganized Debtors may determine is reasonable and appropriate, including, without limitation, causing: (a) the legal names of the Reorganized Debtors to be changed; (b) the closure of the Chapter 11 Cases on the Effective Date or any time thereafter; or (c) the reincorporation or

reformation of the Reorganized Debtors under the law of jurisdictions other than the law under which the Debtors currently are formed.

Section 4.5 *Corporate Action.*

(a) Upon the Effective Date, all actions contemplated by the Plan shall be deemed authorized, approved and directed in all respects, including, as applicable: (1) selection of the managers, directors and officers (as applicable) of the Reorganized Debtors, (2) the issuance and Distribution of the Reorganized Energy Debtor Membership Interests and Reorganized Asset Debtor Membership Interests as provided in the Reorganized Debtors' Constituent Documents, (3) all other actions contemplated by the Plan (whether to occur before, on, or after the Effective Date) and all such actions taken or caused to be taken shall be deemed to have been authorized and approved by the Bankruptcy Court. All matters provided for in the Plan involving the Entity structure of the Debtors or the Reorganized Debtors, and any action required by the Debtors or the Reorganized Debtors in connection with the Plan shall be deemed to have timely occurred, and shall be in effect and authorized and approved in all respects, without any requirement of further action by the Holders of Membership Interests or holders of Reorganized Debtors' Membership Interests or managers or members of the Debtors or the Reorganized Debtors, or otherwise.

(b) On or (as applicable) before the Effective Date, the appropriate manager or members of the Debtors, or managers or members of the Reorganized Debtors (as applicable) shall be authorized and (as applicable) directed to issue, execute and deliver the agreements, documents, securities, operating agreements and instruments contemplated by the Plan (or necessary or desirable to effect the transactions, including the Exit Financing and the RMA Amendment, contemplated by the Plan) in the name of and on behalf of the Reorganized Debtors, including issuance of the Reorganized Energy Debtor Membership Interests and Reorganized Asset Debtor Membership Interests, and any and all agreements, documents, securities, and instruments relating to the foregoing. The authorizations and approvals contemplated by this Section 4.5 shall be effective notwithstanding any requirements under nonbankruptcy law.

Section 4.6 *Cancellation of Existing Securities and Agreements.*

On the Effective Date, except as otherwise specifically provided for in the Plan: (a) the Obligations of the Debtors under any certificate, share, note, bond, agreement, indenture, purchase right, option, warrant or other instrument or document directly or indirectly evidencing or creating any indebtedness or Obligation of or ownership interest in the Debtors giving rise to any Claim or Membership Interest (except such certificates, notes or other instruments or documents evidencing indebtedness, Obligations or ownership of the Debtors that are specifically Reinstated pursuant to the Plan, if any) shall be cancelled, terminated and of no further force or effect, without further act or action, and the Debtors and the Reorganized Debtors shall not have any continuing Obligations thereunder, and (b) the Obligations of the Debtors pursuant, relating or pertaining to any agreements, indentures, certificates of designation, bylaws or certificate or articles of incorporation or similar documents governing the shares, certificates, notes, bonds, purchase rights, options, warrants or other instruments or documents evidencing or creating any indebtedness or Obligation of the Debtors (except such

agreements, certificates, notes, or other instruments evidencing indebtedness, Obligations or ownership of the Debtors that are specifically Reinstated or assumed pursuant to the Plan, if any) shall be released and discharged.

Notwithstanding such cancellation and discharge, the Indenture shall continue in effect to the extent necessary to: (a) allow Holders of Claims under such agreement to receive applicable Plan Distributions; (b) allow the Reorganized Debtors, or the Indenture Agent as applicable, to make applicable Distributions pursuant to the Plan on account of the Senior Secured Notes Claims and deduct therefrom such reasonable compensation, fees and expenses due to the Indenture Agent or incurred by the Indenture Agent in making such Distributions pursuant to the Plan; and (c) allow the Indenture Agent to be compensated and reimbursed for fees and expenses, in Cash, in accordance with the Senior Secured Notes Indenture.

Except as provided pursuant to the Plan, the Indenture Agent and its agents, successors and assigns shall be fully discharged of all of their Obligations associated with the Senior Secured Notes Indenture.

Section 4.7 *Release of Liens.*

Except as otherwise specifically provided herein or in any contract, instrument, release, or other agreement or document created pursuant to the Plan, on the Effective Date and concurrently with the applicable Distributions made pursuant to the Plan and, in the case of a Secured Claim, satisfaction in full of the portion of the Secured Claim that is an Allowed Secured Claim as of the Effective Date, all mortgages, deeds of trust, Liens, pledges or other security interests against any property of the Estates shall be fully released and discharged and all of the right, title, and interest of any Holder of such mortgages, deeds of trust, Liens, pledges or other security interests shall revert to the Reorganized Debtors and its successors and assigns. For the avoidance of doubt, all mortgages, deeds of trust, Liens, pledges or other security interests against any property of the Estates shall be fully released and discharged on the Effective Date without any further action by any party, including, but not limited to, further order of the Bankruptcy Court, or Filing updated schedules or statements typically Filed pursuant to the applicable Uniform Commercial Code.

Section 4.8 *Cancellation of Certain Existing Security Interests.*

Upon the full payment or other satisfaction of an Allowed Other Secured Claim, or promptly thereafter, the Holder of such Allowed Other Secured Claim shall deliver to the Debtors or Reorganized Debtors, as applicable, any Collateral or other property of the Debtors held by such Holder, together with any termination statements, instruments of satisfaction or releases of all security interests with respect to its Allowed Other Secured Claim that may be reasonably required to terminate any related financing statements, mortgages, mechanics' or other statutory Liens, or lis pendens, or similar interests or documents.

Section 4.9 *Vesting of Assets.*

Except as otherwise provided in the Plan, on and after the Effective Date, all Assets of the Estates, including all claims, rights, and Causes of Action and any property acquired by the

Debtors under or in connection with the Plan, shall vest in the Reorganized Debtors free and clear of all Claims, Liens, charges, other encumbrances, and interests. Subject to the terms of the Plan, on and after the Effective Date, the Reorganized Debtors may operate their businesses and may use, acquire, and dispose of property and prosecute, compromise or settle any Claims (including any Administrative Claims) and Causes of Action without supervision of or approval by the Bankruptcy Court and free and clear of any restrictions of the Bankruptcy Code or the Bankruptcy Rules other than restrictions expressly imposed by the Plan or the Confirmation Order. Without limiting the foregoing, the Reorganized Debtors may pay the charges that they incur on or after the Effective Date for Professionals' fees, disbursements, expenses or related support services without application to the Bankruptcy Court.

Section 4.10 *Issuance of Reorganized Energy Debtor and Reorganized Asset Debtor Membership Interests.*

The Reorganized Debtors' Membership Interests shall be authorized under the Reorganized Debtors' Constituent Documents (as applicable), and the Reorganized Debtors' Membership Interests shall be issued on the Effective Date and distributed as soon as practicable thereafter in accordance with the Plan and the Reorganized Debtors' Constituent Documents. All of the Reorganized Debtors' Membership Interests issuable in accordance with the Plan, when so issued, shall be duly authorized, validly issued, fully paid and non-assessable. The issuance of the Reorganized Debtors' Membership Interests is authorized without the need for any further corporate action and without any further action.

Section 4.11 *Section 1145 Exemption from Registration.*

The issuance of and the distribution under the Plan of the Reorganized Debtors' Membership Interests shall be exempt from registration under the Securities Act and any other applicable securities laws pursuant to section 1145 of the Bankruptcy Code. These Securities may be resold without registration under the Securities Act or other federal securities laws pursuant to the exemption provided by section 4(a)(1) of the Securities Act, unless the Holder is an "underwriter" with respect to such Securities, as that term is defined in section 1145(b) of the Bankruptcy Code. In addition, such section 1145 exempt Securities generally may be resold without registration under state securities laws pursuant to various exemptions provided by the respective laws of the several states.

Section 4.12 *Reorganized Debtors' Constituent Documents.*

On, or as soon as practicable after, the Effective Date, the Reorganized Debtors shall (a) make any and all Filings that may be required in connection with the Reorganized Debtors' Constituent Documents with the appropriate governmental offices and or agencies and (b) take any and all other actions that may be required to render the Reorganized Debtors' Constituent Documents effective.

Section 4.13 *Managers of the Reorganized Debtors.*

(a) On the Effective Date, the Reorganized Energy Debtor Board of Managers shall consist of 1 member selected as provided in the Reorganized Energy LLC Agreement. The

member of the Reorganized Energy Debtor Board of Managers shall assume such position on the Effective Date. Any subsequent Reorganized Energy Debtor Board of Managers shall be elected, classified and composed in a manner consistent with the Reorganized Energy LLC Agreement and applicable non-bankruptcy law.

(b) On the Effective Date, the Reorganized Asset Debtor Board of Managers shall consist of 3 members selected as provided in the Reorganized Asset LLC Agreement. Each member of the Reorganized Asset Debtor Board of Managers shall assume such position on the Effective Date. Any subsequent Reorganized Asset Debtor Board of Managers shall be elected, classified and composed in a manner consistent with the Reorganized Asset LLC Agreement and applicable non-bankruptcy law.

(c) Pursuant to section 1129(a)(5) of the Bankruptcy Code, the identity and affiliations of each of the managers of the Reorganized Debtors shall be disclosed in the Plan Supplement. Such managers shall serve in accordance with applicable non-bankruptcy law.

Section 4.14 *Effectuating Documents; Further Transactions.*

On and after the Effective Date, the Reorganized Debtors and the managers, officers and directors thereof (as applicable), are authorized to and may issue, execute, deliver, File or record such contracts, Securities, instruments, releases and other agreements or documents and take such actions as may be necessary or appropriate to effectuate, implement and further evidence the terms and conditions of the Plan and the Securities issued pursuant to the Plan, in the name of and on behalf of the Reorganized Debtors, and without the need for any approvals, authorizations or consents except for those expressly required pursuant to the Plan.

ARTICLE V.

TREATMENT OF EXECUTORY CONTRACTS AND UNEXPIRED LEASES

Section 5.1 *Assumption of Executory Contracts and Unexpired Leases.*

(a) All executory contracts and unexpired leases of the Debtors that are not (i) rejected by the Debtors prior to the Effective Date, (ii) subject to a motion seeking such rejection as of the Effective Date, (iii) specifically deemed rejected by the Debtors pursuant to the Plan or Plan Supplement, or (iv) specifically designated as a contract or lease to be rejected on the Schedule of Rejected Contracts, shall be deemed to have been assumed by the Debtors pursuant to sections 365 and 1123 of the Bankruptcy Code without further notice or order of the Bankruptcy Court. Each executory contract and unexpired lease assumed pursuant to this Article V but not assigned to a third party shall revest in, and be fully enforceable by, the Reorganized Debtors in accordance with the terms thereof, except as otherwise modified by the provisions of the Plan or by any order of the Bankruptcy Court.

(b) Entry of the Confirmation Order shall constitute approval of the assumptions, rejections, and, to the extent applicable, the assumptions and assignments of such executory

contracts or unexpired leases as set forth in the Plan, all pursuant to Bankruptcy Code sections 365(a) and 1123. The Confirmation Order shall constitute an order of the Bankruptcy Court: (a) approving the assumption, assumption and assignment or rejection, as the case may be, of executory contracts and unexpired leases, as described above, pursuant to Bankruptcy Code sections 365(a) and 1123(b)(2); (b) providing that the Reorganized Debtors have properly provided for any applicable Cure Claims; (c) providing that each assumption, assignment, or rejection, as the case may be, is in the best interest of the Debtors, the Estates and all parties in interest in the Chapter 11 Cases; and (d) providing that the requirements for assumption or assumption and assignment of any executory contract or unexpired lease to be assumed have been satisfied. Unless otherwise indicated, all assumptions, assumptions and assignments, or rejections of executory contracts and unexpired leases pursuant to the Plan are effective as of the Effective Date. Notwithstanding anything to the contrary in the Plan, the Debtors (with the consent of the Supporting Senior Secured Noteholder) or the Reorganized Debtors, as applicable, reserve the right to alter, amend, modify, or supplement the Schedule of Rejected Contracts at any time before the Effective Date.

Section 5.2 *Cure of Defaults for Executory Contracts and Unexpired Leases Assumed.*

(a) Any monetary amount by which any executory contract or unexpired lease to be assumed pursuant to the Plan is in default shall be satisfied, in accordance with section 365(b)(1) of the Bankruptcy Code by payment by the Debtors of the default amount in Cash on the Effective Date, subject to the limitations described below, or on such other terms as the parties to such executory contracts or unexpired leases may otherwise agree.

(b) At least fourteen (14) days before the Confirmation Hearing, the Debtors shall distribute, or cause to be distributed, notices of proposed assumption and proposed amounts of Cure Claims to the applicable third parties, which notices shall include procedures for objecting to proposed assumptions of executory contracts and unexpired leases and any amounts of Cure Claims to be paid in connection therewith and resolution of disputes by the Bankruptcy Court. Any objection by a counterparty to an executory contract or unexpired lease to a proposed assumption or related Cure Claim amount must be Filed, served and actually received by the Debtors at least seven (7) days before the Confirmation Hearing. Any counterparty to an executory contract or unexpired lease that fails to object timely to the proposed assumption or Cure Claim amount will be deemed to have assented to such assumption or Cure Claim amount.

(c) In the event of a dispute regarding (i) the amount of any payments to cure such a default or (ii) any other matter pertaining to assumption, the payment of Cure Claims required by Bankruptcy Code section 365(b)(1) shall be made no later than 10 Business Days following the entry of a Final Order or orders resolving the dispute and approving the assumption. If the Debtors or Reorganized Debtors are unable to resolve an objection to a proposed assumption or Cure Claim amount in a manner that is satisfactory to the Debtors or Reorganized Debtors, as applicable, and the Supporting Senior Secured Noteholder, the Debtors (or the Reorganized Debtors, as applicable, (in each case with the consent of the Supporting Senior Secured Noteholder) expressly reserve the right, to reject the executory contract or unexpired lease on or before 10 Business Days following the entry of a Final Order regarding the proposed assumption and Cure Claim amount.

(d) Except as otherwise provided in the Confirmation Order, the only adequate assurance of future performance with respect to assumed contracts or unexpired leases shall be the agreement of the Reorganized Debtors to perform all Obligations under any executory contract or unexpired lease under the Plan. The Debtors reserve the right (with the consent of the Supporting Senior Secured Noteholder) to File a motion on or before the Confirmation Date to assume or reject any executory contract and unexpired lease.

(e) Assumption of any executory contract or unexpired lease pursuant to the Plan or otherwise shall result in the full cure and release and satisfaction of any Claims or defaults, whether monetary or nonmonetary, including defaults of provisions restricting the change in control or ownership interest composition or other bankruptcy related defaults, arising under any assumed contract or unexpired lease at any time before the Effective Date of the assumption. All Claims arising from any pre-assumption breach or default of any assumed executory contract or unexpired lease pursuant to the Plan or otherwise will forever be barred from assertion against the Debtors or the Reorganized Debtors, the Estates and their property, unless otherwise ordered by the Bankruptcy Court. Any Proof of Claim filed with respect to an executory contract or unexpired lease that has been assumed shall be deemed Disallowed and expunged, without further notice to or action, order or approval of the Bankruptcy Court.

Section 5.3 *Claims Based on Rejection of Executory Contracts or Unexpired Leases.*

Allowed Claims arising from the rejection of executory contracts or unexpired leases are treated in Class 5—General Unsecured Claims.

Section 5.4 *Pass- Through.*

Any rights or arrangements necessary or useful to the operation of the Debtors' business but not otherwise addressed as a Claim or Interest, including non-exclusive or exclusive patent, trademark, copyright, maskwork or other intellectual property licenses, bonding arrangements, operating licenses with the Texas Railroad Commission or other such regulatory authority, and other executory contracts not assumable under section 365(c) of the Bankruptcy Code, shall, in the absence of any other treatment under the Plan or Confirmation Order, be passed through the Chapter 11 Cases for the benefit of the applicable Reorganized Debtors and the counterparty or counterparties to such rights or arrangements and the legal, equitable and contractual rights of the applicable Debtors and Reorganized Debtors under rights and arrangements shall be left unaltered and unaffected by the Chapter 11 Cases.

Section 5.5 *Oil and Gas Leases.*

(a) Oil and Gas Leases do not constitute executory contracts or unexpired leases of real property under section 365 of the Bankruptcy Code. Notwithstanding the foregoing, should Oil and Gas Leases be deemed to constitute executory contracts or unexpired leases under section 365 of the Bankruptcy Code, they will be assumed in accordance with Sections 5.1 and 5.2.

(b) Except for (i) the defaults of a kind specified in sections 365(b)(2) and 541(c)(1) of the Bankruptcy Code (which defaults the Debtors and Reorganized Debtors will not be

required to cure) or (ii) as otherwise provided herein, the legal, equitable and contractual rights of the counterparties to Oil and Gas Leases shall be unaltered by the Plan. To the extent a failure by the Debtors or Reorganized Debtors to pay or perform an Obligation under an Oil and Gas Lease is a default under any applicable Oil and Gas Lease, such default shall be cured for all purposes by the payments provided for herein or the applicable Reorganized Debtor(s) subsequent performance of such Obligation with such applicable Oil and Gas Lease deemed to be, or otherwise remaining, in full force and effect for the benefit of the applicable Reorganized Debtor(s). To the extent such payment is due and owing on the Effective Date, such payment shall be made, in Cash, on the Effective Date, or upon such other terms as may be agreed to by the applicable Debtors or Reorganized Debtors and the Entity to whom such payment is due. To the extent such payment is not due and owing on the Effective Date, such payment (a) will be made, in Cash, in accordance with the terms of the Oil and Gas Lease (or other agreement) between the parties, or as such payment becomes due and owing under (i) applicable nonbankruptcy law, or (ii) in the ordinary course of business of the applicable Reorganized Debtor(s) or (b) will be made upon other terms as may be agreed upon by the applicable Reorganized Debtor(s) and the Entity to whom such payment is due. To the extent it is impossible for a Reorganized Debtor to cure a default arising from any failure to perform a non-monetary Obligation, such default shall be deemed cured by future performance by the applicable Reorganized Debtor(s) in accordance with the terms of the applicable Oil and Gas Lease with the applicable Oil and Gas Lease deemed to be, or otherwise remaining, in full force and effect for the benefit of the applicable Reorganized Debtor(s). If there is a dispute as to any Cure Obligation (including Cure payments) between the applicable Debtor(s)/Reorganized Debtor(s) and the lessor of an Oil and Gas Lease, the applicable Reorganized Debtor(s) shall only have to pay or perform as herein provided the non-disputed Cure Obligation with the balance of the Cure payment or Cure performance to be made or performed after resolution of such dispute either by (i) agreement of the parties or (ii) resolution by the Bankruptcy Court by a Final Order. The injunction set forth in Section 9.5 shall not enjoin counterparties to an Oil and Gas Lease from pursuing Causes of Action to (a) assert an interest in such Oil and Gas Lease and/or (b) determine the amount of a default under such Oil and Gas Lease to be cured in accordance with this Section 5.5.

