IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:	)	Chapter 11
MILAGRO HOLDINGS, LLC, et al.,	)	Case No. 15-11520 (KG)
Debtors.[1]	)	Jointly Administered

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

PLEASE NOTE THAT THIS DISCLOSURE STATEMENT IS BEING SUBMITTED FOR APPROVAL, AND HAS NOT YET BEEN APPROVED, BY THE BANKRUPTCY COURT. THIS IS NOT A SOLICITATION OF VOTES WITH RESPECT TO THE DEBTORS' JOINT PLAN OF REORGANIZATION PURSUANT TO CHAPTER 11 OF THE BANKRUPTCY CODE OR AN OFFER WITH RESPECT TO ANY SECURITIES. ANY SUCH SOLICITATION OR OFFER WILL COMPLY WITH ALL APPLICABLE SECURITIES LAWS AND PROVISIONS OF THE BANKRUPTCY CODE. ACCEPTANCES OR REJECTIONS OF THE DEBTORS' PLAN MAY NOT, AND WILL NOT, BE SOLICITED UNTIL A DISCLOSURE STATEMENT HAS BEEN APPROVED BY THE BANKRUPTCY COURT. ACCORDINGLY, THE INFORMATION CONTAINED HEREIN IS SUBJECT TO CHANGE.

YOUNG CONAWAY STARGATT & TAYLOR, LLP
M. Blake Cleary (No. 3614)
Joel A. Waite (No. 2925)
Ryan M. Bartley (No. 4985)
Ian J. Bambrick (No. 5455)
1000 N. King Street
Rodney Square
Wilmington, Delaware 19801
Telephone: (302) 571-6600

PORTER HEDGES LLP
John F. Higgins
Eric M. English
1000 Main Street, 36th Floor
Houston, Texas 77002
Telephone: (713) 226-6687

Proposed Co-Counsel for the Debtors

Dated: July 22, 2015

---

1 The Debtors in these cases, along with the last four digits of each Debtor's federal tax identification number, are: Milagro Holdings, LLC (7232); Milagro Oil & Gas, Inc. (7173); Milagro Exploration, LLC (9260); Milagro Producing, LLC (9330); Milagro Mid-Continent, LLC (8804); and Milagro Resources, LLC (6134). The Debtors' mailing address is 1301 McKinney Street, Suite 500, Houston, Texas 77010.

SPECIAL NOTICE REGARDING FEDERAL AND STATE SECURITIES LAWS

The Bankruptcy Court has not reviewed this Disclosure Statement or the Plan, and the securities to be issued on or after the Effective Date will not have been the subject of a registration statement filed with the United States Securities and Exchange Commission (the "SEC") under the United States Securities Act of 1933, as amended (the "Securities Act") or any securities regulatory authority of any state under any state securities law ("Blue Sky Laws"). The Plan has not been approved or disapproved by the SEC or any state regulatory authority and neither the SEC nor any state regulatory authority has passed upon the accuracy or adequacy of the information contained in this Disclosure Statement or the Plan. Any representation to the contrary is a criminal offense. Neither this Disclosure Statement nor the Plan was required to be prepared in accordance with federal or state securities laws or other applicable nonbankruptcy law.

The Debtors intend to rely on the exemption from the Securities Act and Blue Sky Laws registration requirements provided by section 1145(a)(1) of the Bankruptcy Code to exempt from registration the issuance of the Reorganized Debtor Common Stock, the New Holdings Units, the Rights and the Rights Interests issued under or in connection with the Plan, except to the extent that any person receiving securities under the Plan may be deemed an "underwriter" within the meaning of section 1145(b) of the Bankruptcy Code, or with respect to the Rights Interests associated with the Backstop Commitment and Backstop Commitment Fee, in which case the Debtors intend to rely on the exemption provided by section 4(a)(2) of the Securities Act and applicable exemptions from Blue Sky Laws. To the extent section 1145 is unavailable, such securities shall be exempt from registration under the Securities Act through a private placement pursuant to section 4(a)(2) of the Securities Act, and/or the safe harbor of Regulation D promulgated thereunder, or such other exemption as may be available from any applicable registration requirements. Neither the Solicitation nor this Disclosure Statement constitutes an offer to sell or the solicitation of an offer to buy securities in any state or jurisdiction in which such offer or solicitation is not authorized.

Making investment decisions based on the information contained in this Disclosure Statement or the Plan is therefore highly speculative. The Debtors recommend that potential recipients of any securities issued pursuant to the Plan consult their own legal counsel concerning the securities laws governing the transferability of any such securities.

DISCLAIMER

This Disclosure Statement[2] contains summaries of certain provisions of the Plan and certain other documents and financial information. The information included in this Disclosure Statement is provided solely for the purpose of soliciting acceptances of the Plan and should not be relied upon for any purpose other than to determine whether and how to vote on the Plan. All holders of Claims entitled to vote are advised and encouraged to read this Disclosure Statement and the Plan in their entirety before voting. The Debtors believe that these summaries are fair and accurate. The summaries of the financial information and the documents that are attached to, or incorporated by reference in, the Disclosure Statement are qualified in their entirety by reference to such information and documents. In the event of any inconsistency or discrepancy between a description in the Disclosure Statement and the terms and provisions of the Plan or the other documents and financial information incorporated in the Disclosure Statement by reference, the Plan or the other documents and financial information, as the case may be, shall govern for all purposes.

Except as otherwise provided in the Plan or in accordance with applicable law, the Debtors are under no duty to update or supplement this Disclosure Statement. The Bankruptcy Court's approval of this Disclosure Statement shall not constitute or be construed as a guarantee of the accuracy or completeness of the information contained herein or an endorsement of the merits of the Plan by the Bankruptcy Court. The statements and financial information contained in this Disclosure Statement have been made as of the date of the Disclosure Statement unless otherwise specified. Holders of Claims reviewing the Disclosure Statement should not assume at the time of such review that there have been no changes in the facts set forth in the Disclosure Statement since the date of the Disclosure Statement. Each holder of a Claim entitled to vote on the Plan should carefully review the Plan and this Disclosure Statement in their entirety before casting a ballot. No holder of a Claim should rely on any information, representations, or inducements made to obtain an acceptance of the Plan that are other than as set forth, or are inconsistent with, the information contained in this Disclosure Statement, the documents attached to this Disclosure Statement, and the Plan. The Disclosure Statement does not constitute legal, business, financial, or tax advice. Any entities desiring any such advice should consult with their own advisors. No person is authorized by the Debtors in connection with the Plan or the solicitation of acceptances of the Plan to give any information or to make any representation regarding this Disclosure Statement or the Plan other than as contained in this Disclosure Statement and the Exhibits, Appendices, and/or other Schedules attached hereto, incorporated by reference or referred to herein, and can provide no assurances at to the reliability of, any information that others may give you.

The financial information contained in or incorporated by reference into this Disclosure Statement has not been audited, except as specifically indicated otherwise. The financial projections and other financial information, attached hereto as **Exhibits B** and **E** and described in this Disclosure Statement, have been prepared by the Debtors' management in consultation with their advisors. The financial projections and other financial information, while presented with numerical specificity, necessarily were based on a variety of estimates and assumptions that are inherently uncertain and may be beyond the control of the Debtors' management. Important factors that may affect actual results and cause these forecasts to not be achieved include, but are not limited to, risks and uncertainties relating to the Debtors, the Reorganized Debtor, and White Oak Resources VI, LLC ("White Oak") (including their ability to achieve strategic goals, objectives and targets over applicable periods), industry performance, the regulatory environment, general business and economic conditions, and other factors. The Debtors caution that no representations can be made as to the accuracy of these projections or to the ultimate performance of the Reorganized Debtor and White Oak, the entity whose equity will be the most significant asset of the Reorganized Debtor. Therefore, the financial projections and other financial information may not be relied upon as a guarantee or other assurance that the actual results will occur.

Except with respect to the financial projections and other financial information attached hereto as **Exhibits B** and **E** and except as otherwise specifically and expressly stated herein, this Disclosure Statement does not reflect any events that may occur subsequent to the date hereof and that may have a material impact on the information

---

[2] Capitalized terms used but not otherwise defined herein have the meanings ascribed to them in the *Debtors' Joint Chapter 11 Plan*, attached hereto as **Exhibit A**.

contained in this Disclosure Statement. Accordingly, the delivery of this Disclosure Statement will not, under any circumstance, imply that the information herein is correct or complete as of any time subsequent to the date hereof.

Regarding contested matters, adversary proceedings, and other pending, threatened, or potential litigations or other actions, this Disclosure Statement does not constitute, and may not be construed as, an admission of fact, liability, stipulation, or waiver by the Debtors or any other party, but rather as a statement made in the context of settlement negotiations in accordance with Rule 408 of the Federal Rules of Evidence. As such, this Disclosure Statement shall not be admissible in any non-bankruptcy proceeding involving the Debtors or any other party in interest, nor shall it be construed to be conclusive advice on the tax, securities, financial or other effects of the Plan to holders of Claims against, or Interests in, the Debtors or any other party in interest. Please see ARTICLE IX of this Disclosure Statement, entitled “Certain Factors to be Considered” for a discussion of certain risk factors that a creditor voting on the Plan should consider.

This Disclosure Statement contains “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Please see Article 9.5(c) for important information regarding “forward-looking statements.”

TABLE OF CONTENTS

PAGE

INTRODUCTION 1

ARTICLE I PLAN OVERVIEW 1
1.1 Plan Structure Overview 1
1.2 The Contribution Agreement Transaction 2
1.3 Restructuring Support Agreement 4
1.4 The Rights Offering and Backstop Commitment Letter 7
1.5 Liquidation Analysis 9
1.6 Valuation of Reorganized Debtor 9
1.7 Classified Claims and Interests 10

ARTICLE II VOTING PROCEDURES AND REQUIREMENTS 15
2.1 Classes Entitled to Vote on the Plan 15
2.2 Votes Required for Acceptance by a Class 15
2.3 Certain Factors to be Considered Prior to Voting 15
2.4 Classes Not Entitled to Vote on the Plan 16
2.5 Solicitation Procedures 16
2.6 Voting Procedures 17

ARTICLE III CONFIRMATION 18

ARTICLE IV FINANCIAL INFORMATION AND PROJECTIONS 19

ARTICLE V BUSINESS DESCRIPTIONS 20
5.1 Corporate Background, Organizational Structure and Assets 20
5.2 The Debtors' Operations 21
5.3 Board of Directors, Management and Employees 23
5.4 Prepetition Capital Structure 23
5.5 History and Operations of White Oak 26

ARTICLE VI EVENTS LEADING TO THE CHAPTER 11 CASES 26
6.1 Turmoil in the Oil and Natural Gas Markets 26
6.2 Out-of-Court Restructuring Efforts 27

ARTICLE VII COMMENCEMENT OF THE CHAPTER 11 CASES AND CERTAIN RELIEF 28
7.1 Petitions and First Day Relief 28
7.2 DIP Financing Order 29

ARTICLE VIII OTHER KEY ASPECTS OF THE PLAN 29
8.1 Substantive Consolidation 29
8.2 Sources of Consideration for Plan Distributions 31
8.3 General Settlement of Claims 31
8.4 Plan Release Consideration Assets Implementation Procedure 31
8.5 The Post-Effective Date Reorganized Debtor 31
8.6 Cancellation of Instruments, Certificates, and Other Documents 33
8.7 Offering and Issuance of Securities 33
8.8 Vesting of Assets in the Reorganized Debtor 34
8.9 Corporate Action 34
8.10 New Holdings Units 34
8.11 New Holdings Operating Agreement 34
8.12 Boards of Managers 35

8.13 Restructuring Recognition Awards 35
8.14 Effectuating Documents; Further Transactions 36
8.15 Exemption from Certain Taxes and Fees 36
8.16 Causes of Action 36
8.17 Closing the Chapter 11 Cases 37
8.18 Treatment of Executory Contracts and Unexpired Leases 37
8.19 Provisions Governing Distributions 39
8.20 Procedures for Resolving Contingent, Unliquidated and Disputed Claims 39
8.21 Release, Injunction, and Related Provisions 40
8.22 Conditions Precedent to Consummation of the Plan 44
8.23 Modification, Revocation, or Withdrawal of the Plan 45
8.24 Retention of Jurisdiction 45
8.25 Term of Injunctions or Stays 47
8.26 Plan Supplement Exhibits 47

ARTICLE IX CERTAIN FACTORS TO BE CONSIDERED 47

ARTICLE X IMPORTANT SECURITIES LAW DISCLOSURE 70

ARTICLE XI CONFIRMATION PROCEDURES 73

ARTICLE XII ALTERNATIVES TO CONFIRMATION AND CONSUMMATION OF THE PLAN 75

ARTICLE XIII CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES 75

ARTICLE XIV CONCLUSION AND RECOMMENDATION 80

APPENDIX: RULES OF INTERPRETATION, COMPUTATION OF TIME, GOVERNING LAW, AND OTHER REFERENCES 82

LIST OF EXHIBITS

Exhibit A Debtors' Prepackaged Chapter 11 Plan

Exhibit B Financial Projections

Exhibit C Restructuring Support Agreement

Exhibit D Unaudited Liquidation Analysis of the Debtors

Exhibit E Unaudited Pro Forma Consolidated Balance Sheet of White Oak and Comparison of Total Proved PV10 and Assumed Plan Values

Exhibit F Backstop Commitment Letter

Exhibit G Rights Offering Procedures

INTRODUCTION

Milagro Holdings, LLC ("Milagro Holdings"), Milagro Oil & Gas, Inc. ("MOG"), and their direct and indirect subsidiaries (collectively, the "Debtors") are independent oil and gas companies primarily engaged in the acquisition, exploration, exploitation, development and production of oil and natural gas reserves. The Debtors have been negatively impacted by a number of factors, including an over-leveraged capital structure and depressed pricing in the oil and natural gas industry. The Debtors have been engaged in efforts to restructure their balance sheets, which have included negotiations with their largest shareholders and certain Noteholders since at least 2013.

In the Spring of 2015, the Debtors engaged with White Oak, which expressed an interest in acquiring substantially all of the Debtors' oil and gas producing assets in exchange for cash consideration, equity interests in White Oak, and the assumption of certain obligations other than funded debt, all of which would be memorialized in a contribution agreement. Following a period of due diligence of (i) White Oak, performed by the Debtors and certain of the Noteholders advised by Akin Gump Strauss Hauer & Feld LLP ("Akin Gump") and Blackstone Advisory Partners L.P. ("Blackstone"), and (ii) the Debtors, performed by White Oak, and following extensive good-faith negotiations between the Debtors, White Oak, the Initial Consenting Noteholders, the Initial Secured Lenders, and the Initial Equity Holders:

- The Debtors and White Oak entered into the Contribution Agreement on July 15, 2015, to effectuate the Contribution Agreement Transaction; and

- The Debtors, White Oak, the Initial Consenting Noteholders, the Initial Secured Lenders, and the Initial Equity Holders entered into the Restructuring Support Agreement on July 15, 2015 to support and implement the restructuring of the Debtors through the Contribution Agreement Transaction and the Plan.

As of the date hereof, 63 Noteholders, holding at least $203.5 million in amount (representing approximately 81.4%) of the outstanding principal of the Notes, have entered into the Restructuring Support Agreement. For additional discussion of the Restructuring Support Agreement, please see Section 1.3 herein.

By this Disclosure Statement and the accompanying materials, the Debtors are soliciting the votes of the Noteholders in accordance with sections 1125 and 1126 of the Bankruptcy Code.

This Disclosure Statement provides information regarding the Plan, a copy of which is attached hereto as **Exhibit A**. The Debtors believe that the Plan is in the best interests of all holders of Claims and Interests. Accordingly, the Debtors urge all holders entitled to vote on the Plan to vote to accept the Plan.

ARTICLE I
PLAN OVERVIEW

1.1 Plan Structure Overview

The Plan effects the transactions contemplated by the Contribution Agreement and Restructuring Support Agreement, including the discharge of Claims and Interests, primarily, through the: (a) effectuation of the Contribution Agreement Transaction (described in Section 1.2 below); (b) payment of the Cash Payment by White Oak, which will be used, along with cash on hand and the Rights Offering Proceeds (as necessary), to satisfy the Senior Debt Claims, Allowed Administrative Claims (including DIP Claims), Allowed Priority Tax Claims, Allowed Professional Fee Claims, Allowed Other Priority Claims, and Allowed Other Secured Claims; (c) receipt of the Milagro Interests from White Oak by the Reorganized Debtor; (d) issuance of 100% of the Reorganized Debtor Common Stock (which is to be immediately converted to New Holdings Units in the Reorganized Debtor upon its conversion to a limited liability company as set forth in the Plan), subject to dilution from any Rights Interests or Reorganized Debtor Common Stock in respect of the Rights Offering or the Backstop Commitment Fee to the Holders of the Notes Claims in Class 4; (e) implementation of the Rights Offering, which shall include issuing the remaining shares of Reorganized Debtor Common Stock (which is to be immediately converted to New Holdings Units in the Reorganized Debtor upon its conversion to a limited liability company as set forth in the Plan) to the

Holders of Notes Claims that are Eligible Participants and participate in the Rights Offering and certain of the Initial Consenting Noteholders (in their capacity as Backstop Parties); and (f) delivery of the Cash-Out Payment to the Holders of Notes Claims that are Non-Eligible Investors. Following the Effective Date, the Reorganized Debtor will be the owner of the Milagro Interests, which are equity interests in White Oak that, as of the date hereof, are expected to be approximately 37.5% of the outstanding interests in White Oak, but which are subject to final determination in accordance with the terms of the Contribution Agreement.

Holders of Allowed General Unsecured Claims are impaired under the Plan, and are not entitled to any distribution on account of their Claims. However, as described more fully below, Holders of Allowed General Unsecured Claims that are Eligible Plan Release Consideration Recipients shall be permitted to make an election to become a Releasing Party and, in exchange for such election, receive their pro rata share of the Plan Release Consideration Assets which are being given from the Rights Offering Proceeds or the amounts otherwise subject to the liens of the Second Lien Notes Trustee for the benefit of itself and the Noteholders and provided by the Noteholders to the Eligible Plan Release Consideration Recipients. All Equity Interests in the Debtors will be cancelled and the Holders of Equity Interests are not entitled to receive any distribution under the Plan. Holders of Allowed Administrative Claims (including DIP Claims), Allowed Priority Tax Claims, Allowed Professional Fee Claims, Allowed Other Priority Claims, and Allowed Other Secured Claims will be paid in full in Cash.

Any transfers of Claims and Interests are subject to orders of the Bankruptcy Court.

1.2 The Contribution Agreement Transaction

On July 15, 2015, the Debtors and White Oak entered into the Contribution Agreement for purposes of effectuating the Contribution Agreement Transaction. A copy of the Contribution Agreement[3] is included as Exhibit A to the Restructuring Support Agreement, which is an Exhibit to this Disclosure Statement. Under the Contribution Agreement, on the Closing Date, the following actions will take place:

- The Debtors will contribute to White Oak the Assets, which include substantially all of the Debtors' oil and gas leasehold interests, all wells, all oil, natural gas liquids ("NGLs"), and natural gas, other assets and related contracts associated with the operation of the Debtors' business.

- From and after Closing, except to the extent related to or the subject matter of Retained Obligations or Retained Contracts, White Oak will assume and has agreed to fulfill, perform, pay and discharge (or cause to be fulfilled, performed, paid and discharged) all obligations and Losses arising from, based upon, related to or associated with (i) the Assets, the operation and ownership of, or conditions first existing, arising or occurring with respect to the Assets after the Effective Time, which is May 1, 2015; (ii) notwithstanding (i) above, the Suspense Funds and the Assigned Contracts, whether arising before, on or after the Closing; (iii) notwithstanding (i) above, all P&A and Environmental Costs arising on or after the Effective Time; and (iv) notwithstanding (i) above, all Plugging and Abandonment obligations arising before, on or after the Effective Time. Except for the Assumed Obligations White Oak will not assume, be obligated to pay, perform or discharge, and Milagro[4] will retain, pay, perform and discharge all other obligations and Losses of Milagro, including the Retained Obligations.

  The Debtors believe that this assumption of liabilities will result in the satisfaction of a significant amount of the Debtors' non-funded indebtedness that is outstanding as of the Petition Date. For

[3] All capitalized terms used in describing the Contribution Agreement or the terms thereof shall have the meaning ascribed to them in the Contribution Agreement.

[4] When used in describing the Contribution Agreement or Contribution Agreement Transaction, the term "Milagro" means MOG, Milagro Exploration, LLC ("Milagro Exploration"), Milagro Producing, LLC ("Milagro Producing"), and Milagro Resources, LLC ("Milagro Resources"), which are the Debtors that are party to the Contribution Agreement.

purposes of the Plan, if an obligation is assumed by White Oak under the Contribution Agreement, it shall not be deemed an Allowed claim under the Plan for purposes of distributions.

- The Contribution Agreement Transaction has a Purchase Price of $217 million, which has two components:
  - White Oak will pay to the Debtors cash in the amount of $120 million.
  - White Oak will, on the Effective Date, issue to the Reorganized Debtor the Milagro Interests , which represent equity interests in White Oak with a value of $97 million plus or minus the amount of Purchase Price adjustments set forth in section 3.4(a) of the Contribution Agreement. The Milagro Interests shall be issued based on the Deemed Equity Value of White Oak which is $265 million as adjusted pursuant to the mechanism set forth in section 2.4 of the Contribution Agreement.