Section 5.6 *Indemnification of Covered Persons.*

Any Obligations or rights of the Debtors or Reorganized Debtors to defend, indemnify, reimburse or limit the liability of Covered Persons pursuant to any applicable limited liability agreements, certificates of incorporation, by-laws, policy of providing employee indemnification, state law or other specific agreement in respect of any claims, demands, suits, Causes of Action or proceedings against such Covered Persons based upon any act or omission related to such Covered Persons' service with, for, or on behalf of the Debtors prior to the Effective Date, excluding claims resulting from willful misconduct, or intentional tort, shall be treated as if they were executory contracts that are assumed under the Plan and shall survive the Effective Date and remain unaffected hereby, and shall not be discharged, irrespective of whether such defense, indemnification, reimbursement or limitation of liability is owed in connection with an occurrence before or after the Petition Date. No such assumption shall in any way extend the scope or term of any such indemnification provision beyond that contemplated in the underlying contract or document as applicable.

Section 5.7 *Insurance Policies.*

All insurance policies pursuant to which the Debtors have any obligations in effect as of the date of the Confirmation Order shall be deemed and treated as executory contracts pursuant to the Plan, shall be assumed by the Debtors or the Reorganized Debtors and shall continue in full force and effect thereafter in accordance with their respective terms. All other insurance policies shall vest in the Reorganized Debtors.

Section 5.8 *Management Agreement.*

The Management Agreement shall be deemed and treated as an executory contract pursuant to the Plan, shall be assumed by the Debtors and the Reorganized Debtors, and shall continue in full force and effect thereafter in accordance with its terms.

Section 5.9 *Reservation of Rights.*

Nothing contained in the Plan shall constitute an admission by the Debtors that any contract or lease is in fact an executory contract or unexpired lease or that the Reorganized Debtors have any liability thereunder.

ARTICLE VI.

PROVISIONS GOVERNING DISTRIBUTIONS

Section 6.1 *Date of Distributions.*

Except as otherwise provided in the Plan, any Distribution to be made hereunder shall be made on the Effective Date, or as soon as practicable thereafter. Any payment or act required to be made or done hereunder on a day that is not a Business Day shall be made on the next Business Day.

Section 6.2 *Distribution Record Date.*

As of the close of business on the Distribution Record Date, the various lists of Holders of Claims or Membership Interests in each Class, as maintained by the Debtors or its agents, shall be deemed closed, and there shall be no further changes in the record Holders of any Claims after the Distribution Record Date. Neither the Debtors nor the Reorganized Debtors shall have any Obligation to recognize any transfer of Claims or Membership Interests occurring on or after the Distribution Record Date.

Section 6.3 *Disbursing Agent.*

Except as otherwise provided in the Plan, all Distributions under the Plan shall be made by the Reorganized Debtors, as Disbursing Agent. The Reorganized Debtors shall be permitted, without further order of the Bankruptcy Court, to appoint, employ or contract with any Entities to assist in or make the Distributions required hereunder.

Section 6.4 *Delivery of Distributions and Undeliverable or Unclaimed Distributions.*

(a) *General*. Subject to Section 6.2 of the Plan, any Distribution to be made hereunder to a Holder of an Allowed Claim shall be made to the address of such Holder as of the Distribution Record Date as set forth in the books and records of the Debtors or its agents, or in a letter of transmittal, unless the Debtors have been notified in writing of a change of address, including by the Filing of a Proof of Claim by such Holder that contains an address for such Holder that is different from the address reflected on such books and records or letter of transmittal. None of the Debtors, the Reorganized Debtors or the Disbursing Agent shall incur any liability whatsoever on account of any Distributions under the Plan, except for willful misconduct or fraud.

(b) *Undeliverable Distributions*. In the event that any Distribution or notice provided in connection with the Chapter 11 Cases to any Holder of an Allowed Claim is returned to the Disbursing Agent as undeliverable or otherwise is unclaimed, the Disbursing Agent shall make no further Distribution to such Holder unless and until such Disbursing Agent is notified in writing of such Holder's then current address. On, or as soon as practicable after, the date on which a previously undeliverable or unclaimed Distribution becomes deliverable and claimed, the Disbursing Agent shall make such Distribution without interest thereon. Any Holder of an Allowed Claim that fails to assert a Claim hereunder for an undeliverable or unclaimed Distribution within one year after the Effective Date shall be deemed to have forfeited its Claim for such undeliverable or unclaimed Distribution and shall forever be barred and enjoined from asserting such Claim against any of the Debtors, the Estates, or the Reorganized Debtors or their property. Any Cash amounts in respect of undeliverable or unclaimed Distributions for which a Claim is not made within such one-year period shall be forfeited to the Reorganized Debtors. Nothing contained herein shall require, or be construed to require, the Disbursing Agent to attempt to locate any Holder of an Allowed Claim.

Section 6.5 *Surrender of Cancelled Instruments or Securities.*

On the Effective Date or as soon as reasonably practicable thereafter, each Holder of a certificate or instrument evidencing a Claim or Membership Interest that is discharged by the Plan shall be deemed to have surrendered such certificate or instrument to the Reorganized Debtors. Such surrendered certificate or instrument shall be cancelled solely with respect to the Debtors, and such cancellation shall not alter the obligations or rights of any non-Debtor third parties vis-à-vis one another with respect to such certificate or instrument, including with respect to any indenture or agreement that governs the rights of the Holder of a Claim, which shall continue in effect as set forth in Section 4.5 hereof. Notwithstanding anything to the contrary herein, this paragraph shall not apply to certificates or instruments evidencing Claims that are Unimpaired under the Plan.

Section 6.6 *Fractional Distributions.*

Notwithstanding anything contained herein to the contrary, no Distributions of fractional shares of Reorganized Debtors' Membership Interests or fractions of dollars shall be made hereunder on account of Claims or Membership Interests. For purposes of Distribution hereunder on account of such Claims or Membership Interests, fractional shares and fractions of dollars (whether in the form of Reorganized Debtors' Membership Interests or Cash) shall be rounded to

the nearest whole unit (with any amount equal to or less than one-half share or one-half dollar, as applicable, to be rounded down).

Section 6.7 *Manner of Payment under Plan.*

Except as specifically provided herein, at the option of the Debtors or the Reorganized Debtors, as applicable, any Cash payment to be made under the Plan may be made by a check or wire transfer or as otherwise required or provided in applicable agreements or customary practices of the Debtors or the Reorganized Debtors (as applicable).

Section 6.8 *Time Bar to Cash Payments*

Checks issued by the Disbursing Agent with respect to Allowed Claims shall be null and void if not negotiated within 180 days after the date of issuance thereof. Thereafter, the amount represented by such voided check shall irrevocably revert to the Reorganized Debtors, and any Claim in respect of such voided check shall be discharged and forever barred, notwithstanding any federal or state escheat laws to the contrary. A request for re-issuance of any check shall be made, in accordance with Section 6.4(b) hereof, to the Disbursing Agent by the Holder of the Allowed Claim to whom such check was originally issued.

Section 6.9 *No Distribution in Excess of Amount of Allowed Claim.*

Notwithstanding anything to the contrary in the Plan, no Holder of an Allowed Claim shall receive, on account of such Allowed Claim, Distributions under the Plan in excess of the Allowed amount of such Claim.

Section 6.10 *Claims Paid or Payable by Third Parties.*

(a) *Claims Paid by Third Parties.* The Debtors or the Reorganized Debtors, as applicable, shall reduce in part or in full a Claim to the extent that the Holder of such Claim receives payment in part or in full on account of such Claim from a party that is not the Debtors or Reorganized Debtors. To the extent a Holder of a Claim receives a Distribution on account of such Claim and receives payment from a party that is not the Debtors or Reorganized Debtors on account of such Claim, such Holder shall, within 14 days of receipt thereof, repay or return the Distribution to the Reorganized Debtors, to the extent the Holder's total recovery on account of such Claim from the third party and under the Plan exceeds the amount of such Claim as of the date of any such Distribution under the Plan.

(b) *Claims Payable by Third Parties*. No Distributions under the Plan shall be made on account of an Allowed Claim that is payable pursuant to any of the Debtors' insurance policies until the Holder of such Allowed Claim has exhausted all remedies with respect to such insurance policies. To the extent that one or more of the Debtors' insurers satisfies or agrees to satisfy in full or in part a Claim, then immediately upon such insurers' agreement, the applicable portion of such Claim may be expunged without a Claim objection having to be filed and without any further notice to or action, order, or approval of the Bankruptcy Court.

(c) *Applicability of Insurance Policies.* Except as otherwise provided in the Plan, Distributions to Holders of Allowed Claims shall be in accordance with the provisions of any applicable insurance policy. Nothing contained in the Plan shall constitute or be deemed a waiver of any Cause of Action that the Debtors, Reorganized Debtors, or any Entity may hold against any other Entity, including insurers under any policies of insurance, nor shall anything contained herein constitute or be deemed a waiver by such insurers of any defenses, including coverage defenses, held by such insurers.

Section 6.11 *Post-petition Interest.*

Unless expressly provided in the Plan, the Confirmation Order or any contract, instrument, release, settlement, or other agreement entered into in connection with the Plan or required by the Bankruptcy Code (including without limitation Bankruptcy Code sections 506(b) and 1129(b)), post-petition interest shall not accrue on or after the Petition Date on account of any Claim. Without limiting the generality of the foregoing, interest shall not be paid upon any Disputed Claim in respect of the period from the Petition Date to the date a final Distribution is made thereon if, and after, such Disputed Claim becomes an Allowed Claim.

Section 6.12 *No Proofs of Claim Required.*

Except as otherwise provided in Sections 2.1 and 2.3 hereof. Holders of Claims against the Debtors shall not be required to file Proofs of Claim.

Section 6.13 *Setoffs and Recoupments.*

The Reorganized Debtors, or their designee as instructed by the Reorganized Debtors, may, pursuant to section 553 of the Bankruptcy Code or applicable nonbankruptcy law, setoff or recoup against any Allowed Claim, and the Distributions to be made pursuant to the Plan on account of such Allowed Claim, and any and all claims, rights, and Causes of Action that the Reorganized Debtors or their successor may hold against the Holder of such Allowed Claim after the Effective Date, to the extent such setoff or recoupment is either (a) agreed in amount among the Reorganized Debtors and Holder of the Allowed Claim, or (b) otherwise adjudicated by the Bankruptcy Court or another court of competent jurisdiction; *provided*, that neither the failure to effect a setoff or recoupment nor the allowance of any Claim hereunder will constitute a waiver or release by the Reorganized Debtors or their successors of any claims, rights, Causes of Action or rights of setoff that the Reorganized Debtors or their successors or assigns may possess against such Holder.

Section 6.14 *Withholding and Reporting Requirements.*

In connection with the Plan and all instruments issued in connection therewith and distributed thereon, the Reorganized Debtors and any other distributing party shall comply with all applicable tax withholding and reporting requirements imposed by any Governmental Unit, and all Distributions under the Plan shall be subject to any such withholding or reporting requirements. The Reorganized Debtors shall be entitled to deduct any U.S. federal, state or local withholding taxes from any Cash payments made with respect to Allowed Claims, as appropriate. As a condition of receiving any Distribution under the Plan, the Reorganized

Debtors may require that the Holder of an Allowed Claim entitled to receive a Distribution pursuant to the Plan complete and return a Form W-8 or W-9, as applicable, or such other information and certification as may be deemed necessary for the Reorganized Debtors to comply with applicable tax reporting and withholding laws. Any amounts withheld pursuant hereto shall be deemed to have been distributed to and received by the applicable recipient for all purposes of the Plan. In connection with a Distribution under the Plan, the Reorganized Debtors may take whatever actions are necessary to comply with applicable U.S. federal, state, local and non-U.S. tax withholding obligations, including either withholding from Distributions a portion of the Reorganized Energy Debtor Common Stock and selling such securities or requiring such Holder of an Allowed Claim to contribute the necessary Cash to satisfy the tax withholding obligations. With respect to any Distribution to the Supporting Senior Secured Noteholder, the Reorganized Debtors may take the actions described in the preceding sentence only after consultation with the Supporting Senior Secured Noteholder.

Notwithstanding the above, each Holder of an Allowed Claim that is to receive a Distribution under the Plan shall have the sole and exclusive responsibility for the satisfaction and payment of any tax obligations imposed on such Holder by any Governmental Unit, including income, withholding and other tax obligations, on account of such Distribution.

Section 6.15 *Hart-Scott-Rodino Compliance.*

Any Reorganized Energy Debtor Membership Interests and Reorganized Asset Membership Interests to be distributed under the Plan to an Entity required to File a premerger notification and report form under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, shall not be distributed until the notification and waiting periods applicable under such Act to such Entity have expired or been terminated.

Section 6.16 *Special Provision Regarding Unimpaired Claims.*

Except as otherwise provided in the Plan, the Confirmation Order, any other order of the Bankruptcy Court or any document or agreement entered into and enforceable pursuant to the terms of the Plan, nothing herein shall affect the Debtors' or Reorganized Debtors' rights and defenses, both legal and equitable, with respect to any Unimpaired Claims, including all rights with respect to legal and equitable defenses to setoffs or recoupments against Unimpaired Claims or to request disallowance or subordination of any such Claim. In addition, Unimpaired Claims are subject to all applicable provisions of the Bankruptcy Code, including Bankruptcy Code section 502(b); *provided, however*, that Holders of Unimpaired Claims shall not be required to file a Proof of Claim.

ARTICLE VII.

PROCEDURES FOR RESOLVING DISPUTED CLAIMS

Section 7.1 *Disputed Claims Process.*

Except to the extent Allowed (or deemed Allowed) pursuant to an order of the Bankruptcy Court or the Plan, from and after the Effective Date the Reorganized Debtors shall

have the authority to File, settle, compromise, withdraw or litigate to judgment objections to Claims, and shall be permitted to compromise any Disputed Claim without approval of the Bankruptcy Court; *provided, however*, that consent of the Supporting Senior Secured Noteholder shall be required for settlement of any Disputed Claim with an agreed settlement payment or consideration in excess of **$50,000**. On and after the Effective Date, except as otherwise provided herein, all Unimpaired Claims will be paid in the ordinary course of business of the Reorganized Debtors and, as provided in Section 6.12 of the Plan, Holders of Claims shall not be required to file Proofs of Claim, unless the Debtors or Reorganized Debtors later seek to establish a bar date for parties to file Proofs of Claim and such bar date is approved by the Bankruptcy Court.

Notwithstanding the requirements of Bankruptcy Rule 9019, if the Debtors dispute any Claim, such dispute may be determined, resolved or adjudicated, as the case may be, in a manner as if the Chapter 11 Cases had not been commenced and shall survive the Effective Date as if the Chapter 11 Cases had not been commenced; *provided*, that the Reorganized Debtors, in their discretion, may bring an objection or other motion before the Bankruptcy Court with respect to a Disputed Claim for resolution. Notwithstanding section 502(a) of the Bankruptcy Code or that Holders of Class 5 General Unsecured Claims are Unimpaired under the Plan, unless a Final Order of the Bankruptcy Court provides otherwise, all Proofs of Claim filed in these Chapter 11 Cases shall be considered objected to and Disputed without further action by the Debtors. Upon the Effective Date, unless a Final Order of the Bankruptcy Court provides otherwise, and except with respect to Proofs of Claim to which the Debtors have Filed an objection with the Bankruptcy Court, all Proofs of Claim Filed against the Debtors, regardless of the time of Filing, and including claims Filed after the Effective Date, shall automatically be deemed withdrawn and expunged. To the extent not otherwise provided in the Plan, the deemed withdrawal of a Proof of Claim is without prejudice to such claimant's rights, if any, under this Section 7.1 of the Plan to assert their claims in any forum as though the Chapter 11 Cases had not been commenced.

Section 7.2 *Estimation of Claims.*

The Debtors or Reorganized Debtors, in each case with the consent of the Supporting Senior Secured Noteholder, shall be permitted, at any time, to request that the Bankruptcy Court estimate any contingent or unliquidated Claim pursuant to section 502(c) of the Bankruptcy Code, regardless of whether the Debtors or the Reorganized Debtors previously had objected to such Claim or whether the Bankruptcy Court had ruled on such objection. The Bankruptcy Court shall retain jurisdiction to estimate any Claim at any time during any litigation concerning any objection to such Claim, including during the pendency of any appeal relating to such objection. In the event that the Bankruptcy Court estimates any contingent or unliquidated Claim, the amount so estimated shall constitute either the Allowed amount of such Claim or a maximum limitation on such Claim, as determined by the Bankruptcy Court. If such estimated amount constitutes a maximum limitation on the amount of such Claim, the Debtors (or the Reorganized Debtors, as the case may be) may elect to pursue any supplemental proceedings to object to the allowance of such Claim. All of the aforementioned objection, estimation and resolution procedures are cumulative and not exclusive of one another. Claims may be estimated and

subsequently compromised, settled, withdrawn or resolved by any mechanism approved by the Bankruptcy Court, in accordance with the restrictions imposed by this Plan.

Section 7.3 *Payments and Distributions on Disputed Claims.*

Notwithstanding any other provision to the contrary herein, no payments or Distributions shall be made hereunder with respect to all or any portion of any Disputed Claim unless and until all objections to such Disputed Claim have been settled, withdrawn, or determined by Final Order, and such Disputed Claim has become an Allowed Claim.

ARTICLE VIII.

CONDITIONS PRECEDENT TO THE EFFECTIVE DATE

Section 8.1 *Conditions Precedent to the Effective Date.*

The Effective Date shall not occur unless and until each of the following conditions have occurred or been waived in accordance with the terms herein:

(a) the Plan Supplement has been Filed in form and substance satisfactory to the Parties;

(b) the Plan Documents (including, but not limited to, the RMA Amendment, the Exit Facility and the Reorganized Asset LLC Agreement), containing terms and conditions consistent in all material respects with the Plan and the Restructuring Support Agreement, are in form and substance satisfactory to the Parties, and have been executed;

(c) any amendments to the Plan and Plan Documents are in form and substance satisfactory to the Parties;

(d) the Bankruptcy Court has entered the Confirmation Order in form and substance satisfactory to the Parties, and such Confirmation Order has become a Final Order and has not been stayed, modified or vacated on appeal;

(e) the Confirmation Order as entered by the Bankruptcy Court, provides, among other things, (i) the Debtors or the Reorganized Debtors, as appropriate, are authorized to take all actions necessary or appropriate to consummate the Plan and the restructuring transactions contemplated by the Plan, including, without limitation, (A) entering into, implementing and consummating the contracts, instruments, releases, leases, indentures and other agreements or documents (including, but not limited to, the RMA Amendment, the Exit Facility and the Reorganized Asset LLC Agreement) created in connection with or described in the Plan, (B) distributing the Reorganized Debtors' Membership Interests pursuant to the exemptions from registration under section 3(a)(9) and or section 4(a)(2) of the Securities Act, Rule 701 et seq. under the Securities Act or section 1145 of the Bankruptcy Code or other exemption from such registration or pursuant to one or more registration statements, (C) making all Distributions and

issuances as required under the Plan, including Cash and the Reorganized Debtors' Membership Interests; (D) entering into any agreements and transactions as set forth in the Plan Supplement; (ii) the Energy Debtor is authorized and directed to assume the RMA as amended by the RMA Amendment; (iii) the provisions of the Confirmation Order and the Plan are nonseverable and mutually dependent; (iv) the implementation of the Plan in accordance with its terms is authorized; and (v) pursuant to section 1146 of the Bankruptcy Code, the assignment or surrender of any lease or sublease, and the delivery of any deed or other instrument or transfer order, in furtherance of, or in connection with the Plan, including any deeds, bills of sale, or assignments executed in connection with any disposition or transfer of Assets contemplated under the Plan, shall not be subject to any Stamp or Similar Tax;

(f) the Restructuring Support Agreement has not been terminated and remains in full force and effect and binding on all Parties;

(g) all governmental and third-party approvals and consents, including Bankruptcy Court approval, necessary in connection with the transactions provided for in the Plan have been obtained, are not subject to unfulfilled conditions, and are in full force and effect, and all applicable waiting periods have expired without any action having been taken by any competent authority that would restrain, prevent, or otherwise impose materially adverse conditions on such transactions;

(h) except as provided in the Management Agreement, any payment or Claim triggered by any "change of control," acceleration payment provision, termination payment provision or like or similar payment provision or Claim that may be asserted by any party, including, without limitation, any employee, officer, manager, director or any Affiliate thereof, including any family member of any employee, officer, manager or director, in any such case arising as a result of the restructuring transactions contemplated under the Plan, arising from, in connection with, or related to any contract, lease or agreement under the Plan shall have been released and fully and finally waived and shall not be due and owing by the Debtors;

(i) the aggregate amount of all projected prepetition, non-contingent undisputed Claims against the Debtors, including, without limitation, all rejection, trade and other general unsecured claims, other than (i) Senior Secured Notes Claims, and (ii) Professional Fee Note Claims, projected by the Debtors to become Allowed Claims (including such Claims that at such date are already reasonably determined to be Allowed Claims), does not exceed $600,000; and

(j) the RMA, as amended by the RMA Amendment, shall have been assumed by the Energy Debtor.

Section 8.2 *Waiver of Conditions.*

The conditions to the occurrence of the Effective Date set forth in Section 8.1 may, in each case, be waived by the Debtors (with the consent of the Supporting Senior Secured Noteholder not to be unreasonably withheld) at any time without any other notice to parties in

interest or the Bankruptcy Court and without a hearing or order; *provided, however*, that the Debtors may not waive entry of the Confirmation Order.

The stay of the Confirmation Order pursuant to Bankruptcy Rule 3020(e) may be waived by and upon the entry of the Confirmation Order, and the Confirmation Order may take effect immediately upon its entry.

Section 8.3 *Effect of Failure of Condition.*

If all the conditions to effectiveness and the occurrence of the Effective Date have not been satisfied or duly waived in accordance with Section 8.2 on or before the first Business Day that is more than 75 days after the Petition Date, or by such later date as is satisfactory to the Debtors and the Supporting Senior Secured Noteholder, then, upon motion by the Debtors (with the consent of the Supporting Senior Secured Noteholder) made before the time that all of the conditions have been satisfied or duly waived, the Confirmation Order will be vacated by the Bankruptcy Court; *provided, however*, that notwithstanding the Filing of such a motion, the Confirmation Order will not be vacated if each of the conditions precedent to the occurrence of the Effective Date is either satisfied or duly waived before the Bankruptcy Court enters an order granting the relief requested in such motion. The Debtors may request that the Bankruptcy Court vacate the Confirmation Order at any time after the Restructuring Support Agreement has been terminated.

If the Effective Date does not occur or the Confirmation Order is vacated pursuant to this Section 8.3, the Plan will be null and void in all respects, and nothing contained in the Plan will (a) constitute a waiver or release of any Claims against or Membership Interests in the Debtors, (b) prejudice in any manner the rights of the Debtors or the Holder of any Claim or Membership Interest in the Debtors or (c) constitute an admission, acknowledgment, offer, or undertaking by the Debtors, any Holders of Claims or Membership Interests or any other Entity in any respect.

Section 8.4 *Reservation of Rights.*

The Plan shall have no force or effect unless and until the Confirmation Order is entered. Prior to the Effective Date, none of the Filing of the Plan, any statement or provision contained in the Plan, or action taken by the Debtors with respect to the Plan shall be or shall be deemed to be an admission or waiver of any rights of the Debtors or any other party with respect to any Claims or Membership Interests or any other matter.

Section 8.5 *Substantial Consummation of Plan.*

Substantial consummation of the Plan under Bankruptcy Code section 1101(2) shall be deemed to occur on the Effective Date

ARTICLE IX.

EFFECT OF PLAN CONFIRMATION

Section 9.1 *Binding Effect.*

As of the Effective Date the Plan shall bind all Holders of Claims against or Membership Interests in the Debtors and their successors and assigns, regardless of whether the Holders (a) were Impaired or Unimpaired under the Plan, (b) were deemed to accept or reject the Plan, (c) failed to vote to accept or reject the Plan, or (d) voted to reject the Plan.

Section 9.2 *Discharge of Claims.*

Upon the Effective Date and in consideration for the Distributions to be made under the Plan, except as otherwise provided in the Plan or in the Confirmation Order, the confirmation of the Plan shall discharge the Debtors and the Reorganized Debtors from any Claim that arose before the Effective Date, whether or not such Claim would otherwise be Allowed and whether or not the Holder of such Claim has voted on the Plan, and each such Holder (as well as any trustee or agent on behalf of such Holder) of a Claim or Membership Interest and any Affiliate of such Holder shall be deemed to have forever waived, released, and discharged the Debtors, to the fullest extent permitted by section 1141 of the Bankruptcy Code, of and from any and all Claims, interests, rights, and liabilities that arose prior to the Effective Date. Except as otherwise provided in the Plan, upon the Effective Date all such Holders of Claims and Membership Interests and their Affiliates shall be forever precluded and enjoined, pursuant to sections 105, 524, and 1141 of the Bankruptcy Code, from prosecuting or asserting any such discharged Claims or cancelled Membership Interests against the Debtors or the Reorganized Debtors, or any of their Assets or property, whether or not such Holder has filed a Proof of Claim and whether or not the facts or legal bases therefor were known or existed prior to the Effective Date; *provided*, *however*, that notwithstanding the foregoing, nothing in the Plan is intended to release any insurer from having to provide coverage under any policy to which the Debtors or the Reorganized Debtors or their current or former officers, directors, employees, representatives or agents are parties or beneficiaries.

Section 9.3 ***Releases.***

(a) **Releases by the Debtors. To the fullest extent permitted by applicable law, on the Effective Date, except for the rights that remain in effect from and after the Effective Date to enforce the Plan and the Plan Documents, the Debtors, the Reorganized Debtors and the Estates, in each case on behalf of themselves and their respective successors, assigns, and representatives and any and all other entities who may purport to assert any cause of action derivatively, by or through the foregoing entities, for good and valuable consideration, the adequacy of which is hereby confirmed, including, without limitation, the efforts of the Released Parties to facilitate the reorganization of the Debtors and the implementation of the Plan and the transactions contemplated herein and hereby, shall forever release, waive and discharge, all claims, obligations, suits, judgments, damages, demands, debts, rights, Causes of Action, losses, remedies, and liabilities whatsoever, including any derivative claims, asserted or assertable on behalf of the Debtors, the Reorganized Debtors or the Estates, whether liquidated or unliquidated, fixed or contingent, matured or unmatured, known or unknown, foreseen or unforeseen, then existing or thereafter arising, in law, equity or otherwise against the Released Parties that are based in whole or in part on any act, omission, transaction, event or other occurrence taking place on or before the Effective Date, and in any way relating to (a) the Debtors and**

any Affiliates or subsidiaries of the Debtors, (b) the Reorganized Debtors, (c) the Estates, (d) the purchase, sale, or rescission of the purchase or sale of any security of the Debtors or the Reorganized Debtors, (e) the subject matter of, or the transactions or events giving rise to, any Claim or Membership Interest that is treated in the Plan, (f) the Chapter 11 Cases, (g) the Plan, including the solicitation of votes on the Plan, (h) the Disclosure Statement, (i) the restructuring of any Claim or Membership Interest before or during the Chapter 11 Cases, including the Out-of-Court Restructuring, (j) the Restructuring Support Agreement, (k) the Financing Documents, (l) the RMA, and (m) the negotiation, formulation or preparation of the foregoing agreements and transactions described in this paragraph (the foregoing, the "*Debtors Released Claims*"); *provided, however*, that (i) no Released Party shall be released hereunder from any Debtors Released Claims as a result of any act, omission, transaction, event or other occurrence by a Released Party that has been or is hereafter found by any court or tribunal by Final Order to constitute gross negligence, fraud, or willful misconduct and (ii) the foregoing release shall not apply to or release any express contractual or financial obligations owed to the Debtors or the Reorganized Debtors or any right or obligation arising under or that is part of the Plan or any agreement entered into pursuant to, in connection with or contemplated by, the Plan.

(b) **Releases by Holders of Claims. To the fullest extent permitted by applicable law, on the Effective Date, for good and valuable consideration, the adequacy of which is hereby confirmed, including, without limitation, the efforts of the Released Parties to facilitate the expeditious reorganization of the Debtors and the implementation of the Plan and the transactions, contracts and instruments contemplated herein and hereby (including, without limitation, the treatment of the Allowed Claims of the Releasing Parties), each of the Releasing Parties agrees to the release provisions in the Plan and shall forever release, waive and discharge, all Claims, obligations, suits, judgments, damages, demands, debts, rights, Causes of Action and liabilities whatsoever, including any derivative claims, asserted or assertable on behalf of the Debtors, the Reorganized Debtors or the Estates, whether liquidated or unliquidated, fixed or contingent, matured or unmatured, known or unknown, foreseen or unforeseen, then existing or thereafter arising, in law, equity or otherwise against any and all of the Released Parties that are based in whole or in part on any act, omission, transaction, event or other occurrence taking place on or before the Effective Date and in any way relating to or arising from, in whole or in part, (a) the Debtors and any Affiliates or subsidiaries of the Debtors, (b) the Reorganized Debtors, (c) the Estates, (d) the purchase, sale, or rescission of the purchase or sale of any security of the Debtors or the Reorganized Debtors, (e) the subject matter of, or the transactions or events giving rise to, any Claim or Membership Interest that is treated in the Plan, (f) the contractual arrangements between the Debtors and any Released Party, (g) the Chapter 11 Cases, (h) the Plan, including the solicitation of votes on the Plan, (i) the Disclosure Statement, (j) the Restructuring Support Agreement, (k) the Financing Documents, (l) the restructuring of any Claim or Membership Interest before or during the Chapter 11 Cases, including the Out-Of-Court Restructuring, and (m) the negotiation, formulation or preparation of the foregoing agreements and transactions described in this paragraph (the foregoing, the "*Releasing Parties Released Claims*"); *provided, however*, that (i) no Released Party shall be released hereunder from any Releasing Parties Released Claims as a result of any act, omission, transaction, event or other occurrence by a**

Released Party that has been or is hereafter found by any court or tribunal by Final Order to constitute gross negligence, fraud, or willful misconduct; (ii) the foregoing release shall not apply to or release any express contractual or financial obligations or any right or obligation arising under or that is part of the Plan or any agreement entered into pursuant to, in connection with or contemplated by, the Plan.

(c) **Each Person providing releases under the Plan, including the Debtors, the Reorganized Debtors and the Releasing Parties, shall have granted the releases set forth herein notwithstanding that such Person may hereafter discover facts in addition to, or different from, those which it now knows or believes to be true, and without regard to the subsequent discovery or existence of such different or additional facts, and such Person expressly waives any and all rights that it may have under any statute or common law principle which would limit the effect of such releases to those claims or Causes of Action actually known or suspected to exist at the time of execution of such release.**

Section 9.4 ***Exculpation and Limitation of Liability.***

Notwithstanding anything herein to the contrary, and to the fullest extent permitted by applicable law, except with respect to any acts or omissions expressly set forth in and preserved by the Plan or the Plan Supplement, no Exculpated Party shall have or incur, and each Exculpated Party is hereby released and exculpated from, any claim, member interest, obligation, suit, judgment, damage, demand, debt, right, cause of action, loss, remedy, or liability for any claim in connection with or arising out of the administration of the Chapter 11 Cases; the negotiation, formulation, preparation, and pursuit of the Disclosure Statement, the Financing Documents, the Restructuring Support Agreement, the transactions relating to the Debtors' restructuring, the Plan, the Plan Supplement, the Reorganized Debtors Constituent Documents, or any related documents; or the solicitation of votes in favor of the Plan and confirmation of the Plan; any contract, instrument, release or other agreement or documents (including providing any legal opinion requested by any Entity regarding any transaction, contract, instrument, document or other agreement contemplated by the Plan or the reliance by any Exculpated Party on the Plan or the Confirmation Order in lieu of such legal opinion) created or entered into in connection with the Disclosure Statement or the Plan; the funding or consummation of the Plan; the occurrence of the Effective Date; the administration of the Plan or the property to be distributed under the Plan; the issuance of securities under or in connection with the Plan; or negotiations, regarding or concerning any of the foregoing, or the administration of the plan or property to be distributed under the Plan, or any transactions in furtherance of any of the foregoing; except for gross negligence, fraud or willful misconduct as determined by a Final Order, but in all respects such Entities shall be entitled to reasonably rely upon the advice of counsel with respect to their duties and responsibilities pursuant to the Plan. The Exculpated Parties and each of their respective affiliates, agents, directors, officers, employees, advisors, and attorneys have acted in compliance with the applicable provisions of the Bankruptcy Code with regard to the solicitation and Distribution of securities pursuant to the Plan and, therefore, are not, and on account of such Distributions shall not be, liable at any time for the violation of any applicable law, rule or regulation governing the solicitation of acceptances or rejections of the Plan or such Distributions made

pursuant to the Plan including the issuance of securities thereunder. This exculpation shall be in addition to, and not in limitation of, all other releases, indemnities, exculpations, and any other applicable law or rules protecting such Exculpated Parties from liability.

Section 9.5 ***Injunction.***

(a) ***General.*** **All Entities who have held, hold or may hold Claims or Membership Interests (other than the Claims or Membership Interests Reinstated under the Plan, if any) and all other parties in interest, along with their respective current and former employees, agents, managers, officers, directors, principals and Affiliates, permanently are enjoined, from and after the Effective Date, from (i) commencing, conducting or continuing in any manner, directly or indirectly any suit, action or other proceeding of any kind against the Debtors or the Reorganized Debtors, (ii) enforcing, levying, attaching, collecting or otherwise recovering by any manner or means, whether directly or indirectly, of any judgment, award, decree or order against the Debtors or Reorganized Debtors, (iii) creating, perfecting or otherwise enforcing in any manner, directly or indirectly, any encumbrance of any kind against the Debtors or Reorganized Debtors, or the property of the Debtors or Reorganized or (iv) asserting any right of setoff, subrogation or recoupment of any kind, directly or indirectly, against any obligation due the Debtors or Reorganized Debtors or against the property or interests in property of the Debtors or Reorganized Debtors, on account of such Claims or Membership Interests, except as contemplated or allowed by the Plan; and (v) acting or proceeding in any manner, in any place whatsoever, that does not conform to or comply with the provisions of the Plan.**

(b) ***Injunction Against Interference with the Plan.*** **Upon entry of the Confirmation Order, all Holders of Claims and Membership Interests and other parties in interest, along with their respective current and former employees, agents, managers, officers, directors, principals and Affiliates shall be enjoined from taking any actions to interfere with the implementation or consummation of the Plan in relation to any Claim or Membership Interest extinguished, discharged or released pursuant to the Plan; *provided, however,* that the foregoing shall not enjoin any party to the Restructuring Support Agreement from exercising any of its rights or remedies under the Restructuring Support Agreement in accordance with the terms thereof.**

Section 9.6 *Term of Bankruptcy Injunction or Stays.*

All injunctions or stays provided for in the Chapter 11 Cases under section 105 or 362 of the Bankruptcy Code or otherwise, and in existence as of the Confirmation Date, shall remain in full force and effect until the Effective Date.