  The Purchase Price adjustments include upward adjustments for:

  - the value of all merchantable Hydrocarbons attributable to the Assets in storage or existing in stock tanks above the pipeline connection as of the Effective Time;
  - all Property Costs paid by or on behalf of Milagro that, in accordance with GAAP, arise out of, are associated with, or relate to the use, ownership or operation of the Assets from and after the Effective Time;
  - the amount of any Imbalances by which Milagro is underproduced priced at $2.50 per Mcf for gas Imbalances;
  - the amounts paid by Milagro for Cure Costs arising on or after the Effective Time;
  - without duplication of adjustments made in accordance with Section 3.4(a)(1) of the Contribution Agreement, Revenues received by White Oak that, in accordance with GAAP, arise out of, are associated with, or relate to the use, ownership or operation of the Assets prior to the Effective Time;
  - with respect to all Milagro-operated Wells, an overhead rate equal to a flat fee of $400,000 per month (and prorated as necessary), for all producing oil and gas Wells, all active utility Wells and all shut-in or inactive Wells;
  - an amount equal to the sum of any and all prepaid utility charges, insurance premiums, rentals, deposits and any other prepays (excluding Taxes) that are attributable to the Assets from and after the Effective Time; and
  - upward by an amount equal to the sum of all adjustments to the Purchase Price pursuant to Section 6.2 of the Contribution Agreement in respect of Additional Interests.

  The Purchase Price adjustments include downward adjustments for:

  - the amount of all Property Costs paid by or on behalf of White Oak that, in accordance with GAAP, arise out of, are associated with, or relate to the ownership or operation of the Assets on or prior to the Effective Time;
  - the amount of any Imbalances by which Milagro is overproduced priced at $2.50 per Mcf for gas Imbalances;

- o the amount of Cure Costs attributable to the period prior to the Effective Time, if any, that have not been paid by Milagro as of the Closing as contemplated by Section 5.5(c) of the Contribution Agreement;

- o Revenues received by Milagro that, in accordance with GAAP, arise out of, are associated with, or relate to the use, ownership or operation of the Assets from and after the Effective Time other than overhead charges with respect to Milagro operated Wells and Equipment for the period between the Effective Time and the Closing Date;

- o an amount equal to the sum of all adjustments to the Purchase Price (A) pursuant to Section 5.3(b) or 5.3(d) of the Contribution Agreement in respect of Preferential Rights and consents, (B) pursuant to Section 5.4 of the Contribution Agreement in respect of Casualty Loss, (C) pursuant to Section 6.2 of the Contribution Agreement in respect of Title Defects, and (D) pursuant to Section 7.4 of the Contribution Agreement in respect of Environmental Defects;

- o the amount of the Suspense Funds in accordance with Section 11.3 of the Contribution Agreement; and

- o the amount of any Deemed Note Payment Amount as set forth in Section 3.2(b) of the Contribution Agreement.

The Purchase Price may also be adjusted upward or downward by any other amount agreed upon in writing by Milagro and White Oak.

- The Contribution Agreement provides for a $4,000,000 Break-Up Fee payable to MOG by White Oak in the event that (i) the Contribution Agreement is terminated pursuant to Section 13.1(b) of the Contribution Agreement and the Closing has not occurred solely because of White Oak’s failure to satisfy the condition set forth in Section 9.1(a) of the Contribution Agreement other than as a result of Post-Signing Information in accordance with Section 5.7 of the Contribution Agreement; or (ii) the Contribution Agreement is terminated by Milagro pursuant to Section 13.1(e) of the Contribution Agreement. For purposes of clarity, failure of the Bankruptcy Court to enter into a Final Order confirming the Plan does not trigger the Break-Up Fee. The Contribution Agreement further provides for a $1,000,000 Alternative Transaction Fee payable by Milagro to White Oak in the event (i) the Contribution Agreement is terminated pursuant to Section 13.1(b) or Section 13.1(d) thereof, and (ii) Milagro closes a transaction with another Person within one (1) year of the Execution Date of the Contribution Agreement which results in the sale or transfer of all or a substantial portion of the business, assets or equity interests of Milagro (whether pursuant to a sale of assets or equity interests, merger, recapitalization, consolidation or other business combination).

1.3 Restructuring Support Agreement

On July 15, 2015, the Debtors entered into the Restructuring Support Agreement with White Oak, the Initial Consenting Noteholders, the Initial Secured Lenders, the Administrative Agent, and the Initial Equity Holders. A copy of the Restructuring Support Agreement is attached hereto as **Exhibit C**, and the descriptions of the Restructuring Support Agreement in this Disclosure Statement are qualified in their entirety by the actual terms of the Restructuring Support Agreement. On July 15, 2015, the Debtors and certain of the Initial Consenting Noteholders also entered into the Backstop Commitment Letter. The Restructuring Support Agreement and the Backstop Commitment Letter relate to a potential restructuring of the assets and liabilities of the Debtors and the Debtors’ equity pursuant to the Plan under chapter 11 of title 11 of the Bankruptcy Code.

As of the date of the Restructuring Support Agreement, the Initial Consenting Noteholders consisted of 63 holders of approximately 81.4% in dollar amount of Notes Claims, the Initial Secured Lenders held 100% of the Senior Debt Claims, and the Initial Equity Holders consisted of five entities holding or controlling 44% of the issued and outstanding Equity Interest in the Debtors. White Oak is also a party to the Restructuring Support Agreement.

In accordance with the Restructuring Support Agreement and the Backstop Commitment Letter, the Plan provides that:

- The Contribution Agreement Transaction will occur and White Oak will issue the Milagro Interests to the Reorganized Debtor;
- The Debtors will effectuate the Rights Offering, which is expected to generate gross cash proceeds of up to $20,000,000, with any over-commitment being returned to the participants on a *pro rata* basis;
- Senior Debt Claims and DIP Claims will be indefeasibly paid in full from the Cash Payment, the Debtors' Cash on-hand at the Effective Date, and Rights Offering Proceeds (as applicable);
- Holders of the Notes will be issued 100% of the Reorganized Debtor Common Stock (which is to be immediately converted to New Holdings Units in the Reorganized Debtor upon its conversion to a limited liability company as set forth in the Plan), subject to dilution from the Reorganized Debtor Common Stock issued in connection with the Rights Offering and the Backstop Commitment Fee, in full and complete satisfaction of their Notes Claims;
- General Unsecured Claims will be cancelled and extinguished without the Holders of such claims receiving any distribution or retaining any property under the Plan on account of such claims; provided, that, after the Effective Date, Holders of Allowed General Unsecured Claims that are Eligible Plan Release Consideration Recipient will be permitted to make the election to become a Releasing Party and, in exchange for such election and release, will receive a GUC Settlement Payment; and
- Equity Interests in the Debtors will be cancelled and extinguished without the Holder of such interests receiving any distribution or retaining any property under the Plan on account of such interests.

Under the Restructuring Support Agreement, each of the Supporting Parties has agreed to support, and take all reasonable actions necessary to facilitate the implementation and consummation of, the Restructuring Transaction (as defined in the Restructuring Support Agreement), including, but not limited to, supporting the Debtors' commencement of the Chapter 11 Cases, the Debtors' entry into a DIP Financing Agreement (as defined in the Restructuring Support Agreement), the Debtors' requests for the relief sought pursuant to first-day motions, the Bankruptcy Court's approval of the Restructuring Documents, the Solicitation and confirmation of the Plan and the consummation of the Restructuring Transaction pursuant to the Plan so long as each of the foregoing is not inconsistent with the Restructuring Support Agreement.

(a) **Termination Provisions**

The Restructuring Support Agreement provides that the Supporting Parties or the Debtors may terminate it under certain conditions.

- The Requisite Consenting Noteholders or the Requisite Secured Lenders may terminate the Restructuring Support agreement at any time as to all parties (i) after the receipt by the Requisite Consenting Noteholders and Requisite Secured Lenders of a Fiduciary Out Notice or (ii) the occurrence of, and during the continuation of, certain events, including, but not limited to:
  - the breach in any material respect by the Debtors of any of their obligations, undertakings, representations, warranties or covenants of the Debtors set forth in the Restructuring Support Agreement, including under Sections 4(a), 4(b) or 8 the Restructuring Support Agreement, and such breach remains uncured for a period of four (4) business days from the receipt of written notice of such breach from the Requisite Consenting Noteholders or the Requisite Secured Lenders; provided that the Company shall not be entitled to cure any breach under Sections 4(b)(iii), (vi) or (xviii) of the Restructuring Support Agreement;

    - at 5:00 p.m. prevailing Eastern Time on the fifth (5) business day after the failure of the Debtors to satisfy any of the milestones set forth in Subsections (iii), (iv), (v), (vi), (vii) or (viii) of Section 4(a) of the Restructuring Support Agreement, provided that such failure is not the result of a material breach by any of the Consenting Noteholders or the Secured Lenders of the terms of the Restructuring Support Agreement; and provided further, that the Debtors shall have four (4) business days from receipt of a written notice from the Requisite Consenting Noteholders or the Requisite Secured Lenders to cure the failure to satisfy such milestones in a manner that does not prevent or diminish in a material way compliance with the terms of the Restructuring Support Agreement;

    - upon (A) the termination of the Contribution Agreement in accordance with its terms, or (B) a final determination by the Bankruptcy Court that the Cash Payment Cap (as defined in the Contribution Agreement), the proceeds from the Rights Offering and other cash available to the Company is insufficient to pay the amounts required under the Plan to be paid in full in cash, on account of allowed unclassified claims and allowed classified claims senior to Class 4 (Notes Claims); and

    - the termination of the DIP Financing Agreement.

- The Requisite Equity Holders may terminate the Restructuring Support Agreement as to themselves upon the occurrence of the events in Sections 5(a)(ii) (after the four (4) business-day period referred to in Section 5(a)(ii) of the Restructuring Support Agreement) or if any of the Plan Documents, Motions and Orders, the Plan Supplement Documents and the other Restructuring Documents is not materially consistent with the treatment of such Party as set forth in the Restructuring Support Agreement, the Plan or the Disclosure Statement

- White Oak may terminate the Restructuring Support Agreement as to itself if the Contribution Agreement is terminated; provided, that upon the termination by White Oak as contemplated in this provision, the Restructuring Support Agreement shall automatically terminate with respect to all Parties.

- The Debtors may terminate the Restructuring Support Agreement upon the occurrence of, among other things: (i) the breach in any material respect by the Consenting Noteholders holding or representing a principal amount of the Notes Claims, such that the remaining Consenting Noteholders (excluding the breaching Consenting Noteholders) would hold or represent in the aggregate less than 67% in amount of the total outstanding Notes Claims, of any of the covenants, obligations, representations or warranties under the Restructuring Support Agreement, which breach remains uncured for a period of three (3) business days from the receipt of the Company Termination Notice; (ii) the failure to confirm the Plan due to the failure of the class of the holders of the Second Lien Notes to meet the requirements set forth in Section 1126(c) of the Bankruptcy Code or due to the Bankruptcy Court otherwise denying confirmation of the Plan; and (iii) the election by the Debtors to terminate the Restructuring Support Agreement in exercise of the Fiduciary Out.

The Restructuring Support Agreement, and the obligations of all parties thereunder, may be terminated by mutual written agreement between the Debtors, the Requisite Consenting Noteholders and the Requisite Secured Lenders, provided, however, that notice of such termination is provided to each of the Supporting Parties.

(b) **Transaction Expenses**

The Debtors shall, subject to the terms and entry of the RSA Order and (after the DIP Orders are entered by the Bankruptcy Court) the DIP Orders, pay all Transaction Expenses incurred on or after the Petition Date on a regular and continuing basis within ten (10) days of demand, without any requirement for Bankruptcy Court review or further Bankruptcy Court order. The Company shall pay or reimburse any remaining Transaction Expenses (including any Transaction Expenses previously paid by a Party) not paid pursuant to the preceding sentence only upon the consummation of the Restructuring Transaction.

1.4 The Rights Offering and Backstop Commitment Letter

To fund certain costs required at emergence from chapter 11 on the Effective Date, the Debtors intend to conduct a rights offering that will be made available to all Holders of Notes Claims that are Accredited Investors. To ensure that the Debtors have access to sufficient capital and liquidity, certain of the Initial Consenting Noteholders, the Backstop Parties, have entered into the Backstop Commitment Letter and committed to back stop the funding of the Rights Offering, subject to the terms thereof.

(a) **Rights Offering**

Each Holder of a Notes Claim that is an Accredited Investor will have the opportunity to make an election, in conjunction with voting on the Plan, to purchase (each, a "Right" and together, the "Rights") contemporaneously with the Effective Date, a pro rata share of shares of Reorganized Debtor Common Stock (the Reorganized Debtor Common Stock issued on the Effective Date to be immediately converted to New Holdings Units in the Reorganized Debtor upon its conversion to a limited liability company as set forth in the Plan), resulting in gross Cash proceeds (the "Rights Offering Proceeds") of up to $20,000,000 (as determined by the Company and the Requisite Backstop Parties) pursuant to the Rights Offering Procedures, attached hereto as **Exhibit G**, and the Plan (the "Rights Offering," and such shares of Reorganized Debtor Common Stock subject to the Rights Offering, the "Rights Interests"). Notwithstanding anything contained in the Plan or the Rights Offering Procedures to the contrary, the Debtors may, with the consent of the Requisite Backstop Parties, modify the Rights Offering Procedures or adopt such additional procedures. The closing of the Rights Offering is conditioned on the consummation of the Plan, the Rights Offering Procedures and the Contribution Agreement Transaction. Amounts held by the Subscription Agent with respect to the Rights Offering prior to the Effective Date shall not be entitled to any interest on account of such amounts.

(1) **Election Form**

In accordance with the terms of the Rights Offering Procedures, the Debtors will deliver an Election Form to each Noteholder that is a Holder of a Notes Claim to determine which such Holders will be considered Eligible Participants and which such Holders will be considered Non-Eligible Participants. To determine that such Holder is an Eligible Participant, such Holder must, in accordance with the terms set forth in the Election Form, validly complete and return the Election Form by the Election Form Deadline certifying that such Holder is an Accredited Investor. To determine that such Holder is a Non-Eligible Participant, such Holder must, in accordance with the terms set forth in the Election Form, validly complete and return the Election Form by the Election Form Deadline certifying that such Holder is not an Accredited Investor and each Holder shall indicate the extent of its interest in participating in the Rights Offering. Only Eligible Participants shall be able to participate in the Rights Offering. Only Non-Eligible Participants shall be eligible to receive the Cash-Out Payment. Any Noteholder that is a Holder of a Notes Claim that does not return a validly completed Election Form by the Election Form Deadline shall not be entitled to participate in the Rights Offering and shall not be eligible to receive the Cash-Out Payment.

(2) **Issuance of Rights**

The number of Rights Interests allocated pursuant to the Rights Offering will be based upon a pro rata share of all Notes Claims participating in the Rights Offering. The number of Rights Interests will be adjusted to reflect the final amount of Rights Offering Proceeds, which amount shall initially be sized above the projected Cash needs of the Estates prior to the Effective Date, with excess funds returned to the subscribers to the Rights Offering at the closing of the Rights Offering. Notwithstanding anything to the contrary in the Plan or in the Rights Offering Procedures, fractional Rights shall not be issued and any such fractional Rights will be rounded up or down to the nearest whole number. The price per equity interest ("Per Interest Price") shall be determined using the Deemed Equity Value of White Oak determined pursuant to Section 2.4 of the Contribution Agreement and the pro forma restructured capital structure, and applying a 30% discount to the equity value thereto (after giving effect to the Rights Offering).

Set forth below are illustrative examples of the potential split of equity ownership of the Reorganized Debtor between the Holders of Allowed Notes Claims, the participants in the Rights Offering, and the Backstop Parties on account of the Backstop Commitment Fee, in their respective capacities as such, at different amounts of the Rights Offering.

Percentage Ownership of Reorganized Debtor
at Representative Rights Offering Sizes [5]
(in millions of dollars)

	$5.0	**$10.0**	**$15.0**	**$20.0**
Holders of Allowed Notes Claims	91.48%	84.70%	78.20%	71.96%
Participants in Rights Offering	7.10%	13.91%	20.44%	26.70%
Backstop Commitment Fee	1.42%	1.39%	1.36%	1.34%

(3) **Transfer Restrictions and Revocation**

The Rights shall not be assignable or detachable, and shall not be transferrable other than in connection with the transfer of the corresponding Claims. After a Right has been exercised, the underlying Claim corresponding to the Right will cease to be transferrable. In addition, once an Eligible Participant has properly exercised its Rights, such exercise cannot be revoked, rescinded or annulled for any reason unless the Effective Date has not occurred on or before forty-five (45) days following the Subscription Deadline, at which time any Eligible Participant may revoke the exercise of all, but not less than all, of the Rights it has exercised by delivery of a revocation notice pursuant to the Rights Offering Procedures.

(4) **Issuance of New Holdings Units**

On the Effective Date, the Reorganized Debtor shall issue shares of Reorganized Debtor Common Stock, in exchange for payment therefor, to those Eligible Participants that, in accordance with the Plan and the Rights Offering Procedures, validly exercised their respective Rights to participate in the Rights Offering. The Reorganized Debtor Common Stock shall be immediately converted to New Holdings Units on the Effective Date. The New Holdings Operating Agreement shall be adopted on the Effective Date and shall be deemed to be valid, binding and enforceable in accordance with its terms, and each holder of New Holdings Units shall be bound thereby.

(5) **Refund of Payments**

If the Rights Offering is terminated, including by termination of the Backstop Commitment Letter, any payment made by an Eligible Participant pursuant to the Rights Offering shall be refunded as soon as practicable thereafter, without interest or deduction. If an Eligible Participant participating in the Rights Offering has made an overpayment, including in respect of the Rights, the amount of such overpayment shall be refunded as soon as practicable following the Subscription Deadline, without interest or deduction.

(6) **Rights Offering Dates**

The Rights Offering shall be commenced and completed in accordance with the dates set forth in the Rights Offering Procedures; provided, however, that the Debtors may modify such dates and deadlines consistent with the Rights Offering Procedures, subject to the consent of the Requisite Backstop Parties.

For the avoidance of doubt, nothing herein constitutes an offer of Rights Interests.

---

[5] This table assumes an aggregate value of $97,000,000 for 100% of the equity interests in the Reorganized Debtor.

(b) **Backstop Commitment**

The Backstop Parties have committed (the "Backstop Commitment"), pursuant to the Backstop Commitment Letter, to purchase (on a several and not joint basis) the Rights Interests that are not purchased by the Holders of Notes Claims as part of the Rights Offering, based initially on a percentage to be set forth in the Backstop Commitment Letter, which percentage shall be based on the amount of Notes held by such Backstop Party relative to the aggregate amount of Notes held by all Backstop Parties on the Petition Date. On the Effective Date, the Reorganized Debtor will pay each Initial Consenting Noteholder providing a Backstop Commitment its portion of the Backstop Commitment Fee. The Backstop Commitment Fee shall be payable to each Backstop Party (based on such Backstop Party's share of the Backstop Commitment) in shares of Reorganized Debtor Common Stock (which immediately following the Effective Date shall be converted to New Holdings Units) equal to its pro rata share of 5% of the Reorganized Debtor Common Stock to be initially offered in connection with the Rights Offering regardless of whether such amount is reduced as provided in Article IV.E.3 of the Plan.

The Debtors intend to rely on the exemption provided by section 4(a)(2) of the Securities Act and applicable exemptions from Blue Sky Laws in respect of the Rights Interests associated with the Backstop Commitment and the Backstop Commitment Fee.

The Backstop Commitment Letter will terminate: (i) by written mutual consent of the parties; (ii) upon an uncured breach by a party thereunder, by any non-breaching party; (iii) automatically upon the revocation of the Confirmation Order pursuant to an order of the Bankruptcy Court; (iv) automatically upon the termination of the Restructuring Support Agreement; (v) upon the occurrence of a Material Adverse Effect (as defined in the Contribution Agreement), by any Backstop Purchaser; (vi) automatically upon termination of the Contribution Agreement; and (vii) in the event that the projected cash needs at closing exceed the cash available to the Debtors at Closing, including from the Rights Offering, by any Backstop Purchaser providing written notice of termination.

1.5 Liquidation Analysis

The Debtors believe that the Plan provides the same or a greater recovery for holders of Allowed Claims and Interests as would be achieved in liquidation under chapter 7 of the Bankruptcy Code. This belief is based on a number of considerations, including: (a) the Debtors' assets would have a substantially reduced value in a chapter 7 liquidation; (b) the additional Administrative Claims generated by conversion to a chapter 7 case; (c) the administrative costs of liquidation and associated delays in connection with a chapter 7 liquidation; and (d) the negative impact on the market price for the Debtors' assets caused by attempting to sell assets in a short time frame, each of which likely would also diminish the value of the Debtors' assets available for distributions.

The Debtors, in consultation with their financial advisors, have prepared an unaudited liquidation analysis, attached hereto as **Exhibit D**, to assist holders of Claims and Interests in evaluating the Plan. The liquidation analysis compares the projected creditor recoveries that would result from the liquidation of the Debtors in a hypothetical case under chapter 7 of the Bankruptcy Code with the estimated distributions to holders of Allowed Claims and Interests under the Plan. The liquidation analysis is based on the value of the Debtors' assets and liabilities as of a certain date and incorporates various estimates and assumptions, including a hypothetical conversion to a chapter 7 liquidation as of a certain date. Further, the analysis is subject to potentially material changes, including with respect to economic and business conditions and legal rulings. Therefore, the actual liquidation value of the Debtors could vary materially from the estimate provided in the liquidation analysis.

1.6 Valuation of Reorganized Debtor

On the Effective Date, based on the Contribution Agreement, the enterprise value of the Debtors' assets being contributed to White Oak by the Debtors is assumed to be $217 million and the enterprise value of the existing assets of White Oak is assumed to be $265 million. After reducing the existing indebtedness of White Oak and the $120,000,000 Cash Payment Cap, the value of the Milagro Interests is expected to be $97 million (plus or minus the amount of any adjustments to the purchase price set forth in the Contribution Agreement).