Section 9.7 *Ipso Facto and Similar Provisions Ineffective.*

Any term of any prepetition policy, prepetition contract or other prepetition obligation applicable to the Debtors shall be void and of no further force or effect with respect to the Debtors to the extent that such policy, contract, or other obligation is conditioned on, creates an obligation of the Debtors as a result of, or gives rise to a right of any Entity based on any of the

following: (a) the insolvency or financial condition of the Debtors; (b) the commencement of the Chapter 11 Cases; or (c) the confirmation or consummation of the Plan, including any change of control occurring as a result of such consummation.

Section 9.8 *Preservation of Rights of Action.*

In accordance with section 1123(b) of the Bankruptcy Code, and except where such Causes of Action have been expressly released, the Reorganized Debtors shall retain and have the exclusive right to enforce, after the Effective Date, any claims, rights and Causes of Action that the Debtors or the Estates may hold against any Entity, whether arising before or after the Petition Date, including, without limitation: all claims relating to transactions under section 549 of the Bankruptcy Code, all transfers recoverable under section 550 of the Bankruptcy Code and all Causes of Action against any Entity on account of indebtedness and any other Causes of Action in favor of the Reorganized Debtors.

The Reorganized Debtors shall be permitted to pursue such retained claims, rights or Causes of Action, as appropriate, in accordance with the best interests of the Reorganized Debtors in their sole discretion. No Entity may rely on the absence of a specific reference in the Plan, the Plan Supplement or the Disclosure Statement to any Cause of Action against them as any indication that the Debtors or Reorganized Debtors, as applicable, will not pursue any and all available Causes of Action. Except with respect to Causes of Action as to which the Debtors or the Reorganized Debtors, with the consent of the Supporting Senior Secured Noteholder, has expressly released any Person or Entity on or prior to the Effective Date, the Debtors or Reorganized Debtors, as applicable, expressly reserve all rights to prosecute any and all Causes of Action against any Entity, except as otherwise expressly provided in the Plan. Unless any Causes of Action against an Entity are expressly waived, relinquished, exculpated, released, compromised or settled in the Plan or a Bankruptcy Court order, the Reorganized Debtors expressly reserve all Causes of Action, for later adjudication, and, therefore, no preclusion doctrine, including the doctrines of *res judicata*, collateral estoppel, issue preclusion, claim preclusion, estoppel (judicial, equitable or otherwise), laches, or any doctrine or rule that would require the filing of any claim or counterclaim, shall apply to such Causes of Action upon, after or as a consequence of the confirmation or consummation of the Plan.

ARTICLE X.

RETENTION OF JURISDICTION

Pursuant to sections 105(c) and 1142 of the Bankruptcy Code and notwithstanding the entry of the Confirmation Order or the occurrence of the Effective Date, the Bankruptcy Court shall retain jurisdiction over all matters arising out of, and related to, the Plan, the Confirmation Order and the Chapter 11 Cases to the fullest extent permitted by law, including jurisdiction to:

(a) Allow, disallow, determine, liquidate, classify, estimate or establish the priority, nature, validity, amount or secured or unsecured status of any Claim or Membership Interest, including the resolution of any request for payment of any Administrative Claim and the resolution of any and all objections to the allowance or priority of Claims or Membership Interests;

(b) Grant or deny any applications for allowance of compensation or reimbursement of expenses authorized pursuant to the Bankruptcy Code or the Plan for periods ending on or before the Effective Date;

(c) Hear, determine and resolve any matters related to the assumption, assumption and assignment, or rejection of any executory contract or unexpired lease to which the Debtors are a party or with respect to which the Debtors or the Reorganized Debtors may be liable, and hear, determine and, if necessary, liquidate any Claims arising therefrom, including, if necessary, determine the nature and amount of required Cure Claims;

(d) Hear and determine any and all motions to subordinate Claims or Membership Interests at any time and on any basis permitted by applicable bankruptcy and nonbankruptcy law;

(e) Effectuate performance of and ensure that Distributions to Holders of Allowed Claims are accomplished pursuant to the provisions of the Plan;

(f) Decide or resolve any motions, adversary proceedings, contested or litigated matters and any other matters, and grant or deny any applications involving the Debtors that may be pending on the Effective Date;

(g) Enter such orders as may be necessary or appropriate to implement or consummate the provisions of the Plan and all contracts, instruments, releases and other agreements or documents created in connection with the Plan or the Confirmation Order;

(h) Resolve any case, controversies, suits or disputes that may arise in connection with the consummation, interpretation or enforcement of the Plan or any contract, instrument, release, or other agreement or document that is executed or created pursuant to the Plan, or any Entity's rights arising from or obligations incurred in connection with the Plan or such other documents;

(i) Modify the Plan before or after the Effective Date under section 1127 of the Bankruptcy Code or modify the Confirmation Order or any contract, instrument, release or other agreement or document created in connection with the Plan or the Confirmation Order, or remedy any defect or omission or reconcile any inconsistency in any Bankruptcy Court order, the Plan, the Disclosure Statement, the Confirmation Order or any contract, instrument, release or other agreement or document created in connection with the Plan or the Confirmation Order, in such manner as may be necessary or appropriate to consummate the Plan;

(j) Hear and determine all applications for compensation and reimbursement of expenses of Professionals under the Plan or under sections 330, 331, 503(b), 1103 and 1129(a) of the Bankruptcy Code; *provided, however,* that from and after the Effective Date, the payment of fees and expenses of the Reorganized Debtors, including fees and expenses of Professionals, shall be made in the ordinary course of business and shall not be subject to the approval of the Bankruptcy Court;

(k) Issue injunctions, enter and implement other orders or take such other actions as may be necessary or appropriate to restrain interference by any Entity with the consummation, implementation, or enforcement of the Plan or the Confirmation Order;

(l) Hear and determine any rights, claims or Causes of Action held or reserved by, or accruing to, the Debtors or the Reorganized Debtors pursuant to the Bankruptcy Code, the Confirmation Order or, in the case of the Debtors, any other applicable law;

(m) Enforce all orders, judgments, injunctions, releases, exculpations, indemnifications and rulings entered in connection with the Chapter 11 Cases;

(n) Enter and implement such orders as are necessary or appropriate if the Confirmation Order is for any reason modified, stayed, reversed, revoked or vacated, or Distributions pursuant to the Plan are enjoined or stayed;

(o) Determine any other matters that may arise in connection with or relating to the Plan, the Restructuring Support Agreement, the Disclosure Statement, the Confirmation Order or any contract, instrument, release, indenture or other agreement or document created in connection with the Plan or Confirmation Order;

(p) Enter one or more orders of final decree closing the Chapter 11 Cases;

(q) Hear and resolve all matters concerning U.S. state, local, and federal taxes in accordance with sections 346, 505 and 1146 of the Bankruptcy Code;

(r) Hear and resolve all matters involving the nature, existence or scope of the Debtors' discharge;

(s) Hear and resolve all matters related to the property of the Estates from and after the Confirmation Date;

(t) Recover all Assets of the Debtors and property of the Estates wherever located; and

(u) Hear and resolve such other matters as may be provided in the Confirmation Order or as may be authorized by or not inconsistent with the Bankruptcy Code.

ARTICLE XI.

MISCELLANEOUS PROVISIONS

Section 11.1 *Immediate Binding Effect.*

Subject to the occurrence of the Effective Date, the terms of the Plan and the Plan Documents and the instruments contained in the Plan Supplement shall be immediately effective and enforceable and deemed binding upon and inure to the benefit of the Debtors, the Reorganized Debtors and any and all Holders of Claims or Membership Interests (irrespective of whether such Claims or Membership Interests have accepted or are deemed to have accepted the Plan), all Entities that are parties to or are subject to the settlements, compromises, releases, discharges, or injunctions described in the Plan, each Entity acquiring property under the Plan and any and all non-Debtor parties to executory contracts and unexpired leases with the Debtors.

Section 11.2 [RESERVED]

Section 11.3 *Amendments.*

(a) Plan Modifications. Subject to the terms of the Restructuring Support Agreement, the Plan may be amended, modified, or supplemented by the Debtors, with the consent of the Supporting Senior Secured Noteholder (which consent shall not be unreasonably withheld), in the manner provided for by section 1127 of the Bankruptcy Code or as otherwise permitted by law without additional disclosure pursuant to section 1125 of the Bankruptcy Code, except as otherwise ordered by the Bankruptcy Court. In addition, after the Confirmation Date, so long as such action does not materially and adversely affect the treatment of Holders of Allowed Claims pursuant to the Plan, the Debtors with the consent of the Supporting Senior Secured Noteholder (which consent should not be unreasonably withheld) may remedy any defect or omission or reconcile any inconsistencies in the Plan or the Confirmation Order with respect to such matters as may be necessary to carry out the purposes or effects of the Plan, and any Holder of a Claim or Membership Interest that has accepted the Plan shall be deemed to have accepted the Plan as amended, modified or supplemented.

(b) *Certain Technical Amendments*. Prior to the Effective Date the Debtors may make appropriate technical adjustments and modifications to the Plan without further order or approval of the Bankruptcy Court; *provided, however,* that such technical adjustments and modifications do not adversely affect in a material way the treatment of Holders of Claims or Membership Interests under the Plan.

Section 11.4 *Revocation or Withdrawal of Plan.*

The Debtors reserve the right to revoke or withdraw the Plan prior to the Effective Date (with the consent of the Supporting Senior Secured Noteholder which consent should not be unreasonably withheld). If, with respect to the Debtors, the Plan has been revoked or withdrawn prior to the Effective Date, or if Confirmation or the occurrence of the Effective Date does not occur, then: (a) the Plan shall be null and void in all respects; (b) any settlement or compromise embodied in the Plan (including the fixing or limiting to an amount any Claim or Membership Interest or Class of Claims or Membership Interests), assumption or rejection of executory contracts or unexpired leases affected by the Plan, and any document or agreement executed pursuant to the Plan shall be deemed null and void; and (c) nothing contained in the Plan shall (i) constitute a waiver or release of any Claim by or against, or any Membership Interest in, 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.

Section 11.5 *Governing Law.*

Except to the extent that the Bankruptcy Code, the Bankruptcy Rules or other federal law, rule or regulation is applicable, or to the extent that an exhibit or supplement to the Plan provides otherwise, the Plan shall be governed by and construed in accordance with the laws of the State of Delaware without giving effect to the principles of conflict of laws thereof that would require application of the law of another jurisdiction.

Section 11.6 *Successors and Assigns.*

The rights, benefits, and obligations of any Entity named or referred to in the Plan shall be binding on and shall inure to the benefit of any heir, executor, administrator, successor, Affiliate, assign, manager, officer, director, agent, representative, attorney, beneficiaries or guardian, if any, of each such Entity.

Section 11.7 *Severability.*

If, prior to the entry of the Confirmation Order, any term or provision of the Plan is determined by the Bankruptcy Court to be invalid, void or unenforceable, the Bankruptcy Court, at the request of the Debtors with the consent of the Supporting Senior Secured Noteholder (such consent should not be unreasonably withheld), shall have the power to alter and interpret such term or provision to render 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 so altered or interpreted. Notwithstanding any such holding, alteration or interpretation, the remaining terms and provisions of the Plan shall remain in full force and effect and shall in no way be affected, impaired, or invalidated by such holding, alteration or interpretation. The Confirmation Order shall constitute a judicial determination and shall provide that each term and provision of the Plan, as it may have been altered or interpreted in accordance with the foregoing, is valid and enforceable pursuant to its terms.

Section 11.8 *Controlling Document.*

In the event of an inconsistency between the Plan and Disclosure Statement, the terms of the Plan shall control in all respects. In the event of an inconsistency between the Plan and the Plan Supplement, the terms of the relevant document in the Plan Supplement shall control (unless stated otherwise in such Plan Supplement document). The provisions of the Plan and the Confirmation Order shall be construed in a manner consistent with each other so as to effect the purposes of each; *provided,* that if there is determined to be any inconsistency between any Plan provision and any provision of the Confirmation Order that cannot be so reconciled, then, solely to the extent of such inconsistency, the provisions of the Confirmation Order shall govern and any such provision of the Confirmation Order shall be deemed a modification of the Plan and shall control and take precedence.

Section 11.9 *Filing of Additional Documents.*

The Debtors (or the Reorganized Debtors, as the case may be) shall File such agreements and other documents as may be necessary or appropriate to effectuate and further evidence the terms and conditions of the Plan.

Section 11.10 *Service of Documents.*

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

HILLTOP ENERGY, LLC
HILLTOP ASSET, LLC
4925 Greenville Avenue
Suite 1200
Dallas, TX 75206
Attn: Claude A. Pupkin, Manager

with copies to:

Cole Schotz P.C.
Attn: Norman Pernick, Esq.
Kate Stickles, Esq.
500 Delaware Ave., Suite 1410
Wilmington, DE 19801

Attorneys for the Debtors

Section 11.11 *Section 1125(e) of the Bankruptcy Code.*

As of the Confirmation Date, (a) the Debtors shall be deemed to have solicited acceptances of the Plan in good faith and in compliance with the applicable provisions of the Bankruptcy Code, including section 1125(e) of the Bankruptcy Code, and any applicable non-bankruptcy law, rule or regulation governing the adequacy of disclosure in connection with such solicitation and (b) the Debtors, Holders of Senior Secured Notes Claims, and each of their respective Affiliates, agents, members, managers, directors, officers, employees, advisors and attorneys shall be deemed to have participated in good faith and in compliance with the applicable provisions of the Bankruptcy Code in the offer and issuance of any securities under the Plan, and, therefore, are not, and on account of such offer, issuance and solicitation shall not be, liable at any time for any violation of any applicable law, rule or regulation governing the solicitation of acceptances or rejections of the Plan or the offer and issuance of any securities under the Plan.

Section 11.12 *Exemption from Certain Transfer Taxes.*

To the extent permitted by applicable law, pursuant to section 1146(a) of the Bankruptcy Code, no Stamp or Similar Tax shall result from or be levied on account of (a) the issuance, transfer or exchange of notes, bonds or membership securities, (b) the creation of any mortgage, deed of trust, lien, pledge or other security interest, (c) the making or assignment of any lease or sublease, or (d) the making or delivery of any deed or other instrument of transfer, under, in furtherance of or in connection with the Plan, including any merger agreements, agreements of consolidation, restructuring, disposition, liquidation or dissolution, deeds, bills of sale and transfers of tangible property. Unless the Bankruptcy Court orders otherwise, all sales, transfers and assignments of owned and leased property approved by the Bankruptcy Court on or before the Effective Date shall be deemed to have been in furtherance of or in connection with the Plan.

Section 11.13 *Tax Reporting and Compliance.*

The Reorganized Debtors shall be authorized to request an expedited determination under section 505(b) of the Bankruptcy Code for all tax returns filed for or on behalf of the Debtors for any and all taxable periods ending after the Petition Date through and including the Effective Date.

Section 11.14 *Schedules and Exhibits.*

All exhibits and schedules to the Plan, including the Plan Supplement, are incorporated into and are a part of the Plan as if fully set forth herein.

Section 11.15 *Entire Agreement.*

Except as otherwise indicated in an order of the Bankruptcy Court, the Plan and the Plan Supplement supersede all previous and contemporaneous negotiations, promises, covenants, agreements, understandings, and representations on such subjects, subject to Section 11.8 hereof.

Section 11.16 *Allocation of Payments.*

To the extent that any Allowed Claim entitled to Distribution hereunder is comprised of indebtedness and accrued but unpaid interest thereon, such Distribution shall, for all U.S. federal income tax purposes, be allocated to the principal amount of such Claim first, and then, to the extent that the consideration exceeds such principal amount, to the portion of such Claim representing accrued but unpaid interest (but solely to the extent that interest is an allowable portion of such Allowed Claim).

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Dated: May 16, 2019

Respectfully Submitted,

HILLTOP ENERGY, LLC.

By: */s/ Claude A. Pupkin*
Name: Claude A. Pupkin
Title: Manager

HILLTOP ASSET, LLC.

By: */s/ Claude A. Pupkin*
Name: Claude A. Pupkin
Title: Manager

EXHIBIT 1

RESTRUCTURING SUPPORT AGREEMENT

EXECUTION COPY

RESTRUCTURING SUPPORT AGREEMENT
for
HILLTOP ENERGY, LLC
and
HILLTOP ASSET, LLC

This RESTRUCTURING SUPPORT AGREEMENT, including the Restructuring Term Sheet and the Rivershore Term Sheet (both as defined below) which are incorporated herein by reference and are made part of this Agreement (the "***Agreement***"), dated as of May 13, 2019, is among (i) Hilltop Energy, LLC ("***Energy***") and Hilltop Asset, LLC ("***Asset,***" and together with Energy, the "***Company***"); (ii) J.P. Morgan Securities LLC (the "***Supporting Senior Secured Noteholder***"); (iii) Chase Lincoln First Commercial Corporation (the "***Lender***"); and (iv) Rivershore Resources LLC ("***Rivershore***"). The Company, the Supporting Senior Secured Noteholder, the Lender and Rivershore are each referred to herein as a "***Party***", and collectively are referred to herein as the "***Parties***".

WHEREAS:

A. Prior to the date hereof, the Company and the Supporting Senior Secured Noteholder have negotiated and reached agreement on the Restructuring Term Sheet (defined below) that contemplates consummation of a financial restructuring of the Company's indebtedness and other obligations on the terms set forth in this Agreement (the "***Restructuring***").

B. Prior to the date hereof, the Supporting Senior Secured Noteholder and Rivershore have negotiated and reached agreement on the Rivershore Term Sheet (defined below) that contemplates in the context of the Restructuring, *inter alia*, an amendment to the RMA (defined below) containing certain material terms, commitments to provide certain financing to the Company, and a revised ownership structure of Asset following the Plan Effective Date (defined below) to be reflected in a new operating agreement for Reorganized Asset (defined below) (together, all such transactions and related documents, the "***Rivershore Transactions***").

C. The Parties desire that the Company accomplish the Restructuring through the commencement of cases by the Company under chapter 11 of the Bankruptcy Code to be jointly administered and the confirmation of a prepackaged joint plan of reorganization containing in all material respects the terms and conditions set forth in this Agreement, which incorporates all terms and conditions of the Term Sheets (defined below) (the "***Prepackaged Bankruptcy Proceeding***").

D. This Agreement sets forth the agreement among the Parties to implement the Restructuring and the Prepackaged Bankruptcy Proceeding on the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the covenants and agreements contained herein, and for other valuable consideration, the receipt and sufficiency of which is hereby acknowledged, each Party, intending to be legally bound hereby, agrees as follows:

1. Definitions. As used herein, the following terms shall have the following definitions:

"***Agreement***" has the meaning set forth in the preamble hereof.

"***Agreement Termination Event***" has the meaning set forth in numbered paragraph 8 hereof.

"***Allowed***" means with respect to any Claim (or a portion thereof), a Claim arising before the Plan Effective Date against the Company (a) listed by the Company in its books and records as liquidated in an amount and not disputed or contingent, (b) proof of which is timely Filed, would be filed in the Prepackaged Bankruptcy Proceeding provided that such filing is required by order of the Bankruptcy Court or pursuant to the Plan, (c) that is compromised, settled or otherwise resolved pursuant to the authority of the Company or the Reorganized Company, as applicable, in a Final Order or (d) expressly allowed in a specified amount pursuant to the Plan, the Confirmation Order or a Final Order.

"***A&R Indenture***" has the meaning set forth in the definition of Senior Secured Notes Indenture.

"***Asset***" has the meaning set forth in the preamble hereof.

"***Asset LLC Agreement***" means the limited liability operating agreement for Asset to be deemed terminated, and null and void, under the Plan by the Confirmation Order as of the Plan Effective Date.

"***Bankruptcy Code***" means title 11 of the United States Code, 11 U.S.C. §§ 101 *et seq.*, as in effect on the Petition Date, together with any amendments made thereto subsequent to the Petition Date, to the extent that any such amendments are applicable to the Chapter 11 Cases.

"***Bankruptcy Court***" means the United States Bankruptcy Court for the District of Delaware, or such other court having jurisdiction over the Chapter 11 Cases or any proceeding within, or appeal of an order entered in, the Chapter 11 Cases.

"***Bankruptcy Rules***" means the Federal Rules of Bankruptcy Procedure, promulgated under section 2075 of title 28 of the United States Code, the Official Bankruptcy Forms or the local rules of the Bankruptcy Court, together with any amendments made thereto subsequent to the Petition Date, to the extent that any such amendments are applicable to the Chapter 11 Cases.

"***Borrowers***" means the Company.

"***Budget***" has the meaning set forth in the Restructuring Term Sheet.

"***Budget Certification***" has the meaning set forth in the Restructuring Term Sheet.

"***Business Day***" means any day, other than a Saturday, Sunday or a "legal holiday" (as such term is defined in Bankruptcy Rule 9006(a)).

"***Cash***" means legal tender of the United States of America.

"***Cash Collateral***" means all Cash of the Company in which the Supporting Senior Secured Noteholder has a valid security interest in, and perfected first-priority liens on, pursuant to the Senior Secured Notes Indenture and the Collateral Documents (as defined therein).

"***Chapter 11 Cases***" means the Prepackaged Bankruptcy Proceeding.

"***Claim***" means a claim as defined in section 101(5) of the Bankruptcy Code against the Company, whether or not asserted.

"***Collateral***" has the meaning set forth in the Senior Secured Notes Indenture, and constitutes assets of the Company in which the Supporting Senior Secured Noteholder has a valid security interest, and perfected first-priority liens on, pursuant to the Senior Secured Notes Indenture and the Collateral Documents (as defined therein).

"***Company***" has the meaning set forth in the preamble hereof.

"***Company Termination Event***" has the meaning set forth in numbered paragraph 8 hereof.

"***Confirmation Order***" means the order entered by the Bankruptcy Court confirming the Plan pursuant to section 1129 of the Bankruptcy Code, the form of which shall be subject to approval (such approval not to be unreasonably withheld) by the Parties.

"***Default***" has the meaning set forth in the Financing Documents.

"***Disclosure Statement***" means the Disclosure Statement for the Plan, the form and substance of which shall be subject to approval (such approval not to be unreasonably withheld) by the Parties, as supplemented or amended from time to time, that is prepared and distributed in accordance with the Bankruptcy Code, the Bankruptcy Rules and other applicable law.

"***Effective Date***" has the meaning set forth in numbered paragraph 11 hereof.

"***Energy***" has the meaning set forth in the preamble hereof.

"***Energy LLC Agreement***" means the limited liability operating agreement for Energy, to be deemed terminated, and null and void, under the Plan and the Confirmation Order as of the Plan Effective Date.

"***Entity***" means an "entity" as defined in section 101(15) of the Bankruptcy Code.

"***Exit Facility***" means the financing to be provided by the Lender on a fully secured, first priority basis to Reorganized Asset on the Plan Effective Date, containing, *inter alia*, the material terms listed in the Rivershore Term Sheet in the section titled "Exit Facility", and shall include the Roll In of the Obligations, subject to approval (such approval not to be unreasonably withheld) by the Lender, the Supporting Senior Secured Noteholder and Rivershore of commercial loan documentation they deem necessary for such financing.

"***File***", "***Filed***" or "***Filing***" means file, filed or filing with the Bankruptcy Court (or agent thereof) in connection with the Chapter 11 Cases.

"***Final Order***" means, as applicable, an order, ruling or judgment of the Bankruptcy Court or any other court of competent jurisdiction or governmental authority, as applicable, which has not been reversed, vacated or stayed and as to which the time to appeal, petition for certiorari, or move for reargument or rehearing has expired and as to which no appeal, petition for certiorari, or other proceedings for reargument or rehearing will then be pending, or as to which any right to appeal, petition for certiorari, or motion to reargue or rehear will have been waived in writing in form and substance satisfactory to the Company or, on and after the Plan Effective Date, the Reorganized Company or, in the event that an appeal, writ of certiorari, or reargument or rehearing thereof has been sought, such order of the Bankruptcy Court, or other court of competent jurisdiction (as applicable) will have been determined by the highest court to which such order was appealed, or certiorari, reargument or rehearing will have been denied and the time to take any further appeal, petition for certiorari or move for reargument or rehearing will have expired; *provided, however*, that the possibility that a motion under Rule 59 or Rule 60 of the Federal Rules of Civil Procedure, or any analogous rule under the Bankruptcy Rules or applicable state or provincial court rules of civil procedure, may be filed with respect to such order will not cause such order not to be a Final Order.

"***Financing Documents***" means that certain Financing Agreement dated May 6, 2019 by and between Borrowers and the Lender, and that related certain Promissory Note executed by the Borrowers, to loan Borrowers funds to pay certain Restructuring fees and expenses set forth in the Budget.

"***Indenture***" has the meaning set forth in the definition of Senior Secured Notes Indenture.

"***Indenture Agent***" means Wilmington Trust Company, National Association as noteholder agent and collateral agent under the Senior Secured Notes Indenture, or any successor indenture agent thereunder.

"***Lender***" has the meaning set forth in the preamble hereof.

"***Obligations***" has the meaning set forth in the Financing Documents.

"***Person***" means a "person" as defined in section 101(41) of the Bankruptcy Code.

"***Petition Date***" has the meaning set forth in numbered paragraph 3 hereof.

"***Plan***" means the prepackaged plan of reorganization under chapter 11 of the Bankruptcy Code to be filed in the Prepackaged Bankruptcy Proceeding, all exhibits and schedules to the Plan including the Plan Supplement, as may be amended, supplemented or modified from time to time in accordance with the terms hereof, and in accordance with the terms of the Bankruptcy Code, the Bankruptcy Rules and other applicable law the form and substance of which shall be subject to approval (such approval not to be unreasonably withheld) by each of the Parties.

"***Plan Effective Date***" means the Effective Date of the Plan as defined in the Plan.

"***Plan Related Documents***" means any and all of the documents, other than the Plan, to be executed, delivered, or performed in connection with the occurrence of the Plan Effective Date,

including without limitation the Plan Supplement and the Rivershore Transactions, subject to any consent and approval rights set forth in the Restructuring Support Agreement and the Plan, and as may be modified consistent with the Restructuring Support Agreement and the Plan.

"***Plan Supplement***" means the compilation of documents and forms of documents, schedules and exhibits to the Plan, as the same may be amended, modified or supplemented, in form and substance subject to approval (such approval not to be unreasonably withheld) by the Parties, and to be filed by the Company 7 days prior to the deadline to object to confirmation of the Plan.

"***Prepackaged Bankruptcy Milestone***" has the meaning set forth in numbered paragraph 4 hereof.

"***Prepackaged Bankruptcy Proceeding***" has the meaning set forth in the preamble hereof.

"***Promissory Note***" has the meaning set forth in the Financing Documents.

"***Reorganized Asset***" means Asset as reorganized following the Plan Effective Date under the terms and conditions of the Plan and Confirmation Order.

"***Reorganized Asset LLC Agreement***" means the limited liability operating agreement for Reorganized Asset to be negotiated and entered into by and between the Supporting Senior Secured Noteholder and Rivershore prior to the Plan Effective Date containing, *inter alia*, the material terms in the Rivershore Term Sheet in the section titled "Structure of NewCo Operating Agreement", and that shall become effective as of the Plan Effective Date.

"***Reorganized Company***" means the Company as reorganized following the Plan Effective Date under the terms and conditions of the Plan and Confirmation Order.

"***Reorganized Energy LLC Agreement***" means the limited liability operating agreement for Reorganized Energy to be drafted and executed by the Supporting Senior Secured Noteholder prior to the Plan Effective Date, and that shall become effective as of the Plan Effective Date.

"***Restructuring***" has the meaning set forth in the preamble hereof.

"***Restructuring Support Agreement***" means this Agreement, dated as of May 13, 2019, entered into by and among the Parties, as it may be amended, supplemented or modified from time to time in accordance with the terms thereof.

"***Restructuring Term Sheet***" means that certain term sheet containing the material terms and provisions agreed to by the Company and the Supporting Senior Secured Noteholder that are to be incorporated into the Prepackaged Bankruptcy Proceeding, a copy of which is attached hereto as **Exhibit A**.

"***Rivershore***" has the meaning set forth in the preamble hereof.

"***Rivershore Term Sheet***" means that certain term sheet containing the material terms and provisions agreed to by the Supporting Senior Secured Noteholder and Rivershore that are to be

incorporated into the Prepackaged Bankruptcy Proceeding, a copy of which is attached hereto as **Exhibit B**.

"***Rivershore Termination Event***" has the meaning set forth in numbered paragraph 9 hereof.

"***Rivershore Transactions***" has the meaning set forth in the preamble hereof.

"***RMA***" means that certain Rivershore Management Agreement between Energy and Rivershore, dated as of October 1, 2016, to be assumed by the Company as of the Plan Effective Date as amended by the RMA Amendment.

"***RMA Amendment***" means the amendment to the RMA that shall become effective as of the Plan Effective Date containing, *inter alia*, the material terms in the Rivershore Term Sheet in the section titled "Amendment of Rivershore Management Agreement" and which shall replace Energy with Reorganized Asset as the party to the RMA, and shall be entered into by and between Energy, the Supporting Senior Secured Noteholder (on behalf of Reorganized Asset) and Rivershore prior to the Plan Effective Date, following negotiations in good faith between Energy, the Supporting Senior Secured Noteholder and Rivershore.

"***Roll In***" has the meaning set forth in the Financing Documents.

"***Senior Secured Notes***" means, together, the (i) 14.00% Superpriority Senior Secured Notes due 2021 issued pursuant to the A&R Indenture in the principal amount outstanding of $5,000,000; (ii) 14.00% First Priority Senior Secured Notes due 2021 issued pursuant to the Indenture in the principal amount of $30,000,000; and (iii) all PIK Notes issued pursuant to the A&R Indenture and the Indenture in the principal amount outstanding through the Petition Date of approximately **$18,575,570.14**, plus all accrued prepetition interest, fees and other expenses due under all such Notes and such Indentures

"***Senior Secured Notes Claims***" means any and all Claims arising from or related to the Senior Secured Notes, including without limitation any related guarantee claims, which Claims shall be Allowed in the aggregate amount of approximately $53,575,570.13 through the Petition Date.

"***Senior Secured Notes Indenture***" means, together, that certain (i) Amended and Restated Indenture, dated as of March 23, 2017, between the Company, the Indenture Agent, guarantors and other parties thereto (the "**A&R Indenture**"), and (ii) Indenture, dated as of March 1, 2016, between Cubic Energy, LLC (predecessor to Energy), the Indenture Agent, guarantors and other parties thereto (the "**Indenture**"), together with all other agreements entered into and documents delivered in connection therewith (in each case, as amended, modified or supplemented from time to time), pursuant to which the Senior Secured Notes were issued.

"***Supporting Senior Secured Noteholder***" has the meaning set forth in the preamble hereof.

"***Supporting Senior Secured Noteholder Termination Event***" has the meaning set forth in numbered paragraph 6 hereof.

"***Term Sheets***" means, collectively, the Rivershore Term Sheet and the Restructuring Term Sheet.

2. Commitments of the Supporting Senior Secured Noteholder. Subject to the terms and conditions hereof (including the terms and conditions set forth in the Term Sheets), and so long as this Agreement remains in effect and has not been terminated, the Supporting Senior Secured Noteholder agrees that it shall take such steps as are reasonably necessary to support and achieve consummation of the Restructuring, including without limitation steps reasonably required to:

(a) only if required under the Senior Secured Notes Indenture, direct the Indenture Agent to take such actions necessary to cause and support the consummation of the Restructuring;

(b) so long as the Plan is consistent with the terms and conditions set forth in this Agreement and the Term Sheets in all material respects and the solicitation pursuant to Sections 1125 and 1126 of the Bankruptcy Code has been proper, (i) vote (or, only if required under the Senior Secured Notes Indenture, direct the Indenture Agent to vote) all of the Senior Secured Notes Claims now or hereafter beneficially owned by the Supporting Senior Secured Noteholder in favor of the Plan in accordance with the applicable procedures set forth in the solicitation materials in respect of the Plan pursuant to section 1125 of the Bankruptcy Code; and (ii) cause the Indenture Agent to take such other actions that are necessary to support the Plan and the consummation of the Prepackaged Bankruptcy Proceeding;

(c) so long as the Plan is consistent with the terms and conditions set forth in this Agreement and the Term Sheets in all material respects, not withdraw, revoke or rescind its tender, consent or vote with respect to the Prepackaged Bankruptcy Proceeding and acceptance of the Plan;

(d) not (i) object to the Plan, the Disclosure Statement, the other Plan Related Documents or the consummation of the Plan, or any efforts to obtain acceptance of, and to confirm and implement, the Plan so long as the Plan, the Disclosure Statement and the other Plan Related Documents contain terms and conditions that conform in all material respects to this Agreement and the Term Sheets; (ii) initiate any legal proceedings that are inconsistent with, or that would materially delay, prevent, frustrate or impede the approval, confirmation or consummation of the Disclosure Statement or the Plan or the transactions outlined therein, or otherwise commence any proceeding to oppose any action or any of the Plan Related Documents, or take any other action that is barred by this Agreement or the Term Sheets, so long as the Plan and all other Plan Related Documents contain terms and conditions that conform in all material respects to this Agreement and the Term Sheets; (iii) vote for, consent to, support or participate in the formulation of any other restructuring of the Company or any plan of reorganization (other than the Plan) or liquidation under applicable bankruptcy or insolvency laws, whether domestic or foreign, in respect of the Company; (iv) commence or support any action filed by the Company or any other party in interest to appoint a trustee, conservator, receiver or examiner for the Company, or to dismiss the Chapter 11 Cases, or to convert the Chapter 11 Cases to

ones under Chapter 7; or (v) solicit, encourage, or direct any person or entity to undertake any action set forth in clauses (i) through (iv) of this subsection (d).

(e) not (directly or through direction to the Indenture Agent) enforce its respective or joint rights and remedies under the Senior Secured Notes and related documents or applicable law in respect of or arising out of any "Default" or "Event of Default" arising under the Senior Secured Notes, unless this Agreement has been terminated as provided herein.

(f) with Rivershore, prior to the Plan Effective Date negotiate in good faith and, if it contains the terms and conditions required in such agreement by this Agreement and the Term Sheets, enter into the Reorganized Asset LLC Agreement; and

(g) with Energy and Rivershore, prior to the Plan Effective Date negotiate in good faith and approve the RMA Amendment.

Notwithstanding the foregoing, nothing in this Agreement shall be construed (a) to prohibit the Supporting Senior Secured Noteholder from appearing as a party-in-interest in any matter to be adjudicated in the Prepackaged Bankruptcy Proceeding so long as such appearance and the positions advocated in connection therewith are consistent with this Agreement and the Restructuring and are not for the purpose of, and could not reasonably be expected to have the effect of, hindering, materially delaying or preventing the consummation of the Restructuring, (b) to impair or waive the rights of the Supporting Senior Secured Noteholder to assert or raise any objection otherwise permitted above in connection with the Restructuring, or (c) to prohibit the Supporting Senior Secured Noteholder from perfecting, preserving or protecting a security interest in Collateral.