Attached hereto as **Exhibit E** are an unaudited comparison of the Debtors' and White Oak's proven reserves, as reflected on their respective NYMEX Reserve Reports prepared as of December 31, 2014, against the assumed enterprise value of their assets under the Contribution Agreement and an unaudited pro forma balance sheet of White Oak, after giving effect to the proposed Contribution Agreement Transaction. This information is provided for illustrative purposes only and do not purport to represent what the actual results of operations or the financial position of the Debtors or White Oak are or would have been had the Contribution Agreement Transaction occurred on the dates assumed, nor are they necessarily indicative of future results of operations or financial position.

On the Effective Date, the value of the Reorganized Debtor will be the sum of the value of the Milagro Interests and the Cash remaining on hand after all distributions under the Plan have been made.

1.7 Classified Claims and Interests

***(a)* Classified Claims and Interests Summary**

Except for the Administrative Claims (including DIP Claims), Priority Tax Claims and Professional Fee Claims addressed in ARTICLE II of the Plan, all Claims and Interests are classified in the Classes set forth in ARTICLE III of the Plan (which are summarized below), for all purposes, including voting, Confirmation, and distributions under the Plan and pursuant to sections 1122 and 1123(a)(1) of the Bankruptcy Code. A Claim or Equity Interest is classified in a particular Class only to the extent that the Claim or Equity Interest qualifies within the description of that Class and is classified in other Classes to the extent that any portion of the Claim or Equity Interest qualifies within the description of such other Classes. A Claim or Equity Interest is also classified in a particular Class for the purpose of receiving distributions under the Plan only to the extent that such Claim or Equity Interest is an Allowed Claim or Allowed Equity Interest in that Class and has not been paid, released, or otherwise satisfied prior to the Effective Date. The Debtors reserve the right to withdraw the Plan with respect to one or more Debtors while seeking Confirmation or approval of the Plan with respect to all other Debtors.

Below is a chart assigning each Class a number for the purpose of identifying each separate Class:

Class	Claim or Interest	Status	Voting Rights	Plan Recovery	Liquidation Recovery
1	Senior Debt Claims	Unimpaired	Not Entitled to Vote (Conclusively Presumed to Accept)	100%	{TBD}%
2	Other Priority Claims	Unimpaired	Not Entitled to Vote (Conclusively Presumed to Accept)	100%	0%
3	Other Secured Claims	Unimpaired	Not Entitled to Vote (Conclusively Presumed to Accept)	100%	100%
4	Notes Claims	Impaired	Entitled to Vote	{TBD}%	{TBD}%
5	General Unsecured Claims	Impaired	Not Entitled to Vote (Deemed to Reject)	0%	0%
6	Equity Interests	Impaired	Not Entitled to Vote (Deemed to Reject)	0%	0%

***(b)* Unclassified Claims Details**

(1) **Administrative Claims**

Subject to the provisions of sections 327, 330(a), and 331 of the Bankruptcy Code, 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) as follows: (i) if such Administrative Claim is Allowed on or prior to the Effective Date, on the

Effective Date or as soon as reasonably practicable thereafter (or, if not then due and payable, when such Allowed Administrative Claim is due and payable or as soon as reasonably practicable thereafter); (ii) if such Administrative Claim is not Allowed as of the Effective Date, no later than thirty (30) days after the date on which an order Allowing such Administrative Claim becomes a Final Order, or as soon as reasonably practicable thereafter (or, if not then due and payable, when such Allowed Administrative Claim is due and payable or as soon as reasonably practicable thereafter); (iii) at such time and upon such terms as may be agreed upon by such Holder and the Debtors or the Reorganized Debtor, as applicable; or (iv) at such time and upon such terms as set forth in an order of the Bankruptcy Court.

Administrative Claims shall be subject to the Administrative Claims Bar Date and objections to Administrative Claims shall be filed by the Administrative Claims Objection Deadline.

On the Effective Date and after satisfaction of the DIP Claims and Senior Debt Claims, if any, in accordance with the Plan, the Debtors shall fund the Administrative Claims' Escrow Account in Cash as described in Article IV.G.2 of the Plan. Any amounts remaining in the Administrative Claims' Escrow Account after payment of all Allowed Administrative Claims shall be retained and available for use by the Reorganized Debtor.

(2) **DIP Claims**

On the Effective Date, the DIP Claims shall be indefeasibly paid in full in Cash.

(3) **Priority Tax Claims**

In accordance with section 1129(a)(9)(C) of the Bankruptcy Code, 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 on which such Priority Tax Claim becomes Allowed, (iii) the date on which such Allowed 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 or the Reorganized Debtor, as applicable. Any Claims asserted by a governmental unit on account of any penalties and assessments shall not be Priority Tax Claims.

On the Effective Date, the Debtors shall fund the Priority Tax Claims' Escrow Account in Cash as described in Article IV.G.2 of the Plan. Any amounts remaining in the Priority Tax Claims' Escrow Account after payment of all Allowed Priority Tax Claims shall be retained and available for use by the Reorganized Debtor.

(4) **Professional Fee Claims**

The Debtors shall establish and fund an Escrow Account for Professional Fee Claims. The Professionals shall estimate their Professional Fee Claims before and as of the Effective Date, taking into account any prior payments, and shall deliver such estimate to the Debtors no later than three (3) business days before the commencement of the Confirmation Hearing. For the avoidance of doubt, the Professional Fee Claims Estimate shall not be deemed to limit the amount of fees and expenses that are the subject of a Professional's final request for payment of Professional Fee Claims Filed with the Bankruptcy Court. The Debtors shall fund the Professional Fees' Escrow Account with Cash equal to the Professional Fee Claims Estimate. If a Professional does not provide a Professional Fee Claims Estimate within the timeframe described in the Plan, the Debtors may estimate the unpaid and unbilled fees and expenses of such Professional. Except as provided in the next sentence, the Professional Fees' Escrow Account shall be funded on the Effective Date and maintained in trust by the Reorganized Debtor for the Professionals and shall not be considered property of the Debtors' Estates. When all Allowed Professional Fee Claims have been paid in full, amounts remaining in the Professional Fees' Escrow Account, if any, shall be released to the Reorganized Debtor.

To the extent that funds held in the Professional Fees' Escrow Account are unable to satisfy the amount of an Allowed Professional Fee Claim owing to a Professional after application of funds deposited into the Professional Fees' Escrow Account pursuant to such Professional's Professional Fee Claim Estimate, such Professional shall

have an Allowed Administrative Claim for any such deficiency, which Allowed Administrative Claim shall be satisfied in accordance with the Plan.

All final requests for payment of Professional Fee Claims shall be Filed no later than the first Business Day that is 30 days after the Effective Date. After notice provided in accordance with the procedures established by the Bankruptcy Code and prior Bankruptcy Court orders, the Allowed amounts of such Professional Fee Claims shall be determined by the Bankruptcy Court. Subject to Article II.D.1 of the Plan, the amount of Professional Fee Claims owing to the Professionals shall be paid in Cash to such Professionals from funds held in the Professional Fees' Escrow Account, or as otherwise provided in the Plan, when such Claims are Allowed by an order of the Bankruptcy Court, which order is not subject to a stay.

(5) **U.S. Trustee Statutory Fees**

The Debtors or the Reorganized Debtor, as applicable, shall pay all U.S. Trustee Fees for each quarter (including any fraction thereof) until the Chapter 11 Cases are converted, dismissed, or closed, whichever occurs first.

(c) **Classified Claims and Interests Details**

Except to the extent that the Debtors and a Holder of an Allowed Claim or Equity Interest, as applicable, agree to a less favorable treatment, such Holder shall receive under the Plan the treatment described below in full and final satisfaction, settlement, and release of and in exchange for such Holder's Allowed Claim or Equity Interest. Unless otherwise indicated, each Holder of an Allowed Claim or Equity Interest, as applicable, shall receive such treatment on the Effective Date or as soon as reasonably practicable thereafter, the timing of which shall be subject to the reasonable discretion of the Debtors or the Reorganized Debtor, as applicable.

Notwithstanding the foregoing, no Claim or Administrative Claim Allowed under the Plan that is based on or arising out of a liability of a Debtor that was assumed by White Oak pursuant to the Contribution Agreement shall receive a distribution under the Plan or from any Debtor or Reorganized Debtor, and any such Claim or Administrative Claim shall automatically be deemed satisfied on the Effective Date without further order of the Bankruptcy Court, provided that the Reorganized Debtor shall file a Notice of Satisfaction with the Clerk of the Court, identifying the applicable Proofs of Claim, requests for allowance of administrative expenses, and claims listed in the Schedules satisfied by the Debtors or assumed by White Oak.

(1) **Class 1—Senior Debt Claims**

A. *Classification*: Class 1 consists of any Senior Debt Claims against the Debtors.

B. *Allowance*: The Senior Debt Claims shall be Allowed in the aggregate amounts set forth in Section 11.24 of the DIP Credit Agreement, inclusive of principal, accrued and unpaid interest (including default interest), fees and the Yield Maintenance Premium and Prepayment Premium.

C. *Treatment*: To the extent not previously paid, each Senior Debt Holder shall receive, on the Effective Date, in full and indefeasible satisfaction and discharge thereof, Cash equal to the full amount of such Holder's Senior Debt Claim or such other treatment agreed to by mutual consent of the parties. Additionally, the Reorganized Debtor shall pay the Transaction Expenses (as defined in the Restructuring Support Agreement) of the Administrative Agent as provided for in the Restructuring Support Agreement. To the extent that Senior Debt Claims become DIP Claims, such Senior Debt Claims will not receive additional payments and treatment under Class 1.

D. *Voting*: Class 1 is Unimpaired. Holders of Allowed Class 1 Claims are conclusively presumed to have accepted the Plan under section 1126(f) of the

Bankruptcy Code. Holders of Allowed Class 1 Claims are not entitled to vote to accept or reject the Plan.

(2) **Class 2—Other Priority Claims**

A. *Classification*: Class 2 consists of all Other Priority Claims against the Debtors.

B. *Treatment*: Each Holder of an Allowed Other Priority Claim shall receive, in full satisfaction and discharge thereof, Cash equal to the unpaid amount of such Allowed Other Priority 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 on which such Other Priority Claim becomes Allowed, (iii) the date on which such Allowed Other Priority Claim becomes due and payable, and (iv) such other date as mutually may be agreed to by and among such Holder and the Debtors or the Reorganized Debtor, as applicable. On the Effective Date, the Debtors shall fund the Other Priority Claims' Escrow Account in Cash as described in Article IV.G.2 of the Plan. Any amounts remaining in the Other Priority Claims' Escrow Account after payment of all Allowed Other Priority Claims shall be retained and available for use by the Reorganized Debtor.

C. *Voting*: Class 2 is Unimpaired. Holders of Allowed Class 2 Claims are conclusively presumed to have accepted the Plan under section 1126(f) of the Bankruptcy Code. Holders of Allowed Class 2 Claims are not entitled to vote to accept or reject the Plan.

(3) **Class 3—Other Secured Claims**

A. *Classification*: Class 3 consists of any Other Secured Claims against the Debtors.

B. *Treatment*: Each Holder of an Allowed Other Secured Claim shall receive, at the election of the Debtors and in full satisfaction and discharge thereof, (i) Cash equal to the unpaid amount of such Allowed Other Secured Claim (except to the extent that such Holder agrees to less favorable treatment thereof), (ii) the collateral securing the Allowed Other Secured Claim and payment of any interest required under section 506(b) of the Bankruptcy Code, or (iii) other treatment rendering such Claim Unimpaired; in any case, on or as soon as practicable after, the latest of (a) the Effective Date, (b) the date on which such Other Secured Claim becomes Allowed, (c) the date on which such Allowed Other Secured Claim becomes due and payable, and (d) such other date as mutually may be agreed to by and among such Holder and the Debtors or the Reorganized Debtor, as applicable. On the Effective Date, the Debtors shall fund the Other Secured Claims' Escrow Account in Cash as described in Article IV.G.2 of the Plan. Any amounts remaining in the Other Secured Claims' Escrow Account after payment of all Allowed Other Secured Claims shall be retained and available for use by the Reorganized Debtor.

C. *Voting*: Class 3 is Unimpaired. Holders of Allowed Class 3 Claims are conclusively presumed to have accepted the Plan under section 1126(f) of the Bankruptcy Code. Holders of Allowed Class 3 Claims are not entitled to vote to accept or reject the Plan.

(4) **Class 4—Notes Claims**

A. *Classification*: Class 4 consists of all Notes Claims against the Debtors.

B. *Allowance*: Notes Claims shall be Allowed in the aggregate principal amount of $250,000,000 as of the Petition Date, plus accrued and unpaid interest or penalties payable pursuant to the Second Lien Notes Indenture. Acceptance of the Plan by Class 4 shall constitute an election under the Plan, pursuant to section 1111(b)(2) of the Bankruptcy Code, to have the Notes Claims treated as a secured claim to the extent that such Notes Claims are Allowed; provided that such election shall be deemed to be made solely with respect to the Plan, and the right of Holders of Notes Claims to make or not to make such an election in the event that the Plan is not confirmed is expressly reserved and preserved.

C. *Treatment*: Each Holder of an Allowed Notes Claim that is a Noteholder shall receive, (i) in full satisfaction and discharge thereof, but subject to the Second Lien Notes Trustee Charging Lien, its pro rata share of 100% of the Reorganized Debtor Common Stock (the Reorganized Debtor Common Stock issued on the Effective Date to be immediately converted to New Holdings Units in the Reorganized Debtor upon its conversion to a limited liability company as set forth in the Plan and, in connection therewith, each such Holder will be automatically bound by the terms of the New Holdings Operating Agreement without any requirement to become a signatory thereto), subject to dilution from the Reorganized Debtor Common Stock issued in connection with the Rights Offering and the Backstop Commitment Fee, and (ii) if applicable, Rights Interests or the Cash-Out Payment; provided, however, that in accordance with the Contribution Agreement, if White Oak acquires any Notes in a Note Purchase, there shall be no distribution on account of such Notes (whether held by White Oak or subsequently transferred by White Oak) and, instead, such Notes shall be cancelled, and the Adjusted Equity Component of the Purchase Price under the Contribution Agreement shall be adjusted in accordance with section 3.4(a)(13) of the Contribution Agreement. Additionally, the Reorganized Debtor shall pay the Transaction Expenses (as defined in the Restructuring Support Agreement) of the Consenting Noteholders and the Second Lien Notes Trustee and their respective legal counsel as provided for in the Restructuring Support Agreement.

D. *Voting*: Class 4 is Impaired. Holders of Allowed Class 4 Claims are entitled to vote to accept or reject the Plan.

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

A. *Classification*: Class 5 consists of all General Unsecured Claims against the Debtors.

B. *Treatment*: All General Unsecured Claims shall be cancelled, extinguished, and discharged on the Effective Date, and no Holder of a General Unsecured Claim shall receive or retain any property or interest on account of such claim.

i. Notwithstanding the foregoing, Holders of Allowed General Unsecured Claims who are Eligible Plan Release Consideration Recipients that consent to become Releasing Parties shall be entitled to, in exchange for the Third Party Releases, a GUC Settlement Payment.

C. *Voting*: Class 5 is Impaired. Holders of Claims in Class 5 are deemed to have rejected the Plan pursuant to section 1126(g) of the Bankruptcy Code and, therefore, are not entitled to vote to accept or reject the Plan.

(6) **Class 6—Equity Interests**

A. *Classification*: Class 6 consists of all Equity Interests of the Debtors.

B. *Treatment*: All Equity Interests of the Debtors shall be cancelled, extinguished, and discharged on the Effective Date, and no Holder of such Equity Interest shall receive or retain any property or interest on account of such claim.

C. *Voting*: Class 6 is Impaired. Holders of Equity Interests in Class 6 are deemed to have rejected the Plan pursuant to section 1126(g) of the Bankruptcy Code and, therefore, are not entitled to vote to accept or reject the Plan.

(d) **Special Provision Governing Unimpaired Claims**

Except as otherwise provided in the Plan, nothing under the Plan shall affect the rights of the Debtors, the Debtors' Estates, or the Reorganized Debtor 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 II
VOTING PROCEDURES AND REQUIREMENTS

2.1 Classes Entitled to Vote on the Plan

Class 4 – Notes Claims is the only Class entitled to vote to accept or reject the Plan.

2.2 Votes Required for Acceptance by a Class

Under the Bankruptcy Code, acceptance of a plan of reorganization by a Class of Claims or Interests is determined by calculating the amount and, if a Class of Claims, the number of Claims voting to accept, as a percentage of the Allowed Claims or Interests, as applicable, that have voted. Acceptance by a Class of Claims requires an affirmative vote of more than one-half in number of total Allowed Claims that have voted and an affirmative vote of at least two-thirds in dollar amount of the total Allowed Claims that have voted. Acceptance by a Class of Interests requires an affirmative vote of at least two-thirds in amount of the total Allowed Interests that have voted.

2.3 Certain Factors to be Considered Prior to Voting

There are a variety of factors that all holders of Claims entitled to vote on the Plan should consider prior to voting to accept or reject the Plan. These factors may impact recoveries under the Plan and include:

- unless otherwise specifically indicated, the financial information contained in the Disclosure Statement has not been audited and is based on an analysis of data available at the time of the preparation of the Plan and the Disclosure Statement;

- although the Debtors believe that the Plan complies with all applicable provisions of the Bankruptcy Code, the Debtors can neither assure such compliance nor that the Bankruptcy Court will confirm the Plan;

- the Debtors are requesting Confirmation without the acceptance of all Impaired Classes in accordance with section 1129(b) of the Bankruptcy Code; and

- any delays of either Confirmation or Consummation could result in, among other things, increased Administrative Claims and Professional Fee Claims.

While these factors could affect distributions available to holders of Allowed Claims and Interests under the Plan, the occurrence or impact of such factors will not necessarily affect the validity of the vote of the Impaired Classes entitled to vote to accept or reject the Plan (the "Voting Class") or necessarily require a re-solicitation of the votes of holders of Claims and Interests in such Voting Class.

For a further discussion of risk factors, please refer to ARTICLE IX of this Disclosure Statement ("Certain Factors to be Considered").

2.4 Classes Not Entitled to Vote on the Plan

Under the Bankruptcy Code, holders of Claims and Interests are not entitled to vote if their contractual rights are Unimpaired by the Plan or if they will receive no property under the Plan. Accordingly, the following Classes are not entitled to vote to accept or reject the Plan:

Class	Claim or Interest	Status	Voting Rights
1	Senior Debt Claims	Unimpaired	Presumed to Accept
2	Other Priority Claims	Unimpaired	Presumed to Accept
3	Other Secured Claims	Unimpaired	Presumed to Accept
5	General Unsecured Claims	Impaired	Deemed to Reject
6	Equity Interests	Impaired	Deemed to Reject

2.5 Solicitation Procedures

(a) Claims and Solicitation Agent

The Debtors retained Prime Clerk, LLC, to act, among other things, as their agent in connection with the solicitation of votes to accept or reject the Plan (the "Claims and Solicitation Agent").

(b) Claim Holder Solicitation Package

The following materials will constitute the solicitation package (the "Solicitation Package") distributed to holders of Claims entitled to vote to accept or reject the Plan:

- the appropriate ballot and applicable voting instructions, together with a pre-addressed, postage paid return envelope;
- the Disclosure Statement and all exhibits hereto, including the Plan with all exhibits thereto;
- the Disclosure Statement Order, but excluding exhibits; and
- notice of the Confirmation Hearing.

Holder of Class 4 Notes Claims will also receive in a separate package instructions and documents necessary to participate in the Rights Offering.

(c) **Distribution of the Solicitation Package and Plan Supplement**

The Debtors have or shall cause the Claims and Solicitation Agent to distribute the Solicitation Packages to holders of Claims in the Voting Class as of August 28, 2015 in accordance with the distribution procedures set forth in the Disclosure Statement Order, and the Court has set a voting deadline of 5:00 p.m. (prevailing Eastern Time) on October 1, 2015 (the "Voting Deadline").

The Solicitation Package and Ballots may also be obtained from the holder's broker, bank, dealer or other agents and nominees (each, a "Nominee") or the Claims and Solicitation Agent by: (1) email to milagroballots@primeclerk.com; (2) calling (844) 224-1138; or (3) writing to Milagro Oil & Gas Ballot Processing, c/o Prime Clerk, LLC, 830 Third Avenue, 9th Floor, New York, New York 10022. You may also obtain copies of any pleadings filed with the Bankruptcy Court for free by visiting the Debtors' restructuring website, https://cases.primeclerk.com/milagro, or for a fee via PACER at http://www.deb.uscourts.gov.

Prior to the Confirmation Hearing, the Debtors intend to file the Plan Supplement. As the Plan Supplement is updated or otherwise modified, such modified or updated documents will be made available on the Debtors' restructuring website. The Debtors will not serve paper or CD-ROM copies of the Plan Supplement; however, parties may obtain a copy of the Plan Supplement from the Claims and Solicitation Agent by: (1) email to milagroballots@primclerk.com; (2) calling (844) 224-1138; (3) visiting the Debtors' restructuring website, https://cases.primeclerk.com/milagro; or (4) writing to Milagro Oil & Gas Ballot Processing, c/o Prime Clerk, LLC, 830 Third Avenue, 9th Floor, New York, New York 10022.

2.6 Voting Procedures

August 28, 2015 at 5:00 p.m. (prevailing Eastern Time), the voting record date ("Voting Record Date"), will be the date for determining which holders of Claims are entitled to vote to accept or reject the Plan and receive the Solicitation Package in accordance with the solicitation procedures. Except as otherwise set forth herein, this Voting Record Date and all of the Debtors' solicitation and voting procedures shall apply to all of the Debtors' Creditors and other parties in interest.

The voting procedures are more fully described in the Disclosure Statement Order. To the extent there are any inconsistencies between the voting procedures summarized in this section and the Disclosure Statement Order, the Disclosure Statement Order shall be controlling.

In order for the holder of a Claim in the Voting Class to have such holder's ballot counted as a vote to accept or reject the Plan, such holder's ballot (or the master ballot (a "Master Ballot") reflecting such holder's vote) must be properly completed, executed, and delivered by: (a) using the return envelope addressed to the Claims and Solicitation Agent, or (b) first class mail, hand delivery or overnight delivery to Milagro Oil & Gas Ballot Processing, c/o Prime Clerk, LLC, 830 Third Avenue, 9th Floor, New York, New York 10022, so that such holder's ballot (or the master ballot reflecting such holder's vote) is **actually received** by the Claims and Solicitation Agent **on or before the Voting Deadline**. **If the return envelope included in a holder's Solicitation Package is addressed to its Nominee, such holder must allow sufficient time for its Nominee to receive its ballot, prepare and return a Master Ballot reflecting the vote of such holder to the Claims and Solicitation Agent on or before the Voting Deadline.**

The Restructuring Support Agreement provides, generally, that if it is terminated, each Supporting Party (as defined in the Restructuring Support Agreement) shall be immediately released from its liabilities, obligations, commitments, undertakings and agreements under or related to the Restructuring Support Agreement, including the obligations of any Supporting Party (as defined in the Restructuring Support Agreement) to vote for or support the Plan; provided that if the Restructuring Support Agreement is terminated in accordance with its terms at a time when permission of the Bankruptcy Court shall be required for a Supporting Party (as defined in the Restructuring Support Agreement) to change or withdraw (or cause to change or withdraw) its vote to accept the Plan, the Debtors have agreed not to oppose any attempt by such Supporting Party to change or withdraw (or cause to change or withdraw) such vote at such time.

IF A BALLOT OR MASTER BALLOT (AS APPLICABLE) IS RECEIVED AFTER THE VOTING DEADLINE, IT WILL NOT BE COUNTED UNLESS THE DEBTORS DETERMINE OTHERWISE IN THEIR SOLE DISCRETION.

ANY BALLOT THAT IS PROPERLY EXECUTED BY THE HOLDER OF A CLAIM AND (I) DOES NOT CLEARLY INDICATE AN ACCEPTANCE OR REJECTION OF THE PLAN OR (II) INDICATES BOTH AN ACCEPTANCE AND A REJECTION OF THE PLAN, WILL BE COUNTED AS AN ACCEPTANCE OF THE PLAN.

EACH HOLDER OF A CLAIM MUST VOTE ALL OF ITS CLAIMS EITHER TO ACCEPT OR REJECT THE PLAN AND MAY NOT SPLIT SUCH VOTES. BY SIGNING AND RETURNING A BALLOT, EACH HOLDER OF A CLAIM WILL CERTIFY TO THE BANKRUPTCY COURT AND THE DEBTORS THAT NO OTHER BALLOTS WITH RESPECT TO SUCH CLAIM HAVE BEEN CAST OR, IF ANY OTHER BALLOTS HAVE BEEN CAST WITH RESPECT TO SUCH CLASS OF CLAIMS, SUCH OTHER BALLOTS INDICATED THE SAME VOTE TO ACCEPT OR REJECT THE PLAN. IF A HOLDER CASTS MULTIPLE BALLOTS WITH RESPECT TO THE SAME CLAIM AND THOSE BALLOTS ARE IN CONFLICT WITH EACH OTHER, THE LAST BALLOT RECEIVED BY THE CLAIMS AND SOLICITATION AGENT BY THE VOTING DEADLINE THAT IS PROPERLY COMPLETED IN ACCORDANCE WITH THE SOLICITATION PROCEDURES WILL BE COUNTED ON ACCOUNT OF SUCH CLAIM.

THE PLAN PROVIDES THAT HOLDERS OF NOTES CLAIMS GRANT THE THIRD PARTY RELEASE IN ARTICLE VIII.E. OF THE PLAN AND ARE A BENEFICIARY OF THE DEBTOR RELEASE AND THIRD PARTY RELEASE IN ARTICLES VIII.D. AND VIII.E. OF THE PLAN, RESPECTIVELY, UNLESS THEY ELECT TO OPT-OUT OF THE PLAN'S RELEASES. ACCORDINGLY, THE BALLOT PROVIDES HOLDERS OF NOTES CLAIMS THE ABILITY TO MAKE AN OPT-OUT ELECTION. PARTIES THAT MAKE THIS ELECTION WILL NOT BE A RELEASED PARTY OR A RELEASING PARTY, WILL NOT GRANT THE THIRD PARTY RELEASE, AND WILL NOT RECEIVE THE BENEFIT OF THE DEBTOR RELEASE AND THIRD PARTY RELEASE UNDER THE PLAN. IF THE HOLDER OF A NOTES CLAIM FAILS TO MAKE AN ELECTION TO OPT-OUT OF THE THIRD PARTY RELEASE, IT WILL BE DEEMED TO BE A RELEASED PARTY AND RELEASING PARTY.

IT IS IMPORTANT THAT THE HOLDER OF A CLAIM ENTITLED TO VOTE FOLLOW THE SPECIFIC INSTRUCTIONS PROVIDED ON OR ACCOMPANYING SUCH HOLDER'S BALLOT.

ARTICLE III
CONFIRMATION

Under section 1128(a) of the Bankruptcy Code, the Bankruptcy Court, after notice, may hold a hearing to confirm a plan of reorganization. The Bankruptcy Court has scheduled a Confirmation Hearing for October 8, 2015 at 2:00 p.m. (prevailing Eastern Time). The Confirmation Hearing may be continued from time to time without further notice other than an adjournment announced in open court or a notice of adjournment filed with the Bankruptcy Court and served on those parties who have requested notice under Bankruptcy Rule 2002 and the Entities who have filed an objection to the Plan, if any, without further notice to parties in interest. The Bankruptcy Court, in its discretion and prior to the Confirmation Hearing, may put in place additional procedures governing the Confirmation Hearing. Subject to section 1127 of the Bankruptcy Code and the Restructuring Support Agreement, the Plan may be modified, if necessary, prior to, during, or as a result of the Confirmation Hearing, without further notice to parties in interest.

Additionally, section 1128(b) of the Bankruptcy Code provides that any party in interest may object to Confirmation. The Debtors, in the same motion requesting a date for the Confirmation Hearing, will request that the Bankruptcy Court set a date and time for parties in interest to file Plan objections. All objections to the Plan must be filed with the Bankruptcy Court and served on the Debtors and certain other parties in interest in accordance with the applicable order of the Bankruptcy Court so that they are received on or before the deadline to file such objections.

ARTICLE IV
FINANCIAL INFORMATION AND PROJECTIONS

The Bankruptcy Code permits a plan to be confirmed only if confirmation is not likely to be followed by liquidation or the need for further financial reorganization, except as contemplated by the Plan. For purposes of determining whether the Plan meets this requirement, the Debtors prepared projections for the period September 30, 2015 to December 31, 2015 period and the calendar years 2016 through 2018 to present the anticipated impact of the Plan. The projections assume that the Plan will be implemented in accordance with its stated terms. The Debtors are unaware of any circumstances as of the date of this Disclosure Statement that would require the re-forecasting of the projections due to a material change in the Debtors' prospects.

THE 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 PROJECTIONS, INCLUDING THE UNDERLYING ASSUMPTIONS, SHOULD BE CAREFULLY REVIEWED IN EVALUATING THE PLAN. WHILE MANAGEMENT BELIEVES THE ASSUMPTIONS UNDERLYING THE PROJECTIONS, WHEN CONSIDERED ON AN OVERALL BASIS, ARE REASONABLE IN LIGHT OF CURRENT CIRCUMSTANCES AND EXPECTATIONS, NO ASSURANCE CAN BE GIVEN THAT THE PROJECTIONS WILL BE REALIZED. THE DEBTORS MAKE NO REPRESENTATION OR WARRANTY AS TO THE ACCURACY OF THE PROJECTIONS.

The projections should be read in conjunction with the assumptions, qualifications, and explanations set forth in this Disclosure Statement

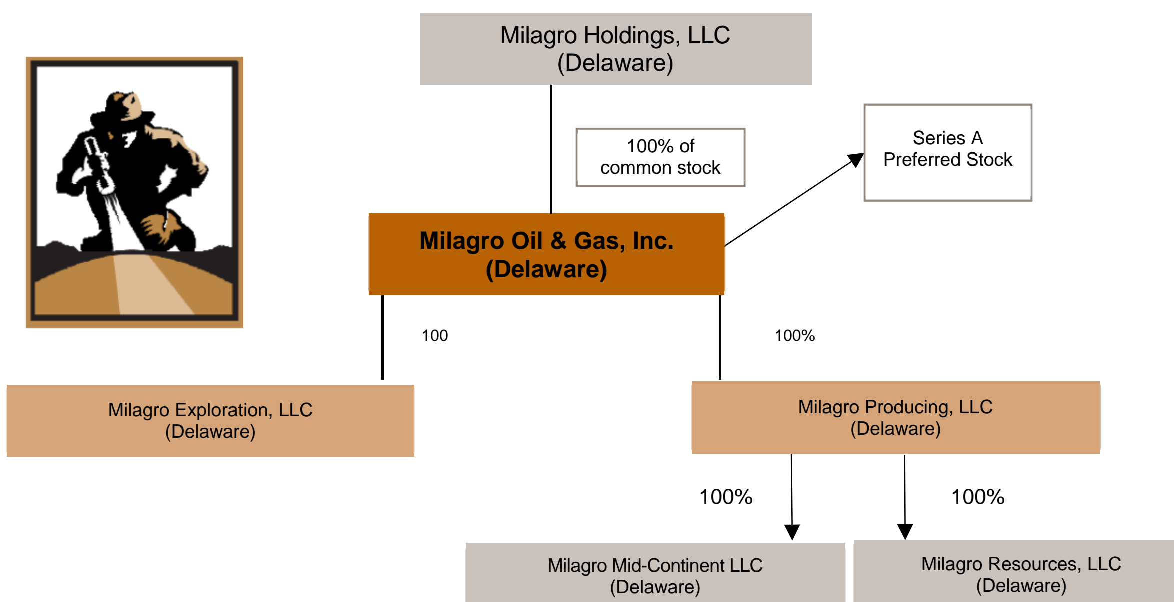
Financial projections for the Reorganized Debtor for the period September 30, 2015 to December 31, 2015 period and the calendar years 2016 through 2018, including the assumptions related thereto, are attached hereto as **Exhibit B**. For purposes of the financial projections, the Debtors have assumed an Effective Date of September 30, 2015.

ARTICLE V
BUSINESS DESCRIPTIONS

5.1 Corporate Background, Organizational Structure and Assets

(a) **Overview and History**

MOG is a Delaware corporation and wholly-owned subsidiary of Milagro Holdings, a Delaware limited liability company. MOG was formed, initially as a limited liability company, in 2005 and owns (either directly or indirectly) 100% of Milagro Exploration, a Delaware limited liability company, Milagro Resources, a Delaware limited liability company, Milagro Producing, a Delaware limited liability company, and Milagro Mid-Continent, a Delaware limited liability company. The following chart sets forth the Debtors' current organizational structure:



The Debtors are independent oil and gas companies primarily engaged in the acquisition, exploration, exploitation, development and production of oil and natural gas reserves. The Debtors' historic geographic focus has been along the onshore Gulf Coast area, primarily in Texas, Louisiana and Mississippi. As of March 31, 2015, the Debtors' total assets were approximately $390 million and total liabilities were approximately $468 million.

The Milagro group of companies were founded in 2005 and initially capitalized with investments from their executive team and private investors. The company assembled exploration prospects and drilled several exploration wells along the Gulf Coast of Texas and Louisiana. In November 2007, the Debtors acquired the Gulf Coast Division of Petrohawk Energy Corporation for approximately $825.0 million (the "Petrohawk Transaction"). The acquisition was funded through borrowings under (i) a first lien credit facility in the amount of $750 million (the "2007 First Lien Facility") and (ii) a second lien credit facility in the amount of $260 million (the "2007 Second Lien Facility"). Both of these facilities were eventually taken out in the 2011 Refinancing, described below. The acquisition was also funded through approximately $250.0 million of new equity issued by Milagro Holdings to affiliates of ACON, Guggenheim and West Coast (each as defined below).

(b) **Overview of Assets**

The Debtors own and operate a significant portfolio of oil, natural gas liquids, and natural gas producing properties and mineral interests in the Gulf Coast area and have expanded their footprint through the acquisition and development of additional producing or prospective properties in North Texas and Western Oklahoma. In addition,

the Debtors own certain non-operated working interests in leases located on the Outer Continental Shelf in the Gulf of Mexico.[6] The Debtors operate in four principal areas located in: (a) Wharton, Victoria, Goliad, Lavaca, Harris, Brazoria and Colorado Counties, Texas, among others (the "Texas Gulf Coast Properties"); (b) St. Martin, Vermilion, LaFourche and Cameron Parishes, Louisiana, Marion County, Mississippi and Jefferson, Chambers and Liberty Counties, Texas, among others (the "Southeast Properties"); (c) Starr, Hidalgo, Live Oak and Bee Counties, Texas, among others (the "South Texas Properties"); and (d) Jack and Wise Counties, Texas and Beaver, Ellis, Harper and Woodward Counties, Oklahoma (the "Midcontinent Properties"). The wells identified below include all of the Debtors' producing wells, saltwater disposal wells and shut-in wells. The wells do not include multiple bores in any well-site unless both well bores are producing.

The Texas Gulf Coast Properties include approximately 49,159 net acres and approximately 431 wells. As of December 31, 2014, net proved reserves attributable to the Texas Gulf Coast Properties were 20,771 MMcf of natural gas and 4,865 MMBbl of oil and NGL. Net production for the three months ended March 31, 2015 was 1,133 MMcfe. The Debtors' working and net revenue interest in the Texas Gulf Coast Properties are 63% and 51%, respectively.

The Southeast Properties include approximately 23,648 net acres and approximately 311 wells. As of December 31, 2014, net proved reserves attributable to the Southeast Properties were 14,961 MMcf of natural gas and 4,048 MMBbl of oil and NGL. Net production for the three months ended March 31, 2015 was 689 MMcfe. The Debtors' working and net revenue interest in the Southeast Properties are 65% and 54%, respectively.

The South Texas Properties include approximately 45,436 net acres and approximately 303 wells. As of December 31, 2014, net proved reserves attributable to the South Texas Properties were 31,864 MMcf of natural gas and 2,953 MMBbl of oil and NGL. Net production for the three months ended March 31, 2015 was 958 MMcfe. The Debtors' working and net revenue interest in the South Texas Properties are 60% and 47%, respectively.

The Midcontinent Properties include approximately 65,088 net acres and approximately 141 wells. As of December 31, 2014, net proved reserves attributable to the Midcontinent Properties were 13,826 MMcf of natural gas and 2,743 MMBbl of oil and NGL. Net production for the three months ended March 31, 2015 was 385 MMcfe. The Debtors' working and net revenue interest in the Midcontinent Properties are 46% and 35%, respectively.

The Debtors' generated revenues of approximately $153.1 million and $23.5 million during the fiscal year ended December 31, 2014 and the three month period ended March 31, 2015, respectively.

For the most part, the Debtors' oil and gas leases are owned by Milagro Resources and Milagro Producing. As described below, Milagro Exploration serves as an operator under the Development Agreement (as defined below), but does not itself own any oil and gas leases. Debtor Milagro Mid-Continent is a dormant entity with no assets and liabilities, other than the guarantee of the Debtors' funded indebtedness.

5.2 The Debtors' Operations

(a) Brief Background of Oil and Gas Production

In most oil and gas producing states, fee owned real property interests consist of the actual surface features, as well as the oil, gas and other minerals located beneath the surface. The mineral estate may be severed from the surface interest in the form of an oil and gas lease. Under the lease, the real property owner transfers all or a portion of an oil and gas leasehold interest to the transferee/lessee and reserves a non-operating "economic interest" in the minerals (such as a royalty) that is expected to continue for the productive life of the property. The nature of the severed mineral estate is governed by the applicable law of the particular state in which the leasehold interest is located.

---

[6] The relevant OCS lease blocks are comprised of Ship Shoal Blocks 145-159, South Timbalier Block 148, South Timbalier Block 193, South Timbalier Block 184, South Timbalier Block 111, East Cameron Block 330, West Cameron Block 39 and West Cameron Block 49.

The interest conveyed by the typical oil and gas lease is called the working interest, consisting of a share of the gross production burdened by the costs, risks and expenses of exploration and production. The working interest may be further divided and sold such that multiple parties each own an undivided fractional share in the oil and gas leasehold estate. Even if a single lessee owns oil and gas leases from all of the oil and gas fee co-owners, that lessee will usually spread the cost and risk of exploration, drilling and development by assigning undivided fractional shares in its oil and gas leases to third parties.

A joint operating agreement (the "JOA") is an agreement among co-owners that outlines the rights and obligations with respect to the exploration and development of oil and gas in certain described lands, called the "Contract Area."[7] Among other things, a JOA (i) identifies the property interests of the parties in identified leases and lands, (ii) commits the parties to participate in operations on the Contract Area and provides a procedure for dealing with disagreements among the parties about what operations will be conducted, (iii) designates one of the co-owners, (most often the co-owner with the largest fractional interest or with the most operating expertise) as the "operator" to " . . . conduct and direct and have full control of all operations on the Contract Area as permitted and required within the limits of this agreement," and sets forth the duties of the operator, (iv) sets forth the sharing of expenses for and the allocation of liability with respect to joint operations and provides remedies for a party's failure to pay its share of expenses, and (iv) provides for limits on a party's rights with respect to transfer and acquisition of interests in the oil and gas leases in the Contract Area, as well as set forth the rights of the parties in production from the Contract Area. Notably, the JOA provides that exploration, development and production expenses incurred under a JOA are borne among the several co-owners that are parties to the JOA, which provision can be implemented through direct payment to the operators and/or deductions from the proceeds of the oil and gas produced in the Contract Area.

As a general matter, the operator is responsible for assuring that the wells covered by the JOA operate and produce, and the operator often markets and sells the hydrocarbons produced for certain non-operating working interest owners and lessees (or distributes such hydrocarbons to the non-operating owners and lessees or their designees). The operator is responsible for paying or causing to be paid the applicable taxes and other amounts owing with respect to operation of the leases and wells. The costs of operating the wells and leases are shared among the participants in the JOA according to its terms and may either be paid on a cash basis or through deductions from the proceeds distributable to the non-operating lessees and owners.

(b) **The Debtors' Production Operations**

The Debtors, through Milagro Exploration, primarily serve as the operator for the wells in which they participate. In total, the Debtors participate in 1,186 wells and operate 797 of them. In addition, Milagro Exploration is a party to a Development Services Agreement with Milagro Producing, whereby Milagro Exploration provides: (a) geological and geophysical services, (b) project marketing services, (c) drilling, completion and operating services (including acting as an operator for oil and gas properties), (d) accounting services, (e) revenue distribution and joint interest billing services, (f) governmental compliance and regulatory filings support, (g) general business services, (h) land services, (i) production handling, marketing and hedging, and (j) such additional services as the parties mutually agree.

As a result of these arrangements, substantially all of the obligations to third parties incurred in the ordinary course of the Debtors' business are the obligation of Milagro Exploration. As operator, Milagro Exploration is responsible for obtaining a variety of goods and services from third parties. It is also responsible for marketing for the sale the production from the various wells that it operates.

In addition, each of the states in which the Debtors operate provide special protections to participants in the oil and gas industry—including providing that amounts owed to the approximately 6,000 other royalty interest and working interest owners for whom the Debtors serve as operator are subject to automatically perfecting security

---

7 The JOA typically used by most oil and gas producers in the United States, including the Debtors, is a form document promulgated by the American Association of Professional Landmen, (*e.g.*, A.A.P.L. Form 610-1977, A.A.P.L. Form 610-1982 and A.A.P.L. Form 610-1989), with certain negotiated deviations from the model form included in the Article 16 "Other Provisions" section of the JOA.

interests and providing that parties to whom the Debtors, as operators, have incurred obligations may assert superpriority security interest against the subject leasehold and proceeds of the leasehold. In order to faithfully discharge its duties as an operator, Milagro Exploration (and the other Debtors, where applicable) have remained current on their obligations to pay both the interest owners for whom they serve as an operator and the parties who have rendered goods and services to it as an operator. Doing so has allowed Milagro Exploration to remain in good stead as an operator and avoid adverse actions against the Debtors, including the encumbrance of the leaseholds they own or for which it serves as operator and the termination of the JOAs for which Milagro Exploration serves as operator.

5.3 Board of Directors, Management and Employees

MOG operates as a holding company that oversees the Debtors' operations and financial affairs. Pursuant to the terms of a stockholders agreement among MOG's shareholders, MOG is to have a five member Board of Directors, with four of the directors appointed by the holders of Series A Preferred Shares (which are discussed below) and the fifth director position filled by MOG's Chief Executive Officer. Since the CEO position is vacant, MOG currently has only four directors, two of which are appointed by ACON, and Guggenheim and West Coast each appoint one director.

The Debtors have two primary employee-officers who are responsible for overseeing the operation of the Debtors' business. Gary Mabie is the President and Chief Operating Officer and Marshall Munsell is the EVP Business Development/Land. The chief executive officer and chief financial officer positions have been vacant since December 2012 and April 2014, respectively. Scott Winn, a senior managing director at Zolfo Cooper Management, LLC, was appointed as the Chief Restructuring Officers of the Debtors in May 2014, and Zolfo Cooper provides certain temporary employees to support and assist Mr. Winn and the Debtors in connection with their restructuring.

As of the Petition Date, the Debtors' workforce consisted of 96 full-time employees and 2 regular part-time employees of whom 55 are salaried employees and 43 are hourly employees. The Debtors have a land department staff that includes four landmen, an exploration staff that includes three geologists, one geophysicist and one geological technician and an operations staff that includes five engineers.