3. Commitments of the Lender. Subject to the terms and conditions hereof (including the terms and conditions set forth in the Term Sheets), and so long as this Agreement remains in effect and has not been terminated, the Lender agrees that it shall take such steps as are reasonably necessary to support and achieve consummation of the Restructuring, including without limitation steps reasonably required to:

(a) pursuant to the Financing Documents, loan to the Company prior to the filing of the Prepackaged Bankruptcy Proceeding on an unsecured basis funds sufficient to pay in full the fees and expenses of bankruptcy counsel, a financial advisor, U.S. Trustee fees, and a claims and noticing agent incurred and to be incurred by the Company in connection with the Prepackaged Bankruptcy Proceeding as contained in the Budget; provided, further, that all Obligations under the Promissory Note, subject to the occurrence of the Plan Effective Date, shall be included in the principal amount of the Exit Facility, and following the Roll In the Promissory Note shall be deemed cancelled, and null and void, and any claims of the Lender allowed in the Plan related to Obligations under the Promissory Note shall be deemed satisfied;

(b) not (i) object to the Plan, the Disclosure Statement, the other Plan Related Documents or the consummation of the Plan, or any efforts to obtain acceptance of, and to confirm and implement, the Plan so long as the Plan, the Disclosure Statement

and the other Plan Related Documents contain terms and conditions that conform in all material respects to this Agreement and the Term Sheets; (ii) initiate any legal proceedings that are inconsistent with, or that would materially delay, prevent, frustrate or impede the approval, confirmation or consummation of the Disclosure Statement or the Plan or the transactions outlined therein, or otherwise commence any proceeding to oppose any action or any of the Plan Related Documents, or take any other action that is barred by this Agreement or the Term Sheets, so long as the Plan and all other Plan Related Documents contain terms and conditions that conform in all material respects to this Agreement and the Term Sheets; (iii) vote for, consent to, support or participate in the formulation of any other restructuring of the Company or any plan of reorganization (other than the Plan) or liquidation under applicable bankruptcy or insolvency laws, whether domestic or foreign, in respect of the Company; (iv) commence or support any action filed by the Company or any other party in interest to appoint a trustee, conservator, receiver or examiner for the Company, or to dismiss the Chapter 11 Cases, or to convert the Chapter 11 Cases to ones under Chapter 7; or (v) solicit, encourage, or direct any person or entity to undertake any action set forth in clauses (i) through (iv) of this subsection (b); and

(c) subject to execution by Reorganized Asset and the Lender of a term loan agreement and related documents providing the Lender with a security interest in and first priority liens on all assets of Reorganized Asset (with such documents in form and substance satisfactory to the Lender in its sole discretion, not to be unreasonably withheld), fund the Exit Facility on the Plan Effective Date.

Notwithstanding the foregoing, nothing in this Agreement shall be construed (a) to prohibit the Lender from appearing as a party-in-interest in any matter to be adjudicated in the Prepackaged Bankruptcy Proceeding so long as such appearance and the positions advocated in connection therewith are consistent with this Agreement and the Restructuring and are not for the purpose of, and could not reasonably be expected to have the effect of, hindering, materially delaying or preventing the consummation of the Restructuring, (b) to impair or waive the rights of the Lender to assert or raise any objection otherwise permitted above in connection with the Restructuring, or (c) to prohibit the Lender from perfecting, preserving or protecting the security interest granted to the Lender in the Exit Facility.

4. Commitments of the Company. Subject to entry of a Final Order by a court of competent jurisdiction holding that failing to do so would constitute a breach of its fiduciary duties, the Company shall:

(a) maintain compliance with payment obligations under, and not terminate or reject the RMA prior to the sooner to occur of the Plan Effective Date (if the RMA as amended by the RMA Amendment is not assumed as provided in this Agreement) and July 31, 2019;

(b) take any and all necessary and appropriate actions in furtherance of the Prepackaged Bankruptcy Proceeding and the transactions contemplated thereunder, including collaborating with counsel for the Supporting Senior Secured Noteholders and Rivershore in preparing the Plan and Disclosure Statement (each of which shall be

consistent with this Agreement and the Term Sheets) and solicit acceptances thereof pursuant to the requirements of the Bankruptcy Code;

(c) support and complete the Prepackaged Bankruptcy Proceeding and all transactions contemplated thereunder within the applicable time-frames set forth herein, including (i) file the Prepackaged Bankruptcy Proceeding, as well as the Plan and Disclosure Statement, on or before May 15, 2019 (in such context, the "***Petition Date***"); (ii) make a good faith effort to obtain authority from the Bankruptcy Court within 2 Business Days following the Petition Date to use Cash Collateral under, *inter alia*, the terms and conditions contained in the Restructuring Term Sheet under the section titled "Cash Collateral Use Conditions" pursuant to an order of the Bankruptcy Court, the form of which shall be subject to approval (such approval not to be unreasonably withheld) by the Supporting Senior Secured Noteholder; (iii) make a good faith effort to obtain entry of the Confirmation Order by the Bankruptcy Court within 37 days after the Petition Date; and (iv) make a good faith effort to achieve substantial consummation of the Plan no later than 2 Business Days after the date on which the Bankruptcy Court enters the Confirmation Order, and on which the Confirmation Order is not stayed pursuant to FED.R.BANKR.P. 3020(e) (each of clauses (i) through (iv) being referred to herein as a "***Prepackaged Bankruptcy Milestone***");

(d) seek approval of the Confirmation Order including, *inter alia*, provisions that (i) deem the Energy LLC Agreement and the Asset LLC Agreement terminated, and null and void, as of the Plan Effective Date, (ii) approve the form and substance of the Reorganized Energy LLC Agreement and Reorganized Asset LLC Agreement, (iii) authorize Reorganized Energy to enter into the Reorganized Energy LLC Agreement and Reorganized Asset to enter into the Reorganized Asset LLC Agreement, both as of the Plan Effective Date; (iv) upon the occurrence of the Plan Effective Date and the Roll In, deem (1) the Promissory Note cancelled, and null and void, and (2) any claims of the Lender allowed in the Plan related to Obligations under the Promissory Note satisfied; and (v) on the Plan Effective Date, approve the assumption by the Company of all executory contracts and leases of the Company (including the RMA, as amended by the RMA Amendment) except as are designated as rejected in the Plan Supplement;

(e) not (i) object to, or otherwise take any action, including but not limited to commencing any proceeding to oppose, the Prepackaged Bankruptcy Proceeding, (ii) consent to, support or participate in the formulation or settlement of any plan of reorganization or liquidation other than the Plan or otherwise consistent with the Prepackaged Bankruptcy Proceeding unless otherwise agreed to among the Parties, (iii) take any actions inconsistent with this Agreement or the Term Sheets, or the Prepackaged Bankruptcy Proceeding, or that would unreasonably delay the Prepackaged Bankruptcy Proceeding, or (iv) solicit, encourage or direct any person or entity to undertake any action set forth in clauses (i) through (iii) of this subsection (e); and

(f) with respect to Energy, with Rivershore prior to the Plan Effective Date (i) negotiate in good faith (including with the Supporting Senior Secured Noteholder) and enter into the RMA Amendment, and (ii) assume the RMA as amended by the RMA Amendment.

5. Commitments of Rivershore. Subject to the terms and conditions hereof (including the terms and conditions set forth in the Rivershore Term Sheet), and so long as this Agreement remains in effect and has not been terminated, Rivershore agrees that it shall take such steps as are reasonably necessary to support and achieve consummation of the Prepackaged Bankruptcy Proceeding, including without limitation steps reasonably required to:

(a) with the Supporting Senior Secured Noteholder, prior to the Plan Effective Date negotiate in good faith and enter into the Reorganized Asset LLC Agreement;

(b) with the Supporting Senior Secured Noteholder and Energy, prior to the Plan Effective Date negotiate in good faith and enter into the RMA Amendment;

(c) so long as the Company is in compliance with its payment obligations to Rivershore under the RMA and unless assumed as amended by the RMA Amendment, as provided in this Agreement, not terminate the RMA (pursuant to the terms and conditions thereof) prior to the sooner to occur of the Plan Effective Date (if the RMA as amended by the RMA Amendment is not assumed as provided in this Agreement) and July 31, 2019;

(d) not object to assumption, as of the Plan Effective Date, by Energy of the RMA as amended by the RMA Amendment; and

(e) not (i) object to the Plan, the Disclosure Statement, the other Plan Related Documents or the consummation of the Plan, or any efforts to obtain acceptance of, and to confirm and implement, the Plan, so long as the Plan, the Disclosure Statement and the other Plan Related Documents contain terms and conditions that conform in all material respects to the Rivershore Term Sheet; (ii) initiate any legal proceedings that are inconsistent with, or that would materially delay, prevent, frustrate or impede the approval, confirmation or consummation of the Disclosure Statement or the Plan or the transactions outlined therein, or otherwise commencing any proceeding to oppose any action or any of the Plan Related Documents, or taking any other action that is barred by this Agreement, so long as the Plan and all other Plan Related Documents contain terms and conditions that conform in all material respects to the Rivershore Term Sheet; (iii) vote for, consent to, support or participate in the formulation of any other restructuring of the Company or any plan of reorganization (other than the Plan) or liquidation under applicable bankruptcy or insolvency laws, whether domestic or foreign, in respect of the Company; (iv) commence or support any action filed by the Company or any other party in interest to appoint a trustee, conservator, receiver or examiner for the Company, or to dismiss the Chapter 11 Cases, or to convert the Chapter 11 Cases to ones under Chapter 7; or (v) solicit, encourage, or direct any person or entity to undertake any action set forth in clauses (i) through (iv) of this subsection (e).

6. Termination by the Supporting Senior Secured Noteholder. On written notice delivered in accordance with numbered paragraph 29 hereof to the Company, the Lender and Rivershore by the Supporting Senior Secured Noteholder, this Agreement may be terminated on the occurrence (except as set forth in this Agreement where notice and/or cure periods are provided) of any of the following events (each a "***Supporting Senior Secured Noteholder Termination Event***"):

(a) an agreement with the other Parties to terminate this Agreement;

(b) an event occurs (including the granting of any relief by the Bankruptcy Court, but excluding the filing of the Chapter 11 Cases) that has, or is reasonably expected to have, a material adverse effect on (x) the business, assets or financial condition of the Company, in each case taken as a whole, or (y) the reasonable likelihood of the consummation of the Prepackaged Bankruptcy Proceeding in accordance with the terms of this Agreement, and in the case of any such inconsistent relief granted by the Bankruptcy Court, such relief is not sought to be dismissed, vacated or modified to be consistent with this Agreement and the Plan within 3 Business Days after notice thereof has been delivered by the Supporting Senior Secured Noteholder to the Company, the Lender and Rivershore;

(c) the Company, pursues, proposes or otherwise supports, or fails to actively oppose, any (i) restructuring of the Company's obligations, other than the Prepackaged Bankruptcy Proceeding on the terms set forth in this Agreement and the Term Sheets, or (ii) amendment or modification to the Prepackaged Bankruptcy Proceeding and/or the Plan, if applicable, containing any terms materially inconsistent with this Agreement and the Term Sheets;

(d) a material breach by the Company of any of its obligations, undertakings, representations, warranties or covenants under this Agreement and any such breach by the Company is not cured within 3 Business Days after receipt by the Company of written notice thereof from the Supporting Senior Secured Noteholder;

(e) a material breach by Rivershore of any of its obligations, undertakings, representations, warranties or covenants under this Agreement and any such breach by Rivershore is not cured within 3 Business Days after receipt by Rivershore of written notice thereof from the Supporting Senior Secured Noteholder;

(f) a material breach by the Lender of any of its obligations, undertakings, representations, warranties or covenants under this Agreement and any such breach by the Lender is not cured within 3 Business Days after receipt by the Lender of written notice thereof from the Supporting Senior Secured Noteholder;

(g) the failure by the Company or Rivershore to provide to the Supporting Senior Secured Noteholder and the Lender, and their advisors, reasonable access to (i) the books and records of or relating to the Company and (ii) the Company's and Rivershore's management and advisors for the purposes of evaluating their business plans for the Company and participating in the process with respect to the consummation of the Restructuring;

(h) the failure by the Company to satisfy the Cash Collateral Use (as defined in the Restructuring Term Sheet) conditions in the Restructuring Term Sheet, including but not limited to, (i) delivering the Budget to the Supporting Senior Secured Noteholder, together with any required Budget Certification thereunder, in accordance with the timing requirements set forth in the Restructuring Term Sheet, and (ii) obtaining the required approval of the Budget from the Supporting Senior Secured Noteholder thereunder within 2 Business Days after delivery thereof; provided, that if the Supporting Senior Secured Noteholder fails to provide its approval of any Budget within such 2 Business Day period, it shall provide the Company with a notice in reasonable detail setting forth its objections to the proposed Budget and, during the 3 day period thereafter, the Supporting Senior Secured Noteholder and the Company shall work together in good faith to amend such Budget in a form that is acceptable to the Supporting Senior Secured Noteholder;

(i) the Supporting Senior Secured Noteholder determines in its reasonable discretion, after consultation with the Company, that a Non-Ordinary Course Receipt and Expense (as defined in the Restructuring Term Sheet) would have, or would be reasonably likely to have, a material adverse effect on the Company;

(j) the Borrowers are in Default under the Financing Documents after giving effect to any applicable cure rights;

(k) on or after the date hereof, the Company engages in any merger, consolidation, disposition, acquisition, investment, dividend, incurrence of indebtedness or other similar transaction outside the ordinary course of business, other than the Prepackaged Bankruptcy Proceeding and the transactions contemplated thereunder;

(l) the issuance of a Final Order (i) enjoining the consummation of a material portion of the Prepackaged Bankruptcy Proceeding or (ii) otherwise finding this Agreement to be invalid or unenforceable in material part;

(m) any Prepackaged Bankruptcy Milestone is not satisfied on or before the date set forth in numbered paragraph 4 (c) hereof for such Prepackaged Bankruptcy Milestone, the Confirmation Order is not entered by the Bankruptcy Court within 45 days of the Petition Date, or the Plan Effective Date does not occur by July 22, 2019;

(n) the Supporting Senior Secured Noteholder concludes that there is a reasonable likelihood Allowed Claims entitled to priority in the Bankruptcy Case (including, without limitation, administrative, tax and other priority claims) will exceed the amount of such Claims as set forth in the Budget by more than $100,000;

(o) the Supporting Senior Secured Noteholder concludes that there is a reasonable likelihood Allowed general unsecured Claims in the Chapter 11 Cases will exceed the amount of such Claims set forth in the Budget by more than $100,000;

(p) the Bankruptcy Court does not approve assumption by the Company of the RMA as amended by the RMA Amendment, as of the Plan Effective Date;

(q) the Reorganized Asset LLC Agreement is not entered into by the Supporting Senior Secured Noteholder and Rivershore prior to the Plan Effective Date;

(r) the Company pursues the withdrawal, amendment, modification of, or the filing of a pleading seeking to amend or modify, the Plan, the Disclosure Statement or any other Plan Related Documents, notices, exhibits, appendices and orders, which withdrawal, amendment, modification or filing is inconsistent with this Agreement or either of the Term Sheets in a form and substance not approved in writing (such approval not to be unreasonably withheld) by the Supporting Senior Secured Noteholder;

(s) the Bankruptcy Court enters an order (i) dismissing the Prepackaged Bankruptcy Proceeding; (ii) converting the Prepackaged Bankruptcy Proceeding to a case under chapter 7 of the Bankruptcy Code; (iii) appointing a trustee or an examiner with expanded powers pursuant to Section 1104 of the Bankruptcy Code in the Prepackaged Bankruptcy Proceeding; (iv) terminating the Company's exclusive periods to file and solicit votes to accept a plan of reorganization; (v) granting relief from the automatic stay with respect to any collateral subject to liens securing the Senior Secured Notes Claims; (vi) terminating the Company's right to use Cash Collateral; or (vii) making a finding of fraud, dishonesty or misconduct by any manager of the Company;

(t) the filing of any involuntary bankruptcy against or other insolvency proceeding by the Company other than the Prepackaged Bankruptcy Proceeding contemplated by this Agreement and the Company fails to (i) contest such involuntary bankruptcy or other insolvency proceeding with 10 days of such filing and (ii) obtain dismissal of such involuntary proceeding within 40 days of such filing;

(u) the Company pursues, proposes or otherwise supports, or fails to actively oppose, any debtor-in-possession financing or the use of Cash Collateral not approved by the Supporting Senior Secured Noteholder;

(v) any pleading is filed in the Prepackaged Bankruptcy Proceeding (i) challenging the Supporting Senior Secured Noteholder's security interest in or liens on (or the perfection of such liens) the Collateral, or (ii) seeking a determination or declaration that the Supporting Senior Secured Noteholder does not have a valid security interest in, and/or fully perfected first-priority liens on, the Collateral, and the Company fails to seek dismissal of such pleading within 10 days of the filing of such pleading; or

(w) Rivershore fails to timely fulfill any of the commitments of Rivershore contained in numbered paragraph 5 hereof.

The Company hereby acknowledges and agrees that the termination of this Agreement and the obligations hereunder in compliance with this numbered paragraph 6 as a result of a Supporting Senior Secured Noteholder Termination Event, and any notice provided by the Supporting Senior Secured Noteholder to the Company pursuant to any of the provisions of this numbered paragraph 6, shall not constitute a violation of the automatic stay in effect during the Prepackaged Bankruptcy

Proceeding and the Company hereby waives any right it may have to assert that any notice so provided violates the automatic stay.

7. Lender Termination Events. On written notice delivered in accordance with numbered paragraph 29 hereof to the Company, the Supporting Senior Secured Noteholder and Rivershore by the Lender, this Agreement may be terminated on the occurrence (except as set forth in this Agreement where notice and/or cure periods are provided) of any of the following events (each a "Lender Termination Event"):

(a) the occurrence of the event specified in numbered paragraph 6 (a) hereof;

(b) an event occurs (including the granting of any relief by the Bankruptcy Court, but excluding the filing of the Chapter 11 Cases) that has, or is reasonably expected to have, a material adverse effect on (x) the business, assets or financial condition of the Company, in each case taken as a whole, or (y) the reasonable likelihood of the consummation of the Prepackaged Bankruptcy Proceeding in accordance with the terms of this Agreement, and in the case of any such inconsistent relief granted by the Bankruptcy Court, such relief is not sought to be dismissed, vacated or modified to be consistent with this Agreement and the Plan within 3 Business Days after notice thereof has been delivered by the Lender to the Company, the Supporting Senior Secured Noteholder and Rivershore; or

(c) the Borrowers are in Default under the Financing Documents after giving effect to any applicable cure rights.

The Company hereby acknowledges and agrees that the termination of this Agreement and the obligations hereunder in compliance with this numbered paragraph 7 as a result of a Lender Termination Event, and any notice provided by the Lender to the Company pursuant to any of the provisions of this numbered paragraph 7, shall not constitute a violation of the automatic stay in effect during the Prepackaged Bankruptcy Proceeding and the Company hereby waives any right it may have to assert that any notice so provided violates the automatic stay.