5.4 Prepetition Capital Structure[8]

(a) Prior Capital Structure Refinancings and Transactions

In January 2010, in order to improve the Debtors' liquidity and capital structure, the Debtors' completed a recapitalization of the 2007 First and Second Lien Facilities (the "2010 Recapitalization") through, among other things, (i) the discharge of approximately $194.7 million of indebtedness outstanding under the 2007 Second Lien Facility through the issuance of Series A preferred stock with an aggregate liquidation preference equal to $205.5 million, (ii) the conversion of approximately $56.2 million of amounts outstanding under the 2007 Second Lien Facility into indebtedness under the PIK component of such facility, and (iii) the conversion of the remaining $30.0 million of outstanding amounts due under the 2007 Second Lien Facility to indebtedness under a new second lien term loan facility (the "2010 Second Lien Term Loan"). In addition, as part of the 2010 Recapitalization, the Debtors received $60.0 million in new capital through the funding of $25.0 million in term loans and a $35.0 million delayed draw loan under the 2010 Second Lien Term Loan. In addition, as part of the 2010 Recapitalization, Milagro Exploration and Milagro Producing (the "Borrowers") and certain of the prior second lien debt holders entered into a second lien payable-in-kind credit facility (the "Second Lien PIK Credit Facility"), in which the second lien debt holders who did not convert their loans agreed to continue their existing loans consisting of principal and accrued interest in the approximate amount of $62.6 million.

8 Milagro Holdings is not, and has never been, a borrower or guarantor of the Debtors' funded indebtedness. Therefore, references to the Debtors in the description of the Debtors' funded indebtedness shall be construed to exclude Milagro Holdings unless the context indicates otherwise.

In 2011, the Debtors refinanced substantially all of their existing indebtedness (the "2011 Refinancing"). First, the 2007 First Lien Facility was amended and restated (as amended and restated, the "2011 First Lien Facility") to extend the maturity of that facility from November 2011 to November 2014. Like the 2007 First Lien Facility, the 2011 First Lien Facility was secured by a first priority, senior security interest in all the Debtors' assets and was subject to, among other things, a borrowing base ("Borrowing Base") that was redetermined semi-annually on April 1 and October 1 of each year. Second, in May 2011, in connection with the 2011 Refinancing, the Debtors completed an offering of $250.0 million of 10.50% senior secured second lien notes due 2016 (referred to herein and in the Plan as the Notes) under which Wilmington Trust serves as collateral trustee and indenture trustee. Among other things, the proceeds of the Notes were used in connection with the satisfaction of the 2010 Second Lien Term Loan and Second Lien PIK Credit Facility. The Notes remain outstanding and are discussed more fully below.

In March 2013, the Debtors first disclosed that they anticipated a default under the 2011 First Lien Facility for violating their maximum leverage ratio covenant, which default did occur for the quarter ended March 31, 2013. Since that defaults occurred, a number of other events of defaults have occurred. Beginning in September 2013, the Debtors and the administrative agent and lenders under the 2011 First Lien Facility entered into a series of amendments to the 2011 First Lien Facility that resulted in the waiver of certain defaults and forbearance of the exercise of certain remedies arising out of the occurrence of certain other events of default. Additionally, in October 2013 and April 2014, the administrative agent under the 2011 First Lien Facility conducted its semi-annual Borrowing Base redetermination and reduced the Borrowing Base to approximately $112.3 million and $95.0 million, respectively, which created a Borrowing Base deficiency in each instance. In June 2014, the administrative agent under the 2011 First Lien Facility advised the Debtors that it intended to accelerate the obligations under the 2011 First Lien Facility. Thereafter, the Debtors engaged in a refinancing of the 2011 First Lien Facility.

(b) **The 2014 First Lien Facility**

In September 2014, the Debtors entered into an amendment and restatement of the 2011 First Lien Facility (as amended and restated, the "2014 First Lien Facility"), with TPG Specialty Lending, Inc., as successor administrative agent (in such capacity, the "Administrative Agent") and successor swing-line lenders and the lenders party thereto (referred to herein and in the Plan as the Secured Lenders), who acquired the outstanding loan under the 2011 First Lien Facility in connection with the refinancing, amendment and restatement thereof. The 2014 First Lien Facility provides for aggregate borrowings of up to $140 million, subject to a Borrowing Base that is subject to quarterly redeterminations to be effective not later than as of March 1, June 1, September 1, and December 1 of each year (as well as other discretionary redeterminations). The 2014 First Lien Facility is secured by a senior, first priority lien on substantially all of the Debtors' assets. The 2014 First Lien Facility has a stated maturity date of September 4, 2017, which resulted in an approximately 22 month extension of the maturity of the refinanced obligations under the 2011 First Lien Facility.

In connection with entering into the 2014 First Lien Facility, the Debtors acknowledged certain events of default that had occurred under the 2011 First Lien Facility, which also were events of default under the 2014 First Lien Facility. The Debtors, the Administrative Agent and the Secured Lenders agreed to a forbearance of the exercise of the rights and remedies related to these specified events of default until February 2016, provided that no subsequent event of default occurred or the Second Lien Notes Trustee did not exercise certain enforcement rights or remedies under the Second Lien Notes Indenture.

On May 4, 2015, the Administrative Agent advised the Debtors that the Borrowing Base had been redetermined and designated to be $95,925,000, and that the Debtors had a Borrowing Base deficiency of $13,387,500. On that same date, the Administrative Agent advised the Debtors of a new event of default under the Credit Agreement arising from the Debtors' failure to maintain certain hedging agreements. On May 22, 2015, the Debtors, the Administrative Agent and the Secured Lenders entered into a forbearance agreement, which was amended and restated as of June 10, 2015 and July 1, 2015, that provided the Debtors with the necessary time to finalize the negotiation of the Contribution Agreement and to prepare for the commencement of these chapter 11 cases to implement the Contribution Agreement Transaction.

On June 30, 2015, the Administrative Agent delivered a notice of acceleration[9] that, in accordance with the Credit Agreement, (x) terminated the Commitments; (y) accelerated the entire unpaid principal amount of the Loans and requires that the Borrowers repay the entire principal amount of the Loans immediately, together with all accrued and unpaid interest (including default interest) thereon, costs, fees, expenses, the Yield Maintenance Premium (as defined in the Fee Letter) and all other Obligations payable under the Credit Agreement and other Loan Documents, and (z) declares that all such amounts are immediately due and payable without presentment, demand, protest or further notice of any kind.

As of the Petition Date, the outstanding principal indebtedness under the Prepetition First Lien Agreement was $87,625,000. Through the Debtors' proposed debtor-in-possession financing facility, as discussed below, the Debtors propose to satisfy in full the obligations under the 2014 First Lien Facility.

(c) **The Notes**

The Notes are secured by a second priority lien on all of the collateral securing the 2014 Credit Facility, and effectively rank junior to any existing and future first lien secured indebtedness of the Debtors, which includes the 2014 First Lien Facility. The Notes are due May 11, 2016 and carry a face interest rate of 10.50% payable semi-annually each May 15 and November 15. Interest on the Notes was last paid on June 14, 2013. As of June 30, 2015, the outstanding principal balance of the Notes was $250 million, accrued but unpaid interest on the Notes is approximately $56.0 million, and accrued but unpaid late fees and penalties are approximately $5.3 million.

The indenture governing the Notes provides that if a default occurred or occurs under a senior credit facility (initially the 2011 First Lien Facility, and as amended and restates, the 2014 First Lien Facility) that results in an acceleration of such debt, the Notes would also be in default and subject to acceleration. As discussed above, a number of defaults have occurred under the 2011 Credit Facility and 2014 First Lien Facility and, thus the Notes are in default. However, the Second Lien Notes Trustee has not sought to accelerate the Notes.

Pursuant to an intercreditor agreement (the "Intercreditor Agreement") applicable to the Notes and the 2014 First Lien Facility, the Second Lien Notes Trustee is prohibited from enforcing remedies arising from a default under the Notes for a "standstill" period of 180 days from the date the Second Lien Notes Trustee delivers to the Administrative Agent (or any successor) a notice of acceleration of the Notes, which period shall be tolled for certain specified reasons, including that the Administrative Agent is pursuing its own remedies.

(d) **Hedging Transactions**

Historically, the Debtors have managed their exposure to volatility in commodities prices by entering into hedging transactions. Prior to the Petition Date, the Debtors had hedge position consisting of WTI crude oil swaps and natural gas swaps and collars. The crude oil swap contracts covered roughly 100% of 2015 PDP production, 75% of 2016 PDP production and 50% of January through August 2017 PDP production, and the natural gas swap contracts covered roughly 85% of 2015 PDP production, while natural gas collars covered roughly 55% of January 2016 through August 2017 PDP production. On July 7, 2015, the Debtors liquidated all of their hedging positions and received cash proceeds of approximately $21 million, which were applied to satisfy and permanently reduce the outstanding obligations under the 2014 First Lien Facility. As of the Petition Date, the Debtors were unhedged.

(e) **Equity**

At the time of the Petrohawk Transaction, funds affiliated with or managed by ACON Investments (together with its affiliated and managed funds, "ACON"), Guggenheim Capital (together with its affiliated and managed funds, "Guggenheim"), and West Coast Capital (together with its affiliated and managed funds, "West Coast") purchased new equity in Milagro Holdings for approximately $250 million.

---

[9] All capitalized terms used in describing this notice of acceleration shall have the meaning ascribed to them in the Credit Agreement.

In connection with the 2010 Recapitalization, on January 13, 2010, the Debtors entered into agreements to exchange a portion of the debt and accrued interest under the 2007 Second Lien Facility for $205.5 million of MOG's Series A Preferred Stock (the "Preferred Stock"), consisting of 2,700,000 shares issued at $76.12 per share that were mandatorily redeemable for cash in 2016. On May 11, 2011, the Debtors amended the terms of the Preferred Stock, making the Preferred Stock a perpetual instrument and removing the mandatory redemption. The amended Preferred Stock is redeemable at the option of the holders in 2016, and as a result of the amendment, the Preferred Stock was reclassified from long-term debt to mezzanine equity. Holders of Preferred Stock are entitled to receive dividends on a cumulative basis. Dividends accrue, whether declared or not, semi-annually at a 12% rate. Accrued dividends are to be paid in kind when, and if, declared by MOG's board of directors and are made by issuing an amount of additional shares of Preferred Stock, based on the original issue price. As of June 30, 2015, the dividends in arrears were approximately $148.3 million.

5.5 History and Operations of White Oak

The White Oak Energy group of companies (collectively, the "White Oak Group") began in November 1998 with White Oak Energy, L.L.C. The White Oak Group has always been an engineering-based company with the goal of growth through acquisition and exploration of Gulf Coast oil and gas producing properties. The White Oak Group has remained geographically focused throughout its history—with assets located in the Gulf Coast region of both Texas and Louisiana. By the fall of 2003, the company had grown in size to include over 350 company operated wells and interests in 700 non-operated wells. In April 2004, the company successfully completed the sale of all of its assets to Output Exploration LLC. Following completion of the sale, Tom Isler and Mike Rayburn, the principals of the White Oak Group, continued to exploit Gulf Coast assets. Since its inception, the White Oak Group has completed over 150 acquisitions and has been involved in the acquisition and divestiture of over $750 Million worth of properties. Throughout its history, the management and operating arm of the White Oak Group—White Oak Operating Company, LLC—has remained unchanged.

White Oak was formed in 2012, and after its formation, White Oak received all of the assets of White Oak Energy VI, LLC, an entity that was formed in 2010. As set forth in White Oak's audited financial statements, as of December 31, 2014, White Oak had $220.94 million in assets and $201.98 million in liabilities. An affiliate of ACON, ACON Chroma Note Investors, L.L.C., holds a 4.73% membership interest in White Oak as of the date hereof.

ARTICLE VI
EVENTS LEADING TO THE CHAPTER 11 CASES

6.1 Turmoil in the Oil and Natural Gas Markets

The Debtors entered into the Petrohawk Transaction in November 2007 when oil and natural gas prices were at or near historic highs and were projected to remain there (or even increase further). However, following the Petrohawk Transaction, after a short uptick, the oil and gas markets did an almost immediate about-face in terms of pricing, attributable primarily to the unforeseen "shale revolution," which unlocked reserves previously considered uneconomic to drill and flooded the energy markets with cheap domestic fuel. Specifically, oil prices dropped by over 50% from November 2007 through 2008. Additionally, the price of natural gas began a steep decline, falling approximately 40% by 2009, with current prices at over 45% below 2007 prices. Oil and natural gas prices started to recover from 2009 to the middle of 2014. It was then, at the same time that the Debtors refinanced their first lien debt with the 2014 First Lien Facility, that oil and natural gas prices took an abrupt dive in the second half of 2014, which price shock has continued to this day. Oil prices and natural gas are now approximately 60% of 65%, respectively, of the level they were at in July, 2014. Oil and natural gas price have never returned to the levels expected at the time the Petrohawk Transaction occurred.

In addition to these market forces, in the period after the Petrohawk Transaction, the Debtors had setbacks in their exploration business, which ultimately led the Debtors to shift their focus away from exploration to a purely developmental strategy. Specifically, the Debtors drilled several unsuccessful exploration wells, at significant costs, that did not produce revenue. In addition, the exploration program had associated land and seismic costs that further strained the Debtors financial performance. Lastly, the prevailing market forces impeded the Debtors' ability to successfully divest their exploration assets.

As a result of the turmoil in the oil and natural gas markets, the Debtors' business and financial affairs have been significantly and negatively impacted since late 2007. Following the Petrohawk Transaction, the Debtors' total asset base was reduced due to an impairment charge of approximately $430 million taken in 2008 and an additional impairment charge of approximately $40 million taken in 2009, resulting primarily from a significant decrease in commodity prices. These impairments wiped out the approximately $250 million equity investment made at the time of the Petrohawk Transaction, and the Debtors' balance sheet reported negative equity of $61.2 million by December 31, 2008 with negative equity growing to $78.4 million by March 31, 2015. Since 2008, the Debtors have not had positive net earnings, and the table below sets forth their net losses (in thousands), starting with the year ended December 31, 2008.

2008	2009	2010	2011	2012	2013	2014	Q1' 2015
($319,757)	($8,636)	($70,588)	($23,574)	($33,396)	($55,372)	($53,541)	($14,974)

The Debtors' oil and gas business requires substantial capital expenditures for the exploration, exploitation and development of crude oil and natural gas reserves and as a result, the Debtors depend heavily on the availability of capital and liquidity to finance their operations. The Debtors' operating performance has been negatively affected by a combination of declining commodity prices and unsuccessful drill programs all of which have led to the inability of the Debtors to service their debt obligations and meet their obligations to their secured lenders and noteholders. Contractions in the Debtors' available liquidity have, in turn, limited the Debtors' ability to further produce oil, NGLs and natural gas, thus further exacerbating the Debtors' liquidity constraints.

6.2 Out-of-Court Restructuring Efforts

Prior to the Petition Date, the Debtors explored a range of restructuring alternatives. First, in the aftermath of the near-immediate downturn in the markets following the Petrohawk Transaction, the Debtors engaged in the 2010 Recapitalization, which reduced the Debtors' funded indebtedness by approximately $195 million. Second, the Debtors launched a private exchange offer to exchange a portion of the Notes for equity, cash and/or new notes and a related restructuring. However, since the minimum principal amount of at least $237.5 million of outstanding principal amount of the Notes was not tendered in the exchange offer, the conditions to the exchange offer were not satisfied and the Debtors were unable to consummate the restructuring. Third, the Debtors were able to extend the maturity of their debt obligation in the 2011 Refinancing and again with the refinancing of the 2011 First Lien Facility to the 2014 First Lien Facility. However, the violent upheaval in oil and natural gas prices that started to develop around the time the Debtors were refinancing into the 2014 First Lien Facility, and which firmly set-in thereafter, significantly shortened the run-way the Debtors otherwise would have obtained from that refinancing. These price shocks again put the Debtors out of Borrowing Base covenant and forced them to again focus on reducing the liabilities on their balance sheet,

Finally, since 2012, the Debtors have been exploring transactions to address their liquidity constraints. Over this period, the Debtors have been engaged in extensive discussions and negotiations with certain Noteholders advised by Akin Gump and Blackstone and the Debtors' equity holders. At times, these discussions centered on a further recapitalization of the Debtors, including the potential for a new equity investment in the Debtors. In addition, the Debtors have exchanged information and made presentations to over 20 interested parties in an effort to execute a transformational opportunity. The Debtors have also been in contact with investment banks and financial advisors to apprise them of the Debtors' interest in strategic transactions. The Debtors also hired a team of financial advisors (who recently transitioned from Duff & Phelps to Balmoral Funds) to facilitate their discussions with and among their key stakeholders regarding potential strategic alternatives.

The Debtors' extensive efforts over the last three years have yielded only one suitor—White Oak—that the Debtors believe could credibly execute a transaction that would preserve value for the Debtors' stakeholders. White Oak's initial contact with Milagro occurred in September 2013, following an introduction from ACON. At that time, White Oak performed some initial due diligence to better understand the Debtors' assets and financials. In July of 2014, White Oak's interest continued as they returned for an update on Milagro's 2013 and 2014 drilling results and Mid-Year 2014 reserves. White Oak was again placed in contact with the Debtors by ACON in the

Spring of 2015. Since that time, the Debtors have worked in good-faith and at arm's-length with White Oak to negotiate and document the Contribution Agreement, conduct and complete due diligence, and garner the support of the Debtors' key stakeholders—their first and second lien secured creditors and equity holders—to arrive at the Contribution Agreement. The Debtors now seek to move apace to conclude the Contribution Agreement Transaction.

ARTICLE VII
COMMENCEMENT OF THE CHAPTER 11 CASES AND CERTAIN RELIEF

7.1 Petitions and First Day Relief

On July 15, 2015 (the "Petition Date"), each of the Debtors filed a voluntary petition for relief under chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the District of Delaware. The Chapter 11 Cases are being jointly administered for procedural purposes only under the caption In re Milagro Holdings, LLC, *et al*., Case No. 15-11520 (KG), before the Honorable Kevin Gross. The Debtors continue to operate their business and manage their properties as debtors in possession under the jurisdiction of the Bankruptcy Court in accordance with the applicable provisions of the Bankruptcy Code and orders of the Bankruptcy Court.

Any transfers of Claims and Interests are subject to orders of the Bankruptcy Court.

(a) Procedural Orders

To facilitate a smooth and efficient administration of the Chapter 11 Cases and minimize the impact to daily business operations, the Bankruptcy Court entered certain procedural orders by which the Bankruptcy Court (a) approved the joint administration of the Chapter 11 Cases [Docket No. 33]; (b) authorized the appointment of Prime Clerk, LLC as claims and noticing agent [Docket No. 34]; (c) prohibited utilities from altering, refusing or discontinuing service, on an interim basis {and final basis} [Docket Nos. 37 & {__}]; and (d) established procedures related to trading in equity securities and claims against the Estates, on an interim basis {and final basis}. [Docket Nos. 40 & {__}]

(b) Operational Orders

Recognizing that any interruption to the Debtors' business, even for a brief period of time, would negatively impact their operations, revenue and profits while seeking to facilitate the stabilization of their business, effectuate a smooth transition into operating as debtors in possession and preparing for the closing of the Contribution Agreement Transaction, the Debtors sought and obtained orders authorizing them to:

- Employee Wages and Benefits: Continue to pay amounts attributable to employee wages and benefits in the ordinary course of business and to honor severance obligations with respect to the Debtors' employees who do not continue with employment at White Oak [Docket Nos. 42 & {__}].

- Cash Management and Intercompany Transactions: Continue to utilize the Debtors' prepetition cash management system and to continue to engage in intercompany transactions in the ordinary course of business [Docket No. 38].

- Royalty Interest and Lease Operating Expenses: Continue to collect and distribute revenue from the Debtors' services as operator and to pay amounts owed under oil and gas leases, with the Debtors serving as operator of a number of those interests, on an interim basis {and final basis} [Docket No. 41 & {__}].

- Insurance Programs and Obligations: Continue to honor and maintain in the ordinary course of business the Debtors' insurance programs [Docket No. 36].

- Taxes and Other Government Obligations: Continue to honor and pay in the ordinary course of business all tax obligations [Docket No. 39].

7.2 DIP Financing Order

In addition to the Debtors' initial procedural and operational relief, the Debtors filed a motion on the Petition Date seeking authority to ensure adequate access to liquidity during the Chapter 11 Cases [Docket No. 12]. The Debtors' primary source of financing to fund their working capital needs and to pay chapter 11 administrative costs during the Chapter 11 Cases is access to the revolving portion of the DIP Facility, which provides for revolving availability of $15,000,000, $8,000,000 of which is earmarked for application to collateralization of surety bonds solely to the extent the Debtors' surety bond provider requires that such cash collateral be posted, and the cash collateral of their secured lenders.

On July 17, 2015, the Bankruptcy Court entered an interim order approving the Debtors' access to the DIP Facility, with interim "new money" borrowing of $11,000,000, including up to $8,000,000 to be used to fund cash collateral requirements for the Debtors' surety bond portfolio, and consensual use of cash collateral. [Docket No. 35]. The Bankruptcy Court has scheduled a hearing on August 21, 2015 to consider entering a final order with respect to the DIP Facility.

Upon final approval of the DIP Facility, the Debtors shall have access to the full $15,000,000 of "new money" revolving loans and shall also issue a new term loan under the DIP Facility in an amount equal to (i) the outstanding principal amount of the term loan under the Credit Agreement as of the Petition Date plus (ii) (a) $14,000,000 of yield maintenance premium due and payable as of June 30, 2015 under the Credit Agreement (it being agreed that such amount reflects a compromise as between the Debtors and the lenders under the First Lien Facility as set forth in Section 11.24 of the DIP Credit Agreement) and (b) $625,857.81 of accrued and unpaid interest due and payable under the Credit Agreement as of the Petition Date (it being agreed that such amount reflects a compromise as between the Debtors and the lenders under the First Lien Facility as set forth in Section 11.24 of the DIP Credit Agreement).

ARTICLE VIII
OTHER KEY ASPECTS OF THE PLAN

8.1 Substantive Consolidation

The Plan shall serve as a motion by the Debtors seeking entry of an order pursuant to sections 105(a), 363(b), and 1123 of the Bankruptcy Code and Bankruptcy Rule 9019 substantively consolidating all of the Estates into a single consolidated Estate for all purposes associated with Confirmation and Consummation (the "Consolidation"). The tabulation of votes to accept or reject the Plan shall be counted on a consolidated basis.

Entry of the Confirmation Order shall constitute the approval, pursuant to sections 105(a), 541, 1123, and 1129 of the Bankruptcy Code, effective as of the Effective Date, of the Consolidation of the Debtors for all purposes. On and after the Effective Date, (i) all assets and liabilities of the Debtors shall be pooled and shall be the responsibility of the remaining Reorganized Debtor; (ii) all of the Intercompany Claims shall be disallowed and expunged and no distributions shall be made on account of such Intercompany Claims; (iii) no distributions shall be made under the Plan on account of any Equity Interest held by a Debtor in any other Debtor; (iv) all guarantees of any Debtors of the obligations of any other Debtor shall be eliminated so that any Claim against any Debtor and any guarantee thereof executed by any other Debtor, and any joint or several liability of any of the Debtors, shall be one obligation of the Reorganized Debtor following the Consolidation of the Debtors and the dissolution of the Debtors other than MOG, as provided in Article IV.G.3 of the Plan; and (v) each and every Claim Filed or to be Filed in the case of any of the Debtors other than the Reorganized Debtor shall be deemed Filed against the Reorganized Debtor.

The Consolidation (other than for purposes of effectuating the Plan) shall not affect: (i) the legal and corporate structures of the Debtors; (ii) pre- and post-Effective Date guarantees, liens, and security interests that are required to be maintained; (iii) distributions from any insurance policies or proceeds of such policies; (iv) vesting of the Estate Assets in the Reorganized Debtor; and (v) satisfaction of the DIP Claims and Senior Debt Claims in

accordance with the Plan. If the Bankruptcy Court does not approve the Consolidation, or approves the Consolidation but with respect to less than all of the Debtors' Estates, then the Plan shall be treated as a separate plan of liquidation for each Debtor not substantively consolidated and such Debtor(s) shall not, nor shall be required to, resolicit votes with respect to the Plan, nor will the failure of the Bankruptcy Court to approve the Consolidation alter the distributions set forth in the Plan.

Notwithstanding the Consolidation provided for herein, U.S. Trustee Fees payable pursuant to 28 U.S.C. § 1930 shall continue to accrue for each and every Debtor until a particular Debtor's case is closed, dismissed, or converted to a case under Chapter 7 of the Bankruptcy Code.

Sections 105(a) and 1123(a)(5) of the Bankruptcy Code empower a bankruptcy court to authorize substantive consolidation pursuant to a chapter 11 plan over the objections of creditors. In re Owens Corning, 419 F.3d 195 (3d Cir. 2005) amended by 2005 U.S. App. Lexis 18043 (Aug. 23, 2005). The Third Circuit in Owens Corning discussed at length substantive consolidation in bankruptcy proceedings, as well as its genesis and the impact it has on debtors' creditors and their rights and recoveries. Ultimately, the Court provided two baseline standards for approval of non-consensual substantive consolidation, while leaving the trial court with discretion to assess what facts are necessary to meet these standards:

> (i) prepetition [the debtors] disregarded separateness so significantly that their creditors relied on the breakdown of entity borders and treated them as one legal entity, or (ii) postpetition their assets and liabilities are so scrambled that separating them is prohibitive and hurts all creditors.

Id. at 211. Following Owens Corning, Courts in this jurisdiction have clarified that substantive consolidation is also "appropriate" where the parties consent to it. *See* Schroeder v. New Century Liquidating Trust (In re New Century TRS Holdings, Inc., 407 B.R. 576, 591 (D. Del. 2009).

The Debtors believe that substantive consolidation is warranted here because, among other reasons, the Debtors historically operated on a consolidated basis. All of the employees within the Debtors' enterprise (other than Gary Mabie and Marshall Munsell) are employed, under a co-employment relationship with Insperity PEO Services, L.P., by Milagro Exploration. Milagro Exploration also serves as operator for all of the oil and gas leases within the Debtors' enterprise, which are in turn owned by Milagro Producing and Milagro Exploration. Almost all outward facing activities by the Debtors are conducted by Milagro Exploration, who perform services on behalf of the other Debtors who actually own the Debtors' revenue producing oil and gas leases, and industry participants identified the Debtors merely as "Milagro" as opposed to their separate corporate identities. The Debtors also utilize a consolidated cash management system, and substantially all vendors issue invoices to Milagro Exploration and all amounts paid to outsider vendors are paid from Milagro Exploration's bank account. The Debtors' management team does not present their financial statement on a legal-entity basis and makes capital investment decisions on an enterprise-wide basis, not on a legal-entity basis. Similarly, for purposes of the Debtors' negotiation of secured financing, the Debtors believe the parties to such financing arrangements treated the Debtors' operations as unitary.

The Debtors submit that creditors will not be harmed by substantive consolidation. The Debtors' assets are insufficient to cover the value of the secured claims against the Debtors, which are obligations of each Debtor (other than Milagro Holdings, which is a holding company with no material assets other than its direct or indirect ownership of the other Debtors). As a result, the Noteholders are impaired and entitled to the residue of the Debtors' estates after the payment in full of the Senior Debt Claims. Based on the support of the Initial Consenting Noteholders of the Plan, it appears that the Noteholders are supportive of the substantive consolidation in the Plan, and all Noteholders will have the opportunity to vote on the Plan and confirm that fact. Further, given the nominal amount of assets held by certain Debtors, and the expense of generating separate plans of reorganization for each of the Debtors, the Debtors believe that the overall effect of substantive consolidation will be more beneficial than harmful to creditors and will allow for greater efficiencies and simplification in administering the Plan. Accordingly, the Debtors believe that substantive consolidation of the Debtors' estates under the terms of the Plan will not adversely impact the treatment of any of the Debtors' creditors, but rather will reduce expenses by decreasing the administrative difficulties and costs related to the administration of the estates of the Debtors separately, as well as eliminating the need to determine professional fees on a case-by-case basis and streamlining the administration of the Plan.

8.2 Sources of Consideration for Plan Distributions

Distributions under the Plan shall be made from (i) funds in the Debtors' or Reorganized Debtor's possession, including without limitation, from the Cash Payment by White Oak under the Contribution Agreement, the Rights Offering Proceeds, funds received from the disposition of the Estate Assets not being acquired by White Oak and other Cash on hand and (ii) issuance of the Reorganized Debtor Common Stock (and the New Holdings Units to be issued in connection with the conversion of the Reorganized Debtor into a limited liability company).

8.3 General Settlement of Claims

Pursuant to section 1123 of the Bankruptcy Code and Bankruptcy Rule 9019, and in consideration for the classification, distributions, releases, and other benefits provided under the Plan, on the Effective Date, the provisions of the Plan shall constitute a good-faith compromise and settlement of all Claims, Equity Interests, and controversies resolved pursuant to the Plan.

8.4 Plan Release Consideration Assets Implementation Procedure

Within 180 days of the Effective Date, the Reorganized Debtor shall provide to Eligible Plan Release Consideration Recipients the Release Consideration Notice. The Release Consideration Notice will explain that, in exchange for consenting to the Third Party Release and thereby becoming a Releasing Party, Plan Release Consideration Recipients will be entitled to the GUC Settlement Payment. In order to consent, Eligible Plan Release Consideration Recipients will be required to execute and return the GUC Third Party Consent, which will accompany the Release Consideration Notice, to the Reorganized Debtor within thirty (30) days of service of the Release Consideration Notice. Once all Disputed General Unsecured Claims for which a GUC Third Party Consent has been executed and returned have been resolved, the Reorganized Debtor shall distribute the GUC Settlement Payment to the Plan Release Consideration Recipients. In administering the GUC Settlement Payment, including, without limitation, objecting to and resolving Claims and in making distributions to Plan Release Consideration Recipients, the Reorganized Debtor shall be entitled to act in its sole discretion (and not in a fiduciary capacity) and shall have no liability to any Plan Release Consideration Recipient or any other party in connection therewith.

8.5 The Post-Effective Date Reorganized Debtor

All Debtors other than Milagro Oil & Gas, Inc. shall be deemed dissolved on the Effective Date and their assets transferred to the Reorganized Debtor or funded into the Escrow Accounts for distribution in accordance with the terms of the Plan by the Reorganized Debtor. From and after the Effective Date, the Reorganized Debtor shall take actions it deems necessary or desirable in connection with the Plan and the Estate, including, without limitation, (i) winding up the Debtors' affairs as is appropriate under the circumstances, (ii) liquidating, by conversion to Cash or other methods, including by way of abandonment, any remaining assets of the Estates, to the extent necessary to fund the Escrow Accounts, (iii) enforcing and prosecuting claims, interests, rights, and privileges of the Debtors and their Estates, (iv) resolving Disputed Claims, (v) confirming and administering the Plan and taking such actions as are necessary to effectuate the Plan, and (vi) filing appropriate tax returns.

Upon the Effective Date, all equity interests of MOG shall be cancelled and new shares of Reorganized Debtor Common Stock shall be issued, as set forth under the Plan, to the Noteholders that are Holders of the Allowed Notes Claims, Eligible Participants that exercised their respective Rights to participate in the Rights Offering and to the Backstop Parties. Immediately after the issuance of such shares of common stock to the Noteholders that are Holders of the Allowed Notes Claims, Milagro Oil & Gas, Inc. shall convert to a limited liability company (New Milagro LLC) and the shares of common stock shall convert to limited liability company interests on a one for one basis. New Milagro LLC will adopt the New Holdings Operating Agreement, and it shall make a "check-the-box" election to be taxed as a corporation pursuant to the Internal Revenue Code.

Further, the Reorganized Debtor shall be deemed to be substituted as the party-in-lieu of the Debtors in all matters, including (i) motions, contested matters, and adversary proceedings pending in the Bankruptcy Court, and (ii) all matters pending in any courts, tribunals, forums, or administrative proceedings outside of the Bankruptcy Court, in each case without the need or requirement for the Reorganized Debtor to file motions or substitutions of

parties or counsel in each such matter. From and after the Effective Date, the Reorganized Debtor shall be authorized to conduct its business as a reorganized limited liability company pursuant to the New Holdings Operating Agreement and to operate, buy, sell, or transfer its assets without Bankruptcy Court supervision.

(a) **Tax Returns**

After the Effective Date, the Reorganized Debtor shall complete and file all final or otherwise required federal, state, and local tax returns for each of the other Debtors, and, pursuant to section 505(b) of the Bankruptcy Code, may request an expedited determination of any unpaid tax liability of such Debtor or its Estate for any tax incurred during the administration of such Debtor's Chapter 11 Case, as determined under applicable tax laws.

(b) **Escrow Accounts**

On the Effective Date, the Debtors shall establish escrow accounts for Allowed Administrative Claims, Allowed Priority Tax Claims, Allowed Professional Fee Claims (to the extent necessary), Allowed Other Priority Claims, Allowed Other Secured Claims and Plan Implementation Expenses. Funds in the Escrow Accounts shall be used by the Reorganized Debtor only for the payment of Administrative Claims, Priority Tax Claims, Professional Fee Claims, Other Priority Claims and Other Secured Claims Allowed after the Effective Date to the extent that such Claims have not been paid in full on or prior to the Effective Date and Plan Implementation Expenses. Any amounts remaining in the Escrow Accounts after payment of all Allowed Administrative Claims, Allowed Priority Tax Claims, Allowed Professional Fee Claims, Allowed Other Priority Claims, and Allowed Other Secured Claims shall be retained and available for use by the Reorganized Debtor and shall vest in the Reorganized Debtor free and clear of all liens, Claims, encumbrances, charges, and other interests, except as otherwise specifically provided in the Plan or in the Confirmation Order.

(c) **Wind-Down of Certain Debtors**

On and after the Effective Date, the Reorganized Debtor will be authorized to implement the Plan and any applicable orders of the Bankruptcy Court, and the Reorganized Debtor shall have the power and authority to take any action necessary to wind-down and dissolve the Debtors' (other than that of the Reorganized Debtor) and their respective Estates.

As soon as reasonably practicable after the Effective Date, except with respect to the Reorganized Debtor as set forth herein, the Reorganized Debtor shall: (i) cause the Debtors to comply with, and abide by, the terms of the Contribution Agreement; (ii), by the Plan:

> (A) in the Reorganized Debtor's capacity as the sole direct or indirect member of Milagro Exploration, LLC, Milagro Producing, LLC, Milagro Mid-Continent, LLC, and Milagro Resources, LLC (collectively, the "Subsidiary Debtors"), be appointed, authorized and directed, on behalf of each Subsidiary Debtor, to cause each such Subsidiary Debtor to wind up such Subsidiary Debtor's affairs and, upon the completion of the winding up of the affairs of each Subsidiary Debtor, to file for each of such Subsidiary Debtor a certificate of cancellation to effect the dissolution and termination of the Subsidiary Debtors under and in accordance with sections 801 through 806 of the Delaware Limited Liability Company Act, 6 Del. C. §18-101 *et seq.* (the "LLC Act"); and
>
> (B) as agent for Milagro Holdings, LLC, (1) seek, to the extent not previously granted, the unanimous consent of the Board of Milagro Holdings, LLC required under the Amended and Restated Limited Liability Company Operating Agreement of Milagro Holdings, LLC, dated November 30, 2007, as amended from time to time (the "Milagro Holdings LLC Agreement"), in order to cause the dissolution and winding up of Milagro Holdings, LLC, and (2) after the receipt of such consent, cause Milagro Holdings, LLC to wind up its affairs and, upon the completion of the winding up of the affairs of Milagro Holdings, LLC,

to file for Milagro Holdings, LLC a certificate of cancellation to effect the dissolution and termination of Milagro Holdings, LLC under and in accordance with the Milagro Holdings LLC Agreement and the LLC Act; and

(iii) take such other actions as the Reorganized Debtor may determine to be necessary or desirable to carry out the purposes of the Plan. From and after the Effective Date, except with respect to the Reorganized Debtor as set forth in the Plan, the Debtors (i) for all purposes shall be deemed to have withdrawn their business operations from any state in which the Debtors were previously conducting, or are registered or licensed to conduct, their business operations, and shall not be required to file any document, pay any sum, or take any other action in order to effectuate such withdrawal, (ii) shall be deemed to have cancelled pursuant to the Plan and to the extent permitted or required under applicable law all Equity Interests, and (iii) shall not be liable in any manner to any taxing authority for franchise, business, license, or similar taxes accruing on or after the Effective Date. For the avoidance of doubt, except with respect to the Reorganized Debtor as set forth in the Plan, notwithstanding the Debtors' dissolution, the Debtors shall be deemed to remain intact solely with respect to the preparation, filing, review, and resolution of applications for Professional Fee Claims.

The filing of the final monthly report (for the month in which the Effective Date occurs) and all subsequent quarterly reports shall be the responsibility of the Reorganized Debtor.

8.6 Cancellation of Instruments, Certificates, and Other Documents

On the Effective Date, except to the extent otherwise provided herein, all instruments, certificates, and other documents evidencing debt or equity interests in the Debtors, including, without limitation, all Notes and the Second Lien Notes Indenture, shall be cancelled, and the obligations of the Debtors thereunder, or in any way related thereto, shall be discharged; provided, that, notwithstanding Confirmation or the occurrence of the Effective Date, any such agreement that governs the rights of the Holder of a Claim shall continue in effect solely for purposes of allowing such Holders to receive distributions under the Plan as provided herein; and provided, further, that the Notes and the Second Lien Notes Indenture shall continue in effect solely for the purposes of (i) allowing the Noteholders to receive their distributions hereunder, (ii) allowing the Second Lien Notes Trustee to make the distributions, if any, to be made on account of the Notes, and (iii) permitting the Second Lien Notes Trustee to assert its Second Lien Notes Trustee Charging Lien against such distributions for payment of the Second Lien Notes Trustee Fees.

The Plan details specific procedures regarding the cancellation of the Notes and requirements regarding the delivery and surrender of Notes.

8.7 Offering and Issuance of Securities

To the maximum extent available, the issuance of any securities under the Plan, including the Reorganized Debtor Common Stock, New Holdings Units, the Rights and the Rights Interests, shall be exempt from, among other things, the registration and prospectus delivery requirements of Section 5 of the Securities Act, and any other applicable law requiring registration and/or delivery of prospectuses prior to the offering, issuance, distribution, or sale of securities pursuant to section 1145 of the Bankruptcy Code. To the extent section 1145 is unavailable, such securities shall be exempt from registration under the Securities Act through a private placement pursuant to section 4(a)(2) of the Securities Act, and/or the safe harbor of Regulation D promulgated thereunder, or such other exemption as may be available from any applicable registration requirements.

In addition, any and all Reorganized Debtor Common Stock, New Holdings Units, the Rights and the Rights Interests issued as contemplated by the Plan will be freely tradable by the recipients thereof, subject to the provisions of section 1145(b)(1) of the Bankruptcy Code relating to the definition of an underwriter in section 2(a)(11) of the Securities Act, and compliance with any rules and regulations of the United States Securities and Exchange Commission, and state securities and "blue sky" laws, if any, applicable at the time of any future transfer of such securities or instruments.

The issuance of the Reorganized Debtor Common Stock and conversion of such common stock into New Holdings Units is authorized without the need for any further corporate action or without any further action by the Debtors or the Reorganized Debtor, as applicable. The charter of the Reorganized Debtor, as applicable, shall authorize for issuance and distribution on the Effective Date all of such shares of Reorganized Debtor Common Stock in accord with the Rights Offering and the distribution of the shares of Reorganized Debtor Common Stock to Holders of Allowed Notes Claims. All such shares of Reorganized Debtor Common Stock, issued and distributed pursuant to the Plan and all New Holdings Units into which such shares are converted, shall be duly authorized, validly issued, fully paid, and non-assessable.

8.8 Vesting of Assets in the Reorganized Debtor

Except as otherwise provided herein or in any agreement, instrument, or other document incorporated in the Plan, on the Effective Date, the Estate Assets, all Causes of Action not transferred to White Oak pursuant to the Contribution Agreement, and any other property acquired by any of the Debtors under the Plan shall vest in the Reorganized Debtor, free and clear of all Liens, Claims, charges, or other encumbrances. On and after the Effective Date, except as otherwise provided in the Plan, the Reorganized Debtor may operate its business and use, acquire, or dispose of property and compromise or settle any Claims, Equity Interests, or retained Causes of Action without supervision or approval by the Bankruptcy Court and free of any restrictions of the Bankruptcy Code or Bankruptcy Rules.

8.9 Corporate Action

Upon the Effective Date, by virtue of entry of the Confirmation Order, all actions contemplated by the Plan (including any action to be undertaken by the Debtors prior to the Effective Date and the Reorganized Debtor after the Effective Date) shall be deemed authorized, approved, and, to the extent taken prior to the Effective Date, ratified without any requirement for further action by Holders of Claims or Equity Interests, the Debtors, or any other Entity or person. All matters provided for in the Plan involving the corporate structure of the Debtors, and any corporate action required by the Debtors in connection therewith, shall be deemed to have occurred and shall be in effect, without any requirement of further action by the Debtors or the Debtors' Estates.

8.10 New Holdings Units

Effective upon the conversion of Reorganized Debtor Common Stock to New Holdings Units, the New Holdings Operating Agreement shall authorize the issuance and distribution on the Effective Date of New Holdings Units to the holders of Reorganized Debtor Common Stock in exchange on a one for one basis for such shares of common stock. All New Holdings Units, which will be converted from shares of Reorganized Debtor Common Stock, issued and distributed pursuant to the Plan, shall be duly authorized, validly issued, fully paid, and non-assessable. The holders of New Holdings Units shall not be required to execute the New Holdings Operating Agreement before receiving their respective distributions of New Holdings Units under the Plan. Any such persons who do not execute the New Holdings Operating Agreement shall be automatically deemed to have accepted the terms of the New Holdings Operating Agreement (in their capacity as members of New Milagro LLC) and to be parties thereto without further action. The New Holdings Operating Agreement shall be adopted on the Effective Date and shall be deemed to be valid, binding and enforceable in accordance with its terms, and each holder of New Holdings Units shall be bound thereby.

8.11 New Holdings Operating Agreement

On the Effective Date, the New Holdings Operating Agreement shall become effective, a summary of which shall be set forth in the Plan Supplement. The New Holdings Operating Agreement, once adopted on the Effective Date, shall be deemed to be valid, binding, and enforceable in accordance with its terms, and each holder of New Holdings Units shall be bound thereby.

8.12 Boards of Managers

Upon the Effective Date, the existing boards of directors and managers, as applicable, of the Debtors shall be dissolved without any further action required on the part of the Debtors or the Debtors' officers, directors, shareholders, and members, and any and all remaining officers or directors of each Debtor other than the Reorganized Debtor shall be dismissed without any further action required on the part of any such Debtor, the shareholders of such Debtor, or the officers and directors of such Debtor. All of the members of the new board of managers of the Reorganized Debtor, and the members of the board of managers of White Oak (the "White Oak Board") to be selected by the Reorganized Debtor shall be selected as provided in the Company Governance Documents. The Reorganized Debtor shall initially have the right to nominate and elect two (2) members of the White Oak Board, which pursuant to that certain Amended and Restated Voting and Transfer Restriction Agreement, to be dated as of the Effective Date, among White Oak and the other signatories thereto (the "Voting and Transfer Agreement"), may over time, depending on the level of the Reorganized Debtor's ownership interest in White Oak, be reduced to one (1) manager or a non-voting observer to attend meetings of the White Oak Board. The Requisite Consenting Noteholders have agreed that the second manager to be initially appointed to the White Oak Board shall be a person designated by ACON Funds Management, LLC ("ACON") or its designee or designees. During the two (2) year period following the Effective Date of the Plan, the Reorganized Debtor shall, and the Consenting Noteholders shall, and shall at all times cause the Reorganized Debtor to, take all actions necessary in order to cause the nomination and election of the person designated by ACON or its designee or designees as the Reorganized Debtor's second manager on the White Oak Board. On or as soon as practicable after the Effective Date of the Plan, ACON (or its designee or designees) shall receive $2.0 million from the Reorganized Debtor as an advance payment in respect of acting as a manager (or observer) on the White Oak Board, whether from proceeds of the Rights Offering or otherwise.