8. Company Termination Events. On written notice delivered in accordance with numbered paragraph 29 hereof to the Supporting Senior Secured Noteholder, the Lender and Rivershore by the Company, this Agreement may be terminated on the occurrence (except as set forth in this Agreement where notice and/or cure periods are required) of any of the following events (each a "***Company Termination Event***"):

(a) The occurrence of the event specified in numbered paragraph 6 (a) hereof;

(b) The breach by the Supporting Senior Secured Noteholder, the Lender or Rivershore of any of the material obligations, representations, warranties or covenants set forth in this Agreement, which breach (x) has a material adverse effect on the Company, taken as a whole, (y) prevents the Company from consummating the Restructuring or the Prepackaged Bankruptcy Proceeding and (z) remains uncured for a period of 3 Business Days after receipt by the Supporting Senior Secured Noteholder, the Lender and Rivershore of written notice from the Company of such breach; or

(c) The failure by Rivershore to reasonably provide information to the Company that the Company and the Supporting Senior Secured Noteholder agree is necessary to commence the Prepackaged Bankruptcy Proceeding, prosecute the Plan, and effectuate the Restructuring.

9. Rivershore Termination Events: On written notice delivered in accordance with numbered paragraph 29 hereof to the Supporting Senior Secured Noteholder, the Lender and the Company by Rivershore, this Agreement may be terminated on the occurrence (except as set forth in this Agreement where notice and/or cure periods are required) of any of the following events (each a "***Rivershore Termination Event***" and together with the Supporting Senior Secured Noteholder Termination Events, the Lender Termination Events and the Company Termination Events, each an "***Agreement Termination Event***");

(d) The occurrence of the event specified in numbered paragraph 6 (a) hereof; or

(e) The breach by the Supporting Senior Secured Noteholder, the Lender or the Company of any of their respective material obligations, representations, warranties or covenants set forth in this Agreement, which breach (x) has a material adverse effect on Rivershore, taken as a whole, and (y) remains uncured for a period of 3 Business Days after receipt by the Supporting Senior Secured Noteholder, the Lender and the Company of a written notice from Rivershore of such breach.

The Company hereby acknowledges and agrees that the termination of this Agreement and the obligations hereunder in compliance with this numbered paragraph 9 as a result of a Rivershore Termination Event, and any notice provided by Rivershore to the Company pursuant to any of the provisions of this numbered paragraph 9, shall not constitute a violation of the automatic stay in effect during the Prepackaged Bankruptcy Proceeding and the Company hereby waives any right it may have to assert that any notice so provided violates the automatic stay.

10. Effect of Termination. On written notice delivered in accordance with numbered paragraph 29 hereof by the Supporting Senior Secured Noteholder (in the case of a Supporting Senior Secured Noteholder Termination Event), the Lender (in the case of a Lender Termination Event), the Company (in the case of a Company Termination Event), or Rivershore (in the case of a Rivershore Termination Event) to terminate this Agreement as the result of an Agreement Termination Event, (i) this Agreement shall be of no further force and effect and each Party hereto shall be released from its commitments, undertakings and agreements under or related to this Agreement (unless otherwise stated herein) and shall have the rights and remedies that it would have had it not entered into this Agreement, and shall be entitled to take all actions, whether with respect to a restructuring of the Company or otherwise, that it would have been entitled to take had it not entered into this Agreement; provided, however, that no such termination shall relieve any Party from liability for its breach or non-performance of its obligations under this Agreement occurring on or prior to such termination and (ii) all consents tendered by the Supporting Senior Secured Noteholder, the Lender or Rivershore with respect to the Restructuring and/or the Plan, if applicable, shall be deemed revoked (and if Bankruptcy Court approval shall be required for the Supporting Senior Secured Noteholder or the Lender to change or withdraw, or cause to be changed or withdrawn, its vote in favor of the Plan, no Party to this Agreement shall oppose any attempt by the Supporting Senior Secured Noteholder, or the Lender to change or withdraw, or cause to be changed or withdrawn,

such vote). Notwithstanding anything to the contrary contained herein, the termination of this Agreement or any Party's obligations hereunder shall not affect any payments or other transfers that have been made to the Indenture Agent, the Supporting Senior Secured Noteholder, the Lender or Rivershore prior to the date of such termination, and the Indenture Agent, the Supporting Senior Secured Noteholder, the Lender and Rivershore shall be entitled to retain, and shall not be required to return, any such payments or transfers.

11. Effectiveness. This Agreement shall become effective and binding upon each of the Parties as of the date (the "***Effective Date***") when the counsel to the Supporting Senior Secured Noteholder has received executed signature pages to this Agreement from the Company, the Lender, Rivershore and the Supporting Senior Secured Noteholder.

12. Non-solicitation. This Agreement is not and shall not be deemed to be a solicitation of votes for the acceptance of the Plan (or any other plan of reorganization) for the purposes of sections 1125 and 1126 of the Bankruptcy Code or otherwise.

13. Ownership of Claims. The Supporting Senior Secured Noteholder represents and warrants that:

(a) as of the date the Supporting Senior Secured Noteholder becomes a party to this Agreement, it is the beneficial owner of all Senior Secured Notes Claims, with the power and authority (directly or through direction to the Indenture Agent) to vote on and consent to all matters concerning such Claims and exchange, assign and transfer such Senior Secured Notes Claims; and

(b) other than pursuant to this Agreement, the Senior Secured Notes Claims are held by the Supporting Senior Secured Noteholder free and clear of any pledge, lien, security interest, charge, claim, proxy, voting restriction, right of first refusal or other limitation on disposition of any kind, in each case that would adversely affect in any way the Supporting Senior Secured Noteholder's performance of its obligations contained in this Agreement at the time such obligations are required to be performed.

14. RMA. Energy and Rivershore, by and under this Agreement, hereby ratify and renew (for a period of 90 Business Days from the Effective Date) the RMA, subject further extension of term under the RMA Amendment. Rivershore represents and warrants that as of the Effective Date, no party to the RMA is in breach thereof.

15. Good Faith Cooperation; Further Assurances; Documentation. The Parties shall cooperate with each other in good faith and shall coordinate their activities (to the extent practicable) in respect of all matters concerning the implementation and consummation of the Restructuring. Furthermore, each of the Parties shall take such action (including executing and delivering any other agreements and making and filing) as may be reasonably necessary to carry out the purposes and intent of this Agreement, in each case, to the extent in accordance with the terms hereof or, if not in accordance with the terms hereof, in such Party's reasonable discretion. Each of the Parties, as applicable, hereby covenants and agrees to negotiate in good faith the Plan, Disclosure Statement, Plan Related Documents and solicitation documents, each of which shall, except as otherwise

provided for herein, contain the same economic terms as, and other terms consistent in all material respects with, the terms set forth in the Term Sheets (as amended, supplemented or otherwise modified as provided herein). The Company shall provide draft copies of all material documents related to the implementation of the Restructuring (including all Plan Related Documents, material motions, applications or documents) that the Company intends to file with the Bankruptcy Court in the Prepackaged Bankruptcy Proceeding to counsel to (i) the Supporting Senior Secured Noteholder, (ii) the Lender and (iii) Rivershore within 2 days prior to filing such documents and shall consult in good faith with such counsel regarding the form and substance of any such documents identified in this Paragraph 15. The Supporting Senior Secured Noteholder shall provide draft copies of material documents it has agreed with the Company to initially draft to effectuate the Restructuring.

16. No Waiver of Participation and Reservation of Rights. Except as expressly provided in this Agreement, nothing herein is intended to, nor does, in any manner waive, limit, impair, or restrict any right of (i) the Supporting Senior Secured Noteholder, the Lender or Rivershore to protect and preserve their respective rights, remedies and interests, including without limitation, their respective claims, if any, against the Company or each other; and (ii) the Company to protect and preserve its rights, remedies and interests, including without limitation, its claims, if any, against the Supporting Senior Secured Noteholder, the Lender or Rivershore.

17. Representations. Each Party represents to each other Party that, as of the date of this Agreement:

(a) Such Party is duly organized, validly existing, and in good standing under the laws of the jurisdiction of its organization, and has all requisite power and authority to enter into this Agreement and to carry out the transactions contemplated by, and perform its respective obligations under, this Agreement;

(b) The execution, delivery and performance of this Agreement by such Party does not and shall not (i) violate any provision of law, rule or regulation applicable to it or (ii) conflict with, result in a breach of or constitute (with due notice or lapse of time or both) a default under its organizational documents or any material contractual obligations to which it is a party;

(c) The execution, delivery and performance by it of this Agreement does not and shall not require any registration or filing with, consent or approval of, or notice to, or other action to, with or by, any federal, state or other governmental authority or regulatory body, except such filing as may be necessary and/or required for disclosure by the Securities and Exchange Commission or pursuant to state securities "blue sky" laws, or any filings required under the Hart-Scott-Rodino Act;

(d) This Agreement is the legally valid and binding obligation of such Party, enforceable against it in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws, both foreign and domestic, relating to or limiting creditors' rights generally or by equitable principles relating to enforceability; and

(e) As of the date of this Agreement, such representing Party is not aware of any event that, due to any fiduciary or similar duty to any other Person, would prevent it from taking any action required of it under this Agreement.

18. Entire Agreement. This Agreement, including the exhibits hereto, constitutes the entire agreement of the Parties with respect to the subject matter of this Agreement, and supersedes all other prior negotiations, agreements and understandings, whether written or oral, among the Parties with respect to the subject matter of this Agreement.

19. Purpose of Agreement. Each of the Parties acknowledges and agrees that this Agreement is being executed in connection with negotiations concerning a financial restructuring of the Company and in contemplation of the Prepackaged Bankruptcy Proceeding and not for any other purpose.

20. Admissibility of this Agreement. Pursuant to Federal Rule of Evidence 408 and any other applicable rules of evidence, this Agreement and all negotiations relating hereto shall not be admissible into evidence in any proceeding other than a proceeding to enforce its terms and/or support approval of the Disclosure Statement and confirmation and implementation of the Plan.

21. Effect of Termination. In the event this Agreement is terminated by its terms or otherwise, nothing contained in this Agreement or the Term Sheets shall be, or deemed to be, an admission by any of the Parties.

22. Representation by Counsel. Each Party hereto acknowledges that it has been represented by counsel (or had the opportunity to and waived its right to do so) in connection with this Agreement and the transactions contemplated by this Agreement. Accordingly, any rule of law or any legal decision that would provide any Party hereto with a defense to the enforcement of the terms of this Agreement against such Party based upon lack of legal counsel shall have no application and is expressly waived. The provisions of this Agreement shall be interpreted in a reasonable manner to affect the intent of the Parties hereto. None of the Parties hereto shall have any term or provision construed against such Party solely by reason of such Party having drafted the same.

23. Counterparts. This Agreement may be executed in one or more counterparts, each of which, when so executed, shall constitute the same instrument and the counterparts may be delivered by facsimile transmission or by electronic mail in portable document format (.pdf).

24. Amendments and Waivers. Except as otherwise provided herein, neither this Agreement nor any provision hereof may be modified, amended, waived or supplemented without the prior written consent of each of the Parties.

25. Headings. The headings of the sections, paragraphs and subsections of this Agreement are inserted for convenience only and shall not affect the interpretation hereof.

26. Inconsistency. To the extent there is any inconsistency between the Term Sheets and this Agreement, this Agreement shall govern.

27. Specific Performance. It is understood and agreed by the Parties that money damages may not be a sufficient remedy for any breach of this Agreement by any Party and each non-breaching Party shall be entitled to seek specific performance and injunctive or other equitable relief as a

remedy of any such breach, including, without limitation, an order of a court of competent jurisdiction requiring any Party to comply promptly with any of its obligations hereunder; *provided, however*, that each Party agrees to waive any requirement for the securing or posting of a bond in connection with such remedy.

28. Governing Law; Submission to Jurisdiction; Waiver of Trial by Jury. This Agreement shall be governed by, and construed in accordance with, the laws of the State of Delaware, without regard to such state's choice of law provisions which would require the application of the law of any other jurisdiction. By its execution and delivery of this Agreement, each of the Parties irrevocably and unconditionally agrees for itself that any legal action, suit or proceeding against it with respect to any matter arising under or arising out of or in connection with this Agreement or for recognition or enforcement of any judgment rendered in any such action, suit or proceeding, may be brought solely in the Bankruptcy Court or, if before the Petition Date, then solely in the United States District Court for the District of Delaware (in either case, however, that it will not oppose the transfer of any such legal action, suit or proceeding to the Bankruptcy Court if and once the Prepackaged Bankruptcy Proceeding is commenced before such legal action, suit or proceeding is completed) or any appellate court from any thereof, and by execution and delivery of this Agreement, each of the Parties irrevocably accepts and submits itself to the exclusive jurisdiction of such courts, generally and unconditionally, with respect to any such action, suit or proceeding. Except as otherwise provided above concerning a legal action, suit or proceeding commenced before the Petition Date, each Party agrees that the Bankruptcy Court shall have exclusive jurisdiction of all matters arising out of or in connection with this Agreement. Each Party hereto irrevocably waives any and all right to trial by jury in any legal proceeding arising out of or relating to this Agreement or the Restructuring.

29. Notices. All notices, requests, demands, document deliveries, and other communications under this Agreement shall be in writing and shall be deemed to have been duly given, provided or made (i) when delivered personally; (ii) when sent by electronic mail ("***e-mail***"); or (iii) one Business Day after deposit with an overnight courier service, with postage prepaid to the Parties at the following addresses or e-mail addresses (or at such other addresses or e-mail addresses for a Party as shall be specified by like notice):

If to the Company:

Hilltop Energy, LLC
Hilltop Asset, LLC
4825 Greenville Avenue
Suite 1200
Dallas TX, 75206
Attention: Claude Pupkin, Manager
Email: capupkin@gmail.com

with a copy to (which shall not constitute notice):

Cole Schotz P.C.
500 Delaware Avenue
Suite 1410
Wilmington, DE 19801
Attention: Norman Pernick, Esq. and Kate Stickles, Esq.

Email: npernick@coleschotz.com and kstickles@coleschotz.com

If to the Supporting Senior Secured Noteholder:

J.P. Morgan Securities LLC
383 Madison Ave.
Floor 03
New York, NY 10179
Attention: Joseph Saad and Tony Wong
Email: joseph.saad@jpmorgan.com and tony.wong@jpmorgan.com

with a copy to (which shall not constitute notice):

Landis Rath & Cobb LLP
919 N Market St., Suite 1800
Wilmington, DE 19801
Attention: Adam G. Landis, Esq. and Richard S. Cobb, Esq.
Email: landis@lrclaw.com and cobb@lrclaw.com

If to the Lender:

Chase Lincoln First Commercial Corporation
383 Madison Ave.
Floor 03
New York, NY 10179
Attention: [TBD]
Email: [TBD]

with a copy to (which shall not constitute notice):

Landis Rath & Cobb LLP
919 N Market St., Suite 1800
Wilmington, DE 19801
Attention: Adam G. Landis, Esq. and Richard S. Cobb, Esq.
Email: landis@lrclaw.com and cobb@lrclaw.com

If to Rivershore:

Rivershore Resources LLC
One Energy Square
4925 Greenville Ave
Ste 1200
Dallas, TX 75206
Attention: Jason R. Gorsuch
Email: jason.gorsuch@rivershoreresources.com

with a copy to (which does not constitute notice):

Gray Reed & McGraw LLP
1601 Elm Street
Suite 4600
Dallas, TX 75201

Attention: Ryan Sears, Esq. and Jason Brookner, Esq.
Email: rsears@grayreed.com and jbrookner@grayreed.com

30. No Third-Party Beneficiaries. The terms and provisions of this Agreement are intended solely for the benefit of the Parties hereto and their respective successors and permitted assigns, and it is not the intention of the Parties to confer third-party beneficiary rights upon any other Person.

31. Waiver. If the Restructuring is not consummated, or following the termination of this Agreement as a result of an Agreement Termination Event, nothing shall be construed herein as a waiver by any Party of any or all of such Party's rights and the Parties expressly reserve any and all of their respective rights.

32. Succession and Assignment. This Agreement shall be binding upon, and inure to the benefit of, the Parties and their respective successors, assigns, heirs, executors, administrators and representatives. No rights or obligations of any Party under this Agreement may be assigned or transferred to any other Person or entity except as otherwise contemplated herein.

33. Remedies Cumulative. All rights, powers, and remedies provided under this Agreement or otherwise available in respect hereof at law or in equity shall be cumulative and not alternative, and the exercise of any right, power, or remedy thereof by any Party shall not preclude the simultaneous or later exercise of any other such right, power, or remedy by such Party.

[Signature Pages Follow]

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the date first written above.