The directors, managers, and officers of the Debtors and the Reorganized Debtor, as applicable, shall be authorized to execute, deliver, File, or record such contracts, instruments, and other agreements or documents and take such other actions as they may deem necessary or appropriate in their sole discretion to implement the provisions of this Article. Additionally, in accordance with section 1129(a)(5) of the Bankruptcy Code, the identities and affiliations of the members of the new board of managers of the Reorganized Debtor and any Entity proposed to serve as an officer of the Reorganized Debtor shall be disclosed in the Plan Supplement.

The authorizations and approvals contemplated by Article IV.N of the Plan shall be effective notwithstanding any requirements under applicable nonbankruptcy law.

8.13 Restructuring Recognition Awards

Confirmation of the Plan constitutes approval of a performance-driven restructuring recognition payment designed to reward key members of the Debtors' management for contributing to a successful and timely reorganization of the Debtors, by providing them with one-time cash Restructuring Recognition Awards in an aggregate amount of $800,000. The Restructuring Recognition Awards shall be payable to the Debtors' (i) President and Chief Operating Officer and (ii) EVP Business Development/Land, who are the two persons integral to ensuring that the Restructuring Recognition Events, and thus the restructuring proposed in the Plan, occur. Additionally, the Restructuring Recognition Awards are in recognition of the recipients' agreements to continue to provide reasonable services in connection with an orderly wind-down and transition of the Debtors' operations to White Oak and the Reorganized Debtor's transition to its post-Effective Date operations; provided that the Restructuring Recognition Awards will be in addition to, and not in lieu of, any ordinary course (or otherwise agreed to) compensation payable to the (either as an employee or as an independent contractor receiving net compensation comparable to what they would otherwise receive as an employee) recipients through their date of termination by Holdings and the Reorganized Debtor. Payment of the Restructuring Recognition Awards shall be conditioned upon the occurrence of each and every one of the Restructuring Recognition Events, and the Restructuring Recognition Awards shall be earned and payable upon the last to occur of the Restructuring Recognition Events, as well as the delivery of a release and waiver of any amounts owed to the participant by any of the Debtors for severance, whether contractual or otherwise, and the Reorganized Debtor shall pay the Restructuring Recognition Awards from the Rights Offering Proceeds at such time.

8.14 Effectuating Documents; Further Transactions

Prior to the Effective Date, the Debtors are, and on and after the Effective Date, the Reorganized Debtor, and the officers and members of the boards of directors and managers thereof, 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, the Rights Offering, the New Holdings Operating Agreement, the Reorganized Debtor Common Stock issued pursuant to the Plan and the conversion of the Reorganized Debtor Common Stock into the New Holdings Units, in the name of and on behalf of the Reorganized Debtor, without the need for any approvals, authorizations, or consents except for those expressly required under the Plan.

8.15 Exemption from Certain Taxes and Fees

To the maximum extent provided by section 1146(a) of the Bankruptcy Code, any post-Confirmation transfer from any Entity pursuant to, in contemplation of, or in connection with the Plan or pursuant to: (i) the issuance, distribution, transfer, or exchange of any debt, equity security, or other interest in the Debtors or (ii) the making, delivery, or recording of any deed or other instrument of transfer under, in furtherance of, or in connection with, the Plan, including any deeds, bills of sale, assignments, or other instruments of transfer executed in connection with any transaction arising out of, contemplated by, or in any way related to the Plan, shall not be subject to any document recording tax, stamp tax, conveyance fee, intangibles or similar tax, mortgage tax, real estate transfer tax, mortgage recording tax, Uniform Commercial Code filing or recording fee, or other similar tax or governmental assessment, in each case to the extent permitted by applicable bankruptcy law, and the appropriate state or local government officials or agents shall forego collection of any such tax or governmental assessment and accept for filing and recordation any of the foregoing instruments or other documents without the payment of any such tax or governmental assessment.

8.16 Causes of Action

Other than Causes of Action against an Entity that are transferred to White Oak as part of the Contribution Agreement Transaction or otherwise waived, relinquished, exculpated, released, compromised, or settled under the Plan or any Final Order (including, for the avoidance of doubt, any claims or Causes of Action released pursuant to Article VIII.D of the Plan), the Debtors reserve and, as of the Effective Date, assign to the Reorganized Debtor the Reorganized Debtor Causes of Action, which shall include, for the avoidance of doubt, those Causes of Action identified as being retained in the Plan Supplement . On and after the Effective Date, the Reorganized Debtor may pursue the Reorganized Debtor Causes of Action on behalf of and for the benefit of the applicable beneficiaries.

No Entity may rely on the absence of a specific reference in the Plan, the Plan Supplement, or the Disclosure Statement to any such Cause of Action against them as any indication that the Debtors or the Reorganized Debtor will not pursue any and all available Causes of Actions against them. No preclusion doctrine, including the doctrines of res judicata, collateral estoppel, issue preclusion, claim preclusion (judicial, equitable, or otherwise), or laches, shall apply to such Causes of Action upon, after, or as a consequence of the Confirmation or Consummation.

The Debtors reserve such Causes of Action notwithstanding the rejection of any Executory Contract or Unexpired Lease during the Chapter 11 Cases or pursuant to the Plan. In accordance with sections 1123(b)(3) and 1141(b) of the Bankruptcy Code, any Causes of Action that a Debtor may hold against any Entity shall vest in the Reorganized Debtor. Prior to the Effective Date, the Debtors, and on and after the Effective Date, the Reorganized Debtor, shall retain and shall have, including through their authorized agents or representatives, the exclusive right, authority, and discretion to determine and to initiate, file, prosecute, enforce, abandon, settle, compromise, release, withdraw, or litigate to judgment any such Causes of Action and to decline to do any of the foregoing without the consent or approval of any third party or further notice to or action, order, or approval of the Bankruptcy Court.

8.17 Closing the Chapter 11 Cases

Upon the occurrence of the Effective Date, the Reorganized Debtor shall be permitted to close all of the Chapter 11 Cases except for the Chapter 11 Case of the Reorganized Debtor, and all contested matters relating to each of the Debtors, including objections to Claims, shall be administered and heard in the Chapter 11 Case of the Reorganized Debtor. The Reorganized Debtor shall make payments of U.S. Trustee Fees payable pursuant to 28 U.S.C. § 1930 for each Debtor whose case is closed for all amounts accruing prior to the Effective Date.

When all Disputed Claims have become Allowed or disallowed and all pending contested matters have been adjudicated to Final Order or dismissed, the Reorganized Debtor shall seek authority from the Bankruptcy Court to close its Chapter 11 Case in accordance with the Bankruptcy Code and the Bankruptcy Rules.

8.18 Treatment of Executory Contracts and Unexpired Leases

(a) **Assumption and Assignment of Executory Contracts and Unexpired Leases**

Subject to and in accord with section 5.5 of the Contribution Agreement, all executory contracts and unexpired leases to which the Debtors are a party shall be rejected under the Plan on the Effective Date pursuant to sections 365 and 1123 of the Bankruptcy Code unless a particular executory contract or unexpired leases (i) is designated as a Desired 365 Contract by White Oak at any time prior to five (5) calendar days before the commencement of the Confirmation Hearing (or, if any contract to be assumed by Milagro is first identified to White Oak by Milagro or first identified to Milagro by White Oak between the beginning of such five (5) calendar days and the commencement of the Confirmation Hearing, within one (1) Business Day of such identification); provided, however, that White Oak may not subtract from Schedule 5.5(b) of the Contribution Agreement any Desired 365 Contract that is identified as an "Operating Agreement" on the 365 Schedule of the Contribution Agreement, (ii) is the Restructuring Support Agreement, (iii) is the Contribution Agreement, (iv) is another contract, instrument, release, indenture, or other agreement or document entered into in connection with the Plan, or (v), if not designated as a Desired 365 Contract, is subject to a pending motion to assume or assume and assign. Entry of the Confirmation Order by the Bankruptcy Court shall constitute approval of such assumptions, assignments, and rejections pursuant to sections 365(a) and 1123 of the Bankruptcy Code.

(b) **Cure of Defaults for Assumed Executory Contracts and Unexpired Leases**

Any Cure Costs under each Executory Contract and Unexpired Lease to be assumed pursuant to the Plan shall be satisfied, pursuant to section 365(b)(1) of the Bankruptcy Code, by payment of the Cure Costs in Cash on the Effective Date or as soon as reasonably practicable thereafter, subject to the limitation described below, by the Debtors or by White Oak in accordance with the Contribution Agreement, as applicable, or on such other terms as the parties to such Executory Contracts or Unexpired Leases may otherwise agree. In the event of a dispute regarding (i) the amount of the Cure Cost, (ii) the ability of the Debtors' Estates or any assignee to provide "adequate assurance of future performance" (within the meaning of section 365 of the Bankruptcy Code) under the Executory Contract or Unexpired Lease to be assumed, or (iii) any other matter pertaining to assumption, the Cure Costs required by section 365(b)(1) of the Bankruptcy Code shall be satisfied following the entry of a Final Order or orders resolving the dispute and approving the assumption (and assignment, if applicable); provided, that prior to the Effective Date, the Debtors, and on and after the Effective Date, the Reorganized Debtor or White Oak (to the extent that the relevant contract or lease has been assigned to White Oak), as applicable, may settle any dispute regarding the amount of any Cure Cost without any further notice to any party or any action, order, or approval of the Bankruptcy Court.

Unless otherwise provided by an order of the Bankruptcy Court, at least twenty-one (21) days before the Confirmation Hearing, the Debtors shall cause notice of proposed assumption and proposed Cure Costs to be sent to applicable counterparties. Any objection by such counterparty must be Filed, served, and actually received by the Debtors within fourteen (14) days after service of notice of the Debtors' proposed assumption and assignment to White Oak, assumption by the Reorganized Debtor, and associated Cure Costs. Any counterparty to an Executory Contract or Unexpired Lease that fails to object timely to the proposed assumption or Cure Cost will be deemed to have assented to such assumption or Cure Cost.

Assumption of any Executory Contract or Unexpired Lease pursuant to the Plan, or otherwise, shall result in the full release and satisfaction of any Claims or defaults, subject to satisfaction of the Cure Costs, 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 Executory Contract or Unexpired Lease at any time before the effective date of assumption and/or assignment. **Anything in the Schedules and any Proofs of Claim Filed with respect to amounts arising under an Executory Contract or Unexpired Lease that has been assumed shall be deemed satisfied, without further notice to or action, order, or approval of the Bankruptcy Court or any other Entity**.

(c) **Pre-existing Payment and Other Obligations**

Rejection of any Executory Contract or Unexpired Lease pursuant to the Plan or otherwise shall not constitute a termination of pre-existing obligations owed to the Debtors or Reorganized Debtor, as applicable, under such contract or lease. In particular, to the extent permissible under applicable nonbankruptcy law, the Debtors and the Reorganized Debtor expressly reserve and do not waive any right to receive, or any continuing obligation of a counterparty to provide (i) payment to the contracting Debtors or Reorganized Debtor, as applicable, of outstanding and future amounts owing under or in connection with rejected Executory Contracts or Unexpired Leases or (ii) maintenance of, or to repair or replace, goods previously purchased by the contracting Debtors or Reorganized Debtor, as applicable.

(d) **Claims Based on Rejection of Executory Contracts and Unexpired Leases**

Unless otherwise provided by an order of the Bankruptcy Court, any Proofs of Claim based on the rejection of the Debtors' Executory Contracts or Unexpired Leases pursuant to the Plan or otherwise, must be Filed with Bankruptcy Court and served on the Debtors or, after the Effective Date, the Reorganized Debtor, as applicable, no later than thirty (30) days after the earlier of the Confirmation Date or the effective date of rejection of such Executory Contract or Unexpired Lease.

Any Holders of Claims arising from the rejection of an Executory Contract or Unexpired Lease for which Proofs of Claims were not timely Filed as set forth in the paragraph above shall not (i) be treated as a creditor with respect to such Claim, (ii) be permitted to vote to accept or reject the Plan on account of any Claim arising from such rejection, or (iii) elect to receive a GUC Settlement Payment on account of such Claim, and any Claims arising from the rejection of an Executory Contract or Unexpired Lease not Filed with the Bankruptcy Court within such time will be automatically disallowed, forever barred from assertion, and shall not be enforceable against the Debtors, the Reorganized Debtor, the Debtors' Estates, or the property of any of the foregoing without the need for any objection by the Debtors or the Reorganized Debtor, as applicable, or further notice to, or action, order, or approval of the Bankruptcy Court or any other Entity, and any Claim arising out of the rejection of the Executory Contract or Unexpired Lease shall be deemed fully compromised, settled, and released, notwithstanding anything in the Schedules or a Proof of Claim to the contrary. All Allowed Claims arising from the rejection of the Debtors' prepetition Executory Contracts or prepetition Unexpired Leases shall be classified as General Unsecured Claims, except as otherwise provided by order of the Bankruptcy Court.

(e) **Contribution Agreement; Assumed Contracts**

The Debtors' assumption or rejection of any Executory Contract or Unexpired Lease pursuant to the Plan shall be subject in all respects to White Oak's rights and obligations, including any Cure Costs assumed by White Oak in accordance with the Contribution Agreement, with respect to any such Executory Contracts or Unexpired Leases that constitute contracts to be assumed by Milagro and transferred and conveyed to White Oak as an assumed and assigned contract, as set forth in the Contribution Agreement, including Schedule 5.5(b) thereof.

(f) **Modifications, Amendments, Supplements, Restatements, or Other Agreements**

Except as otherwise provided herein or agreed to by the Debtors and the applicable counterparty, each assumed Executory Contract or Unexpired Lease shall include all modifications, amendments, supplements, restatements, or other agreements that in any manner affect such Executory Contract or Unexpired Lease, and all

Executory Contracts and Unexpired Leases related thereto, if any, including all easements, licenses, permits, rights, privileges, immunities, options, rights of first refusal, and any other interests, unless any of the foregoing agreements has been previously rejected or repudiated or is rejected or repudiated hereunder.

Modifications, amendments, supplements, and restatements to prepetition 365 Contracts that have been executed by the Debtors during the Chapter 11 Cases shall not be deemed to alter the prepetition nature of the 365 Contract or the validity, priority, or amount of any Claims that may arise in connection therewith.

(g) **D&O Policies**

The D&O Policies shall be assumed by the Debtors on behalf of the applicable Debtor and assigned to the Reorganized Debtor effective as of the Effective Date, pursuant to sections 365 and 1123 of the Bankruptcy Code, unless such insurance policy previously was rejected by the Debtors or the Debtors' Estates pursuant to a Bankruptcy Court order or is the subject of a motion to reject pending on the Effective Date, and coverage for defense and indemnity under any of the D&O Policies shall remain available to all individuals within the definition of "Insured" in any of the D&O Policies.

(h) **Indemnification Obligations**

Subject to the occurrence of the Effective Date, the obligations of the Debtors as of the Effective Date to indemnify, defend, reimburse, or limit the liability of the current and former directors, officers, employees, attorneys, other professionals, and agents of the Debtors, respectively, against any Claims or Causes of Action under the Indemnification Provisions or applicable law, shall survive Confirmation, shall be assumed by the Debtors on behalf of the applicable Debtor and assigned to the Reorganized Debtor, and will remain in effect after the Effective Date if such indemnification, defense, reimbursement, or limitation is owed in connection with an event occurring before the Effective Date; provided, however, that, notwithstanding anything herein to the contrary, the Reorganized Debtor's obligation to fund such Indemnification Provisions shall be limited to the extent of coverage available under any insurance policy assumed by the Debtors and assigned to the Reorganized Debtor, including the D&O Policies.

(i) **Reservation of Rights**

Neither the exclusion nor inclusion of any contract or lease in the Plan Supplement, nor anything contained in the Plan, shall constitute an admission by the Debtors that any such contract or lease is in fact an Executory Contract or Unexpired Lease or that the Debtors' Estates have any liability thereunder. In the event of a dispute regarding whether a contract or lease is or was executory or unexpired at the time of assumption or rejection, the Debtors or the Reorganized Debtor, as applicable, shall have ninety (90) days following entry of a Final Order resolving such dispute to alter the treatment of such contract or lease as otherwise provided in the Plan.

8.19 Provisions Governing Distributions

Article VI of the Plan sets forth the procedures governing distributions to be provided to holders of Allowed Claims under the Plan, including the establishment of the Record Date, special rules for distributions to Holders of Disputed Claims, treatment of de minimis and undeliverable distributions and unclaimed property, and provisions for claims paid or payable by third parties.

8.20 Procedures for Resolving Contingent, Unliquidated and Disputed Claims

Article VII of the Plan sets forth procedures governing the resolution of contingent, unliquidated and disputed claims, including the process for and deadline to object to the allowance of claims.

8.21 Release, Injunction, and Related Provisions

(a) **Compromise and Settlement of Claims, Equity Interests, and Controversies**

Pursuant to Bankruptcy Rule 9019 and in consideration for the distributions and other benefits provided pursuant to the Plan, and except as otherwise specifically provided in the Plan or in any contract, instrument, or other agreement or document created pursuant to the Plan, the distributions, rights, and treatment that are provided in the Plan shall be in complete settlement, compromise, and release, effective as of the Effective Date, of Claims, Equity Interests, and Causes of Action of any nature whatsoever, including any interest accrued on Claims or Equity Interests from and after the Petition Date, whether known or unknown, against, liabilities of, Liens on, obligations of, rights against, and Equity Interests in, the Debtors or any of their assets or properties, regardless of whether any property shall have been distributed or retained pursuant to the Plan on account of such Claims and Equity Interests, including demands, liabilities, and Causes of Action that arose before the Effective Date, any liability to the extent such Claims or Equity Interests relate to services performed by employees of the Debtors before the Effective Date and that arise from a termination of employment, any contingent or non-contingent liability on account of representations or warranties issued on or before the Effective Date, and all debts of the kind specified in sections 502(g), 502(h), or 502(i) of the Bankruptcy Code, in each case whether or not: (i) a Proof of Claim or proof of Equity Interest based upon such debt, right, or Equity Interest is Filed or deemed Filed pursuant to section 501 of the Bankruptcy Code; (ii) a Claim or Equity Interest based upon such debt, right, or Equity Interest is Allowed pursuant to section 502 of the Bankruptcy Code; or (iii) the Holder of such a Claim or Equity Interest has accepted the Plan. The Confirmation Order shall be a judicial determination of the settlement, compromise, and release of all Claims and Equity Interests, subject to the Effective Date occurring.

(b) **Release of Liens**

Except as otherwise provided in the Plan 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, all mortgages, deeds of trust, Liens, pledges, or other security interests against any property of the Estates shall be fully released, settled, and compromised and all rights, titles, and interests of any Holder of such mortgages, deeds of trust, Liens, pledges, or other security interests against any property of the Estates shall revert to the Debtors and immediately vest in the Reorganized Debtor upon the Debtors dissolution.

(c) **Subordinated Claims**

The allowance, classification, and treatment of all Allowed Claims and Equity Interests and the respective distributions and treatments under the Plan take into account and conform to the relative priority and rights of the Claims and Equity Interests in each Class in connection with any contractual, legal, and equitable subordination rights relating thereto, whether arising under general principles of equitable subordination, section 510(b) of the Bankruptcy Code, or otherwise. Pursuant to section 510 of the Bankruptcy Code, the Debtors reserve the right for the Debtors or the Reorganized Debtor, as applicable, to re-classify any Allowed Claim or Equity Interest in accordance with any contractual, legal, or equitable subordination relating thereto.

(d) **Releases by the Debtors**

AS OF THE EFFECTIVE DATE, THE DEBTORS AND THE REORGANIZED DEBTOR, IN THEIR INDIVIDUAL CAPACITIES AND AS DEBTORS IN POSSESSION, AND THE ESTATES SHALL BE DEEMED TO FOREVER RELEASE AND WAIVE ALL CLAIMS, OBLIGATIONS, SUITS, JUDGMENTS, DAMAGES, DEMANDS, DEBTS, RIGHTS, CAUSES OF ACTION AND LIABILITIES, 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, WHICH ARE BASED IN WHOLE OR IN PART ON ANY ACT, OMISSION, TRANSACTION, EVENT OR OTHER OCCURRENCE TAKING PLACE THROUGH AND INCLUDING THE EFFECTIVE DATE IN ANY WAY RELATING TO THE DEBTORS, THE REORGANIZED DEBTOR, THE ESTATES, THE CHAPTER 11 CASES, THE CONTRIBUTION AGREEMENT, THE PLAN, OR THE DISCLOSURE STATEMENT, AND THAT COULD HAVE BEEN ASSERTED BY OR ON BEHALF OF THE DEBTORS, OR THE REORGANIZED DEBTOR, WHETHER DIRECTLY, INDIRECTLY, DERIVATIVELY,

OR IN ANY REPRESENTATIVE OR ANY OTHER CAPACITY AGAINST THE RELEASED PARTIES IN THEIR RESPECTIVE CAPACITIES AS SUCH; PROVIDED, HOWEVER, THAT IN NO EVENT SHALL ANYTHING IN THE PLAN BE CONSTRUED AS A RELEASE OF ANY ENTITY'S FRAUD, WILLFUL MISCONDUCT OR GROSS NEGLIGENCE OR A RELEASE OR WAIVER OF THE DEBTORS' OR REORGANIZED DEBTOR'S RIGHT OR ABILITY TO ASSERT OR RAISE CERTAIN CLAIMS AGAINST ANY RELEASED PARTY AS A DEFENSE TO A CLAIM OR SUIT BROUGHT AGAINST THEM OR THEIR ASSETS BY ANY RELEASED PARTY; PROVIDED, FURTHER, THAT THIS RELEASE SHALL NOT APPLY TO OBLIGATIONS ARISING UNDER THE PLAN, THE CONTRIBUTION AGREEMENT, THE BACKSTOP COMMITMENT LETTER, OR THE RESTRUCTURING SUPPORT AGREEMENT.