THE COMPANY:

Hilltop Energy, LLC

By: Claude A. Pupkin
Name: Claude A. Pupkin
Title: Manager

Hilltop Asset, LLC

By: Claude A. Pupkin
Name: Claude A. Pupkin
Title: Manager

EXECUTION COPY

THE SUPPORTING SENIOR SECURED NOTEHOLDER:

J.P. Morgan Securities LLC

By: _____
Name: Brian M. Ercolani
Title: Operations Manager

THE LENDER

Chase Lincoln First Commercial Corporation

By: _____
Name: Jonathan Sheridan
Title: Operations Manager

RIVERSHORE:

Rivershore Resources LLC

By: _____
Name:
Title:

EXECUTION COPY

THE SUPPORTING SENIOR SECURED NOTEHOLDER:

J.P. Morgan Securities LLC

By:_____
Name:
Title:

THE LENDER

Chase Lincoln First Commercial Corporation

By: _____
Name:
Title:

RIVERSHORE:

Rivershore Resources LLC

By: Jason Gorsuch
Name: Jason R. Gorsuch
Title: President

EXECUTION COPY

EXHIBIT A

RESTRUCTURING TERM SHEET

PROJECT VALLEY RESTRUCTURING TERM SHEET

Key Terms	
Introduction	
Overview	This term sheet (the "**Term Sheet**") summarizes the terms of a potential restructuring (the "**Restructuring**") of Hilltop Energy, LLC ("**Energy**") and Hilltop Asset, LLC ("**Asset**," and together with Energy, the "**Company**").
Implementation	The Company, J.P. Morgan Securities LLC (the "**Supporting Senior Secured Noteholder**"), Rivershore Resources LLC and Chase Lincoln First Commercial Corporation (the "**Lender**")will execute a Restructuring Support Agreement (the "**RSA**") incorporating this Term Sheet. Pursuant to the RSA, the Company will commence Chapter 11 bankruptcy cases to be jointly administrated (the "**Bankruptcy Case**") in the United States Bankruptcy Court for the District of Delaware (the "**Bankruptcy Court**") in order to effectuate the Restructuring through a prepackaged joint Chapter 11 bankruptcy plan (the "**Plan**").
Claims and Interests to be Restructured	
Senior Secured Notes Claims	Consisting of approximately $**52,654,122.98** in aggregate outstanding principal, plus interest, fees and other expenses, of certain (i) 14.00% Superpriority Senior Secured Notes due 2021; (ii) 14.00% First Priority Senior Secured Notes due 2021; and (iii) PIK Interest Notes (together, all such Notes, the "**Senior Secured Notes**," and all claims (including all guaranty claims) related to such Notes, the "**Senior Secured Notes Claims**") issued pursuant to that certain Indenture dated as of March 1, 2016, and that certain Amended and Restated Indenture dated as of March 23, 2017 (both as amended, restated, supplemented or otherwise modified from time to time).
Existing Equity Interests	Consisting of any membership interest or other ownership interest in the Company (the "**Existing Equity Interests**").
Treatment of Claims	
Senior Secured Notes Claims	Impaired/Voting: The Holder of allowed Senior Secured Notes Claims, or its assignee/designee, will receive, in full and final satisfaction of such claims, *inter alia*, 100% of the new membership interests of reorganized Energy issued on the effective date of the Plan (the "**New Membership Interests**").
General Unsecured Claims	Unimpaired/Non-Voting: Holders of allowed general unsecured claims will receive, in full and final satisfaction of such claims, payment in full in the ordinary course of business, or otherwise treated as provided in the Plan; provided, however, that no distribution shall be made to the Lender on account of claims arising under the Restructuring Fees Loan (defined below). The Company's obligations under the Restructuring Fees Loan shall be "rolled in" to the Exit Facility upon the occurrence of the Effective Date, and following the "roll in", all Claims arising under the Professional Fee Loan shall be deemed satisfied.

Intercompany Claims	Unimpaired/Non-Voting: Holders of allowed intercompany claims among Energy and Asset will receive, in full and final satisfaction of such claims, payment in full in the ordinary course of business, or otherwise treated as provided in the Plan.
Existing Equity Interests	Impaired/Non-Voting: Existing equity interests in Energy and Asset will be cancelled and discharged.
Other Restructuring Terms	
Cash Collateral Use Conditions	The Company's use of cash collateral after the Bankruptcy Case is commenced shall only be permitted pursuant to an order of the Bankruptcy Court in form and substance satisfactory to the Supporting Senior Secured Noteholder. The Company shall, on a weekly basis commencing April 1, 2019, deliver to the Supporting Senior Secured Noteholder a 13 week rolling cash flow forecast (consolidated for Energy and Asset) budget reflecting all actual and projected receipts and expenses of the Company, including professional fees and expenses incurred in connection with the Restructuring (collectively, "**Restructuring Expenses**"), and the variance on a percentage basis (the "**Budget**"). The Budget shall be updated on a weekly basis prior to delivery to the Supporting Senior Secured Noteholder. The Budget shall be subject to the approval, in form and substance, of the Supporting Senior Secured Noteholder, such approval not to be unreasonably withheld, conditioned or delayed. The Company's weekly receipts and expenses contained in the Budget (other than Restructuring Expenses) shall be (in amount and nature or kind) in the ordinary course of business for the Company considering the receipts, expenses, and routine and planned capital expenditures of the Company in the 12 month period prior to the date each Budget is submitted (each such receipt and expense, an "**Ordinary Course Receipt and Expense**"). In the event any receipt or expense included in a Budget (other than a Restructuring Expense) is not an Ordinary Course Receipt and Expense (a "**Non-Ordinary Course Receipt and Expense**"), then the Company shall submit to the Supporting Senior Secured Noteholder with the Budget a Certification of Claude Pupkin, Manager, on behalf of the Company certifying and describing with particularity the nature or kind of such Non-Ordinary Course Receipt and Expense, and why such receipt and/or expense is not an Ordinary Course Receipt and Expense (a "**Budget Certification**"). If the Supporting Senior Secured Noteholder determines in its reasonable discretion that a Non-Ordinary Course Receipt and Expense would have, or would be reasonably likely to have, a material adverse effect on the Company, then the Supporting Senior Secured Noteholder shall have the right to terminate the RSA. In the event the Company fails to timely deliver any Budget, and if required, any Budget Certification and obtain the required approval of the Supporting Senior Secured Noteholder, then the Company shall be in breach of the RSA, and the Supporting Senior Secured Noteholder shall have the right to terminate the RSA.

Executory Contracts	The Plan will provide for the assumption of certain executory contracts and leases with the consent of the Supporting Senior Secured Noteholder, including the assumption by Energy of (i) that certain Master Operating Agreement between the Company and Rivershore Resources LLC (as amended in connection with the Restructuring) and (ii) the Manager's Engagement Letter Agreement as amended on September 17, 2018. All allowed rejection damages claims shall be satisfied in full under the Plan, and in the event the Company has insufficient liquidity to satisfy such allowed claims in full, under commercially reasonable terms and conditions, the Lender shall loan to the Company funds to ensure sufficient liquidity for such treatment of such allowed claims (the "**Rejection Damages Loan**"). All claims under the Rejection Damages Loan shall be allowed; provided, however, the Lender shall waive any distribution thereon if the Plan is confirmed by the Bankruptcy Court and the effective date of the Plan occurs.
Releases	Customary debtor releases, including in favor of the Company, the Company's management, the parties to the RSA, and each of their Affiliates, and each of their and their Affiliates' lawyers, investment bankers, officers, directors, employees, representatives, other professionals and agents. The Company also will seek releases from holders of allowed general unsecured claims.
Private Company	Upon emergence, the reorganized Company will be privately held and shall not be subject to any SEC reporting obligations.
Governance	Current officers to retain respective positions at emergence; reorganized Energy shall have a board of directors consisting of 1 director, such director to be selected by the Supporting Senior Secured Noteholder or its assignee/designee; other governance terms requiring disclosure to be determined by the Supporting Senior Secured Noteholder or its assignee/designee prior to the filing of the Plan supplement.
Milestones	The Bankruptcy Case, Disclosure Statement and Plan shall be filed by the Company on or before May 15, 2019; the Company shall use good faith efforts to: (i) obtain confirmation of the Plan by the Bankruptcy Court within 37 days thereafter, and (ii) substantially consummate the Plan within 2 business days after entry of the order confirming the Plan (the "**Effective Date**").
Conditions to Confirmation	Customary conditions consistent with this Term Sheet and the RSA; further, the amount of all allowed administrative priority claims and allowed general unsecured claims in the Bankruptcy Case shall not exceed an amount agreed to by the Supporting Senior Secured Noteholder and the Company.

Restructuring Fees Loan	Professional fees and expenses to be incurred by the Company in connection with the Restructuring (the "**Restructuring Fees**") shall be paid by the Company from the proceeds of an unsecured loan in a principal amount sufficient to pay the Restructuring Fees incurred and forecast by the Company (the "**Restructuring Fees Loan**"), such loan to be funded by the Lender shortly prior to the filing of the Bankruptcy Case under terms and conditions, and as documented, satisfactory to the Lender and the Company. All obligations of the Company under the Restructuring Fees Loan shall be rolled into the Exit Facility to be provided by the Lender (the "**Roll In**"), under terms and conditions satisfactory to the Lender and to reorganized Asset on the Effective Date, and after the Roll In is effected, all claims of the Lender arising under the Restructuring Fees Loan shall be deemed satisfied.
Tax Treatment	The Restructuring shall be designed (1) to preserve favorable tax attributes of the Company, including all net operating losses, and (2) in a tax efficient manner for the Senior Secured Noteholder and the Company.
Definitive Terms	This Term Sheet is a preliminary discussion draft only, and any final agreement will be subject to final negotiation of all relevant terms, whether noted in this draft or otherwise, and definitive documentation executed by all relevant parties.

EXECUTION COPY

EXHIBIT B

RIVERSHORE TERM SHEET

RIVERSHORE/JPMS TERM SHEET
HILLTOP TRANSACTION

Key Terms	
Introduction	
Overview	This term sheet (the "**Term Sheet**") summarizes the financing (to be provided by, *inter alia*, Chase Lincoln First Commercial Corporation (the "**Lender**")) for and terms of the limited liability company to be formed between Rivershore Resources LLC ("**Rivershore**") and J.P. Morgan Securities, LLC, or its assignee/designee (which such assignee/designee shall be an affiliate of J.P. Morgan Securities, LLC, or, the extent it is not an affiliate, then a person who is approved by Rivershore, such approval not to be unreasonably withheld(collectively "**JPMS**"), as part of the restructuring of Hilltop Energy, LLC ("**Energy**") and Hilltop Asset, LLC ("**Asset**," and together with Energy, the "**Company**").
Implementation	Rivershore, JPMS, the Lender and the Company will enter into a restructuring support agreement (the "**RSA**") that will commit all parties to support, and take no action inconsistent with, the following: • A prepackaged bankruptcy process to be commenced by the Company in which a portion of the prepetition secured debt (subject to the provisions in the "Exit Facility" section below) held by JPMS will be exchanged for all of the equity in reorganized Energy (the "**Prepackaged Bankruptcy**"); • 55% of the equity in reorganized Asset ("**NewCo**") will be issued to Rivershore on the effective date of the Prepackaged Bankruptcy Plan (the "**Effective Date**") in consideration of Rivershore's fulfillment of its commitments and obligations as described below; and • 45% of the equity in NewCo will be issued on the Effective Date to reorganized Energy. JPMS and Rivershore will execute a limited liability company operating agreement ("**Operating Agreement**") for reorganized Asset ("**NewCo**") incorporating this Term Sheet.
Structure of Debt and Funding of NewCo	
Professional Fee Financing Facility	The Lender will commit to provide up to **$530K** in financing to the Company on an unsecured basis for payment of professional fees and operational needs during and after the Prepackaged Bankruptcy (the "**Professional Fee Financing Facility**"). In the Prepackaged Bankruptcy, all obligations of the Company under the Professional Fee Financing Facility will roll into the Exit Facility (the "**Roll In**") to be provided to NewCo by the Lender under terms and conditions satisfactory to the Lender on the Effective Date (the "**Exit Facility**").

Exit Facility	The Lender will commit to the Exit Facility for NewCo's use on emergence from the Prepackaged Bankruptcy on the following key terms: • The Lender will fund **$1.0MM** of the Exit Facility. • JPMS-held prepetition secured debt in the amount of **$1.47MM** will roll into the Exit Facility. • The Roll In of the Professional Fee Financing Facility of **$530K** will be included in the principal amount of the Exit Facility. • Total face amount of the Exit Facility to be **$3.0MM**. Exit Facility will have a term of **4** years, under relevant market terms, conditions and covenants for a company of this kind and condition, and interest paid at NewCo's option in cash or payment in kind by accruing interest due as additional principal. All obligations under the Exit Facility will be secured by a lien on all assets of NewCo (the "**Collateral**").
Amendment of Rivershore Management Agreement	Rivershore and the Company will amend the Rivershore Management Agreement ("**RMA**"), and Rivershore will not object to assumption by the Company of the RMA as amended in the Prepackaged Bankruptcy, as follows: • The term will be extended by 4 years, such extended term commencing on the Effective Date; • Rivershore will waive all fees under the RMA for all services rendered for a period of 4 years following the Effective Date. • Rivershore will provide financial accommodations to NewCo on an unsecured basis post-Effective Date by funding up to **$1.05MM** in the event NewCo's month ending cash balance falls below $200,000 (the "**Minimum Cash Balance**") (including all asset sale proceeds). For clarification, Rivershore will fund NewCo in amounts sufficient to maintain NewCo's cash balance at no less than $200,000, up to an aggregate amount of **$1.05 MM**.
Structure of NewCo Operating Agreement	
Membership Interests	Rivershore will hold 55% of the membership interests in NewCo. JPMS (through reorganized Energy) will hold 45% of the membership interests in NewCo
Board of Managers	The board of managers will have three members. Two managers will be appointed by Rivershore, one manager by JPMS. The board of managers will be responsible for NewCo operations, with the exception of transactions requiring supermajority member approval. JPMS' appointed manager must be present at any board of manager meeting for a quorum.

Officers	Officers will be appointed to manage the operations of NewCo. Appointment of all officers requires unanimous board of managers' approval.
Buy-Sell Provision	If Rivershore brings to JPMS a bona fide offer to acquire 100% of NewCo at a greater than **$10.0MM** valuation for NewCo and JPMS decides not to sell, buy-sell provision will be triggered whereby JPMS will be obligated to acquire Rivershore's interests in NewCo at the same valuation of the bona fide offer that JPMS declined.
Supermajority Approval	The following will require approval of 66.67% of the membership interests for the duration of NewCo: • Amendment of the Operating Agreement • A transaction resulting in a change of control (subject to buy-sell concept above) • Issuance of additional equity interests in NewCo • Termination or any amendment of the RMA • Any change in the number of managers on the board • Conversion of NewCo into a different corporate form • Voluntary initiation of bankruptcy, liquidation, dissolution, assignment for the benefit of creditor or any analogous proceeding. The following will require approval of 66.67% of the membership interests for the first two years of NewCo's existence: • An annual operating budget and any revisions thereto • Expenditures falling outside of the annual budget • Admission of new members • Incurrence of debt in excess of $250,000 • Settlement of litigation in excess of $250,000 After two years, the above five points will require only approval of a majority of the membership interests. All membership interests must be present for a quorum to be achieved on any matter requiring supermajority approval.

Distributions	Following repayment of principal and interest owed to the Lender on the **$1.0 MM** funded by the Lender in the Exit Facility, and subject to the fiduciary obligations (if any) of the Managers/Members, distributions are permitted as follows: • If monthly net cash flow from Company exceeds **$200,000**, distribution of **$100k** paid in following month. • If monthly net cash flow from Company exceeds **$300,000**, distribution of **$200k** paid in following month. • If monthly net cash flow from Company exceeds **$400,000**, distribution of **$300k** paid in following month. After repayment to the Lender to the extent provided above in this section, Rivershore will receive 55% of any monthly distributions, and JPMS will receive 45% of any monthly distributions. Any distributions by NewCo other than those listed above will require unanimous approval of the board of managers.
Rivershore Override	Rivershore to be granted 2% overriding royalty interest ("**Override**") at Effective Date across Hilltop leasehold area. Override to increase to 3% after the 2 year anniversary of Effective Date, 4% after the 3 year anniversary, and 5% after the 4 year anniversary of Effective Date. Change of control prior to 4 year anniversary of Effective Date would trigger granting of Rivershore's full 5% Override. In the event the RMA is terminated for any reason within 2 years following the Effective Date, all Rivershore Override rights shall also terminate; provided, however, that the initial 2% Override for the 2 year period following the Effective Date shall be earned as of the Effective Date and not subject to forfeiture.
Newco Development Funding	• Rivershore has the right to propose new wells within NewCo's operating area so long as Rivershore brings a non-operating partner willing to fund at least 25% of such new wells. • JPMS has 10 business days to decide whether or not to participate in any proposed well(s). • For the first two proposed wells, if JPMS decides to participate, JPMS will cover Rivershore's portion of drilling and completion AFE, and will be paid a preferred return on that portion of funding at time of NewCo sale or similar liquidity event. • If JPMS decides not to participate, Rivershore will attempt to have a non-operating partner fund 100% of the cost of proposed wells in exchange for 100% working interest in such proposed wells. NewCo will have a reversionary working interest in such wells after such wells pay back 400% to the non-operating partner.
Assignment of Membership Interests	Members will only be allowed to assign their membership interests with unanimous member approval for the first 4 years of NewCo's existence. After four years, the members may assign their interest freely.
Information Rights	In addition to standard information rights, JPMS will have authority to inspect monthly model and reserve analyses.

Termination of the RMA	If the RMA is terminated in the first 4 years of NewCo's existence, then Rivershore will forfeit certain membership interests as follows: If Rivershore terminates the RMA before the end of the first year of its term, Rivershore will forfeit its entire membership interest in Newco to JPMS. If JPMS terminates the RMA for cause before the end of the first year of its term, Rivershore will forfeit its entire membership interest in Newco to JPMS. If Rivershore terminates the RMA after the end of the first year but before the end of the fourth year of NewCo's existence then Rivershore will forfeit one quarter of its membership interest in Newco for each of the initial four years not completed to JPMS. • RMA termination after the end of year one and before the end of year two results in forfeiture of 41% of Rivershore's 55% membership interest. • RMA termination after the end of year two but before the end of year three results in forfeiture of 28% of Rivershore's 55% membership interest. • RMA termination after the end of year three but before the end of year four results in forfeiture of 14% of Rivershore's 55% membership interest.
Indemnification and Limitation on Fiduciary Duties	The board of managers will be indemnified for actions taken in good faith with a reasonable belief in the best interests of NewCo. The board of managers will not be indemnified for willful misconduct.
Mandatory Arbitration	All disputes arising out of or in connection with the operating agreement shall be decided by mandatory arbitration conducted by the American Arbitration Association. Any such arbitration shall be seated in New York with a single arbitrator selected by the parties. If the parties cannot agree on an arbitrator, one will be selected by the AAA. The prevailing party in the arbitration shall be awarded its attorneys' fees and costs.

Definitive Terms	This Term Sheet is a preliminary discussion draft only, and any final agreement will be subject to final negotiation of all relevant terms, whether noted in this draft or otherwise, and definitive documentation executed by all relevant parties.