ENTRY OF THE CONFIRMATION ORDER SHALL CONSTITUTE THE BANKRUPTCY COURT'S APPROVAL, PURSUANT TO BANKRUPTCY RULE 9019, OF THE DEBTOR RELEASE, WHICH INCLUDES BY REFERENCE EACH OF THE RELATED PROVISIONS AND DEFINITIONS CONTAINED IN THE PLAN, AND, FURTHER, SHALL CONSTITUTE THE BANKRUPTCY COURT'S FINDING THAT THE DEBTOR RELEASE IS: (I) IN EXCHANGE FOR THE GOOD AND VALUABLE CONSIDERATION PROVIDED BY THE RELEASED PARTIES; (II) A GOOD-FAITH SETTLEMENT AND COMPROMISE OF THE CLAIMS RELEASED BY THE DEBTOR RELEASE; (III) IN THE BEST INTERESTS OF THE DEBTORS' ESTATES AND ALL HOLDERS OF CLAIMS AND INTERESTS; (IV) FAIR, EQUITABLE, AND REASONABLE; (V) GIVEN AND MADE AFTER DUE NOTICE AND OPPORTUNITY FOR HEARING; AND (VI) A BAR TO ANY OF THE DEBTORS' ESTATES ASSERTING ANY CLAIM OR CAUSE OF ACTION RELEASED PURSUANT TO THE DEBTOR RELEASE.

(e) **Third Party Release**

ON THE EFFECTIVE DATE, TO THE FULLEST EXTENT PERMISSIBLE UNDER APPLICABLE LAW AS DETERMINED BY THE BANKRUPTCY COURT, AS SUCH LAW MAY BE EXTENDED OR INTERPRETED SUBSEQUENT TO THE EFFECTIVE DATE, ALL RELEASING PARTIES, IN CONSIDERATION FOR THE OBLIGATIONS OF THE DEBTORS AND THE REORGANIZED DEBTOR UNDER THE PLAN AND CONTRIBUTION AGREEMENT, AND OTHER CONTRACTS, INSTRUMENTS, RELEASES, AGREEMENTS, OR DOCUMENTS EXECUTED AND DELIVERED IN CONNECTION WITH THE PLAN AND CONTRIBUTION AGREEMENT, WILL BE DEEMED TO FOREVER RELEASE AND WAIVE ALL CLAIMS, DEMANDS, DEBTS, RIGHTS, CAUSES OF ACTION, OR LIABILITIES (OTHER THAN THE RIGHT TO ENFORCE THE OBLIGATIONS OF ANY PARTY UNDER THE PLAN OR THE CONTRIBUTION AGREEMENT, AND THE CONTRACTS, INSTRUMENTS, RELEASES, AGREEMENTS, AND DOCUMENTS DELIVERED UNDER OR IN CONNECTION WITH THE PLAN OR THE CONTRIBUTION AGREEMENT), INCLUDING, WITHOUT LIMITATION, ANY CLAIM FOR ANY SUCH LOSS SUCH RELEASING PARTY MAY SUFFER, HAVE SUFFERED, OR BE ALLEGED TO SUFFER AS A RESULT OF THE DEBTORS COMMENCING THE CHAPTER 11 CASES OR AS A RESULT OF THE PLAN OR THE CONTRIBUTION AGREEMENT TRANSACTION BEING CONSUMMATED, 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 THAT ARE BASED IN WHOLE OR IN PART ON ANY ACT OR OMISSION, TRANSACTION, EVENT, OR OTHER OCCURRENCE FROM THE BEGINNING OF TIME THROUGH AND INCLUDING THE EFFECTIVE DATE IN ANY WAY RELATING TO THE DEBTORS, THE REORGANIZED DEBTOR, THE CHAPTER 11 CASES, THE PLAN, OR THE DISCLOSURE STATEMENT AGAINST THE RELEASED PARTIES IN THEIR RESPECTIVE CAPACITIES AS SUCH. NOTWITHSTANDING THE FOREGOING, IN NO EVENT SHALL ANYTHING IN THE PLAN BE CONSTRUED AS A RELEASE OF ANY ENTITY'S (OTHER THAN A DEBTOR'S) FRAUD, WILLFUL MISCONDUCT OR GROSS NEGLIGENCE. FURTHER, THIS RELEASE SHALL NOT APPLY TO OBLIGATIONS ARISING UNDER THE PLAN, THE CONTRIBUTION AGREEMENT, THE BACKSTOP COMMITMENT LETTER, OR THE RESTRUCTURING SUPPORT AGREEMENT.

ENTRY OF THE CONFIRMATION ORDER SHALL CONSTITUTE THE BANKRUPTCY COURT'S APPROVAL, PURSUANT TO BANKRUPTCY RULE 9019, OF THIS THIRD PARTY RELEASE BY RELEASING PARTIES, WHICH INCLUDES BY REFERENCE EACH OF THE RELATED PROVISIONS AND DEFINITIONS CONTAINED IN THE PLAN, AND, FURTHER, SHALL CONSTITUTE THE BANKRUPTCY

COURT'S FINDING THAT THIS THIRD PARTY RELEASE IS: (I) IN EXCHANGE FOR THE GOOD AND VALUABLE CONSIDERATION PROVIDED BY THE RELEASING PARTIES; (II) IN THE BEST INTERESTS OF THE DEBTORS AND ALL HOLDERS OF CLAIMS AND INTERESTS; (III) FAIR, EQUITABLE, AND REASONABLE; (IV) GIVEN AND MADE AFTER DUE NOTICE AND OPPORTUNITY FOR HEARING; AND (V) A BAR TO ANY RELEASING PARTY ASSERTING ANY CLAIM RELEASED PURSUANT TO THIS THIRD PARTY RELEASE.

(f) **Exculpation**

THE EXCULPATED PARTIES SHALL NEITHER HAVE, NOR INCUR ANY LIABILITY TO ANY ENTITY FOR ANY PREPETITION OR POST-PETITION ACT TAKEN OR OMITTED TO BE TAKEN IN CONNECTION WITH THE CHAPTER 11 CASES, OR RELATED TO FORMULATING, NEGOTIATING, SOLICITING, PREPARING, DISSEMINATING, CONFIRMING, OR IMPLEMENTING THE PLAN OR CONSUMMATING THE PLAN, THE DISCLOSURE STATEMENT, OR ANY CONTRACT, INSTRUMENT, RELEASE, OR OTHER AGREEMENT OR DOCUMENT CREATED OR ENTERED INTO IN CONNECTION WITH THE PLAN OR ANY OTHER PREPETITION OR POST-PETITION ACT TAKEN OR OMITTED TO BE TAKEN IN CONNECTION WITH OR IN CONTEMPLATION OF THE RESTRUCTURING OR LIQUIDATION OF THE DEBTORS; PROVIDED, THAT EACH EXCULPATED PARTY SHALL BE ENTITLED TO RELY UPON THE ADVICE OF COUNSEL CONCERNING HIS, HER, OR ITS DUTIES PURSUANT TO, OR IN CONNECTION WITH, THE PLAN OR ANY OTHER RELATED DOCUMENT, INSTRUMENT, OR AGREEMENT. WITHOUT LIMITING THE FOREGOING "EXCULPATION" PROVIDED UNDER THIS ARTICLE, THE RIGHTS OF ANY HOLDER OF A CLAIM OR EQUITY INTEREST TO ENFORCE RIGHTS ARISING UNDER THE PLAN SHALL BE PRESERVED, INCLUDING THE RIGHT TO COMPEL PAYMENT OF DISTRIBUTIONS IN ACCORDANCE WITH THE PLAN.

(g) **Injunction**

EXCEPT AS OTHERWISE PROVIDED IN THE PLAN OR THE CONFIRMATION ORDER, ALL ENTITIES WHO HAVE HELD, HOLD, OR MAY HOLD CLAIMS, EQUITY INTERESTS, CAUSES OF ACTION, OR LIABILITIES THAT: (I) ARE SUBJECT TO COMPROMISE AND SETTLEMENT PURSUANT TO THE TERMS OF THE PLAN; (II) HAVE BEEN RELEASED PURSUANT TO ARTICLE VIII.D OF THE PLAN; (III) HAVE BEEN RELEASED PURSUANT TO ARTICLE VIII.E OF THE PLAN; (IV) ARE SUBJECT TO EXCULPATION PURSUANT TO ARTICLE VIII.F OF THE PLAN; OR (V) ARE OTHERWISE STAYED OR TERMINATED PURSUANT TO THE TERMS OF THE PLAN, ARE PERMANENTLY ENJOINED AND PRECLUDED, FROM AND AFTER THE EFFECTIVE DATE, FROM: (A) COMMENCING OR CONTINUING IN ANY MANNER ANY ACTION OR OTHER PROCEEDING OF ANY KIND, INCLUDING ON ACCOUNT OF ANY CLAIMS, INTERESTS, CAUSES OF ACTIONS, OR LIABILITIES THAT HAVE BEEN COMPROMISED OR SETTLED AGAINST THE DEBTORS, THE REORGANIZED DEBTOR, OR ANY ENTITY SO RELEASED OR EXCULPATED (OR THE PROPERTY OR ESTATE OF ANY ENTITY, DIRECTLY OR INDIRECTLY, SO RELEASED OR EXCULPATED) ON ACCOUNT OF OR IN CONNECTION WITH OR WITH RESPECT TO ANY RELEASED, SETTLED, COMPROMISED, OR EXCULPATED CLAIMS, EQUITY INTERESTS, CAUSES OF ACTION, OR LIABILITIES; (B) ENFORCING, ATTACHING, COLLECTING, OR RECOVERING BY ANY MANNER OR MEANS ANY JUDGMENT, AWARD, DECREE, OR ORDER AGAINST THE DEBTORS, THE REORGANIZED DEBTOR, OR ANY ENTITY SO RELEASED OR EXCULPATED (OR THE PROPERTY OR ESTATE OF THE DEBTORS OR ANY ENTITY SO RELEASED OR EXCULPATED) ON ACCOUNT OF OR IN CONNECTION WITH OR WITH RESPECT TO ANY SUCH RELEASED, SETTLED, COMPROMISED, OR EXCULPATED CLAIMS, EQUITY INTERESTS, CAUSES OF ACTION, OR LIABILITIES; (C) CREATING, PERFECTING, OR ENFORCING ANY LIEN, CLAIM, OR ENCUMBRANCE OF ANY KIND AGAINST THE DEBTORS, THE REORGANIZED DEBTOR, OR ANY ENTITY SO RELEASED OR EXCULPATED (OR THE PROPERTY OR ESTATE OF THE DEBTORS OR ANY ENTITY SO RELEASED OR EXCULPATED) ON ACCOUNT OF OR IN CONNECTION WITH OR WITH RESPECT TO ANY SUCH RELEASED, SETTLED, COMPROMISED, OR EXCULPATED CLAIMS, EQUITY INTERESTS, CAUSES OF ACTION, OR LIABILITIES; (D) ASSERTING ANY RIGHT OF SETOFF OR SUBROGATION OF ANY KIND AGAINST ANY OBLIGATION DUE FROM THE DEBTORS OR ANY ENTITY SO RELEASED OR EXCULPATED (OR THE PROPERTY OR ESTATE OF THE DEBTORS OR ANY ENTITY SO RELEASED OR EXCULPATED) ON ACCOUNT OF OR IN CONNECTION WITH OR WITH

RESPECT TO ANY SUCH RELEASED, SETTLED, COMPROMISED, OR EXCULPATED CLAIMS, EQUITY INTERESTS, CAUSES OF ACTION, OR LIABILITIES UNLESS SUCH ENTITY HAS TIMELY ASSERTED SUCH SETOFF OR SUBROGATION RIGHT PRIOR TO CONFIRMATION IN A DOCUMENT FILED WITH THE BANKRUPTCY COURT EXPLICITLY PRESERVING SUCH SETOFF OR SUBROGATION; AND (E) COMMENCING OR CONTINUING IN ANY MANNER ANY ACTION OR OTHER PROCEEDING OF ANY KIND AGAINST THE DEBTORS, THE REORGANIZED DEBTOR, OR ANY ENTITY SO RELEASED OR EXCULPATED (OR THE PROPERTY OR ESTATE OF THE DEBTORS OR ANY ENTITY SO RELEASED OR EXCULPATED) ON ACCOUNT OF OR IN CONNECTION WITH OR WITH RESPECT TO ANY SUCH RELEASED, SETTLED, COMPROMISED, OR EXCULPATED CLAIMS, EQUITY INTERESTS, CAUSES OF ACTION, OR LIABILITIES RELEASED, SETTLED, OR COMPROMISED PURSUANT TO THE PLAN; PROVIDED, THAT NOTHING CONTAINED IN THE PLAN SHALL PRECLUDE AN ENTITY FROM OBTAINING BENEFITS DIRECTLY AND EXPRESSLY PROVIDED TO SUCH ENTITY PURSUANT TO THE TERMS OF THE PLAN; PROVIDED, FURTHER, THAT NOTHING CONTAINED IN THE PLAN SHALL BE CONSTRUED TO PREVENT ANY ENTITY FROM DEFENDING AGAINST CLAIMS OBJECTIONS OR COLLECTION ACTIONS WHETHER BY ASSERTING A RIGHT OF SETOFF OR OTHERWISE TO THE EXTENT PERMITTED BY LAW.

(h) **Waiver of Statutory Limitations on Releases**

EACH RELEASING PARTY IN EACH OF THE RELEASES CONTAINED IN THE PLAN (INCLUDING UNDER ARTICLE VIII OF THE PLAN) EXPRESSLY ACKNOWLEDGES THAT, ALTHOUGH ORDINARILY A GENERAL RELEASE MAY NOT EXTEND TO CLAIMS WHICH THE RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS FAVOR, WHICH IF KNOWN BY IT MAY HAVE MATERIALLY AFFECTED ITS SETTLEMENT WITH THE PARTY RELEASED, THEY HAVE CAREFULLY CONSIDERED AND TAKEN INTO ACCOUNT IN DETERMINING TO ENTER INTO THE ABOVE RELEASES THE POSSIBLE EXISTENCE OF SUCH UNKNOWN LOSSES OR CLAIMS. WITHOUT LIMITING THE GENERALITY OF THE FOREGOING, EACH RELEASING PARTY EXPRESSLY WAIVES ANY AND ALL RIGHTS CONFERRED UPON IT BY ANY STATUTE OR RULE OF LAW WHICH PROVIDES THAT A RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CLAIMANT DOES NOT KNOW OR SUSPECT TO EXIST IN ITS FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY IT MAY HAVE MATERIALLY AFFECTED ITS SETTLEMENT WITH THE RELEASED PARTY, INCLUDING THE PROVISIONS OF CALIFORNIA CIVIL CODE SECTION 1542. THE RELEASES CONTAINED IN THIS ARTICLE ARE EFFECTIVE REGARDLESS OF WHETHER THOSE RELEASED MATTERS ARE PRESENTLY KNOWN, UNKNOWN, SUSPECTED OR UNSUSPECTED, FORESEEN OR UNFORESEEN. FOR THE AVOIDANCE OF DOUBT, THE DEBTORS, HOLDERS OF CLAIMS OR EQUITY INTERESTS, AND RELEASING PARTIES, BEING MADE AWARE OF SECTION 1542 AND SIMILAR LAWS AND COMMON LAW PRINCIPLES, HEREBY ARE DEEMED TO HAVE EXPRESSLY WAIVED ANY RIGHTS THAT ANY OF THEM MIGHT HAVE OR ASSERT THEREUNDER, TO THE EXTENT THAT SUCH SECTION RELATES TO ANY OF THE CLAIMS RELEASED PURSUANT TO THIS ARTICLE.

(i) **Setoffs**

Except as otherwise provided in the Plan, prior to the Effective Date, the Debtors, and on and after the Effective Date, the Reorganized Debtor, pursuant to the Bankruptcy Code (including sections 553 and 558 of the Bankruptcy Code), applicable nonbankruptcy law, or as may be agreed to by the Holder of a Claim, may set off against any Allowed Claim on account of any Proof of Claim or other pleading Filed with respect thereto prior to the Confirmation Hearing and the distributions to be made pursuant to the Plan on account of such Allowed Claim (before any distribution is made on account of such Allowed Claim), any claims, rights, and Causes of Action of any nature that the Debtors' Estates may hold against the Holder of such Allowed Claim, to the extent such claims, rights, or Causes of Action against such Holder have not been otherwise compromised or settled on or prior to the Effective Date (whether pursuant to the Plan or otherwise); provided, that neither the failure to effect such a setoff nor the allowance of any Claim pursuant to the Plan shall constitute a waiver or release by the Debtors or the Reorganized Debtor, as applicable, of any such claims, rights, and Causes of Action that the Debtors' Estates may possess against such Holder. In no event shall any Holder of Claims be entitled to set off any Claim against any claim, right, or Cause of Action of the Debtors' Estates unless such Holder has timely Filed a Proof of Claim with the Bankruptcy Court expressly preserving such setoff; provided, that nothing in the Plan shall prejudice or be

deemed to have prejudiced the Debtors' or the Reorganized Debtor's right to assert that any Holder's setoff rights were required to have been asserted by motion or pleading filed with the Bankruptcy Court prior to the Effective Date.

(j) **Discharge of the Debtors**

Pursuant to section 1141(d) of the Bankruptcy Code and effective as of the Effective Date, and except as otherwise specifically provided in the Plan: (a) the distributions, rights and treatment that are provided in the Plan shall be in complete satisfaction, discharge and release of all Claims and Equity Interests of any nature whatsoever, including any interest accrued on Claims or Equity Interests from and after the Petition Date, whether known or unknown, against, liabilities of, Liens on, obligations of, rights against and Equity Interests in, the Debtors, the Reorganized Debtor or any of their assets, properties or Estates, regardless of whether any property shall have been distributed or retained pursuant to the Plan on account of such Claims and Equity Interests, including demands, liabilities and Causes of Action that arose before the Effective Date; (b) the Plan shall bind all holders of Claims and Equity Interests, notwithstanding whether any such holders failed to vote to accept or reject the Plan or voted to reject the Plan; (c) all Claims and Equity Interests shall be satisfied, discharged, and released in full, and the Debtors' liability with respect thereto shall be extinguished completely, including all debts of the kind specified in sections 502(g), 502(h) or 502(i) of the Bankruptcy Code, in each case whether or not (i) a Proof of Claim based upon such debt, right or Equity Interest is Filed or deemed Filed pursuant to section 501 of the Bankruptcy Code; (ii) a Claim or Equity Interest based upon such debt, right or Equity Interest is Allowed; or (iii) the holder of such a Claim or Equity Interest has accepted the Plan or is entitled to receive a distribution hereunder; and (d) all Entities shall be precluded from ever asserting against the Debtors, the Debtors' Estates, the Reorganized Debtor, their successors and assigns, and their assets and properties any Claims and Equity Interests based upon any documents, instruments, or any act or omission, transaction, or other activity of any kind or nature that occurred prior to the Effective Date. The Confirmation Order shall be a judicial determination of the discharge of all Claims and Equity Interests subject to the Effective Date occurring.

8.22 Conditions Precedent to Consummation of the Plan

It shall be a condition to Consummation of the Plan that the following conditions have been satisfied or waived pursuant to the provisions of Article IX.B of the Plan:

- The Bankruptcy Court shall have entered the Disclosure Statement Order;
- The Bankruptcy Court shall have entered the Confirmation Order in form and substance materially consistent with the Plan (without any material modification that would require re-solicitation), the Restructuring Support Agreement, and the Contribution Agreement;
- The Confirmation Order shall have become a Final Order;
- All conditions precedent to the closing of the Contribution Agreement Transaction shall have been satisfied and there shall be a simultaneous closing of the Contribution Agreement Transaction with the Consummation of the Plan;
- All documents and agreements necessary to implement the Plan, including the Restructuring Support Agreement: (i) shall have material compliance with the covenants in, and all conditions precedent to such documents and agreements satisfied or waived pursuant to the terms of such documents or agreements; (ii) shall have been tendered for delivery to the required parties and, to the extent required, filed with and approved by any applicable Governmental Units in accordance with applicable laws; and (iii) shall have been effected or executed;
- The Escrow Accounts shall have been established and funded;
- The Definitive Documents shall have been executed and delivered consistent with the Plan;
- There shall be no material litigation restraining or materially altering the Contribution Agreement Transaction;
- The Rights Offering shall have closed and been funded; and
- All other actions necessary for the occurrence of the Effective Date shall have been taken.

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

(a) **Waiver of Conditions**

The Debtors may, subject to obtaining any consents required under the Restructuring Support Agreement or the Contribution Agreement, waive any of the conditions to the Effective Date set forth in Article IX.A of the Plan without any notice to any other parties in interest and without any further notice to, or action, order or approval of, the Bankruptcy Court, and without any formal action other than proceeding to confirm or consummate the Plan.

(b) **Effect of Non-Occurrence of Conditions to the Effective Date**

If the Effective Date does not occur, the Plan shall be null and void in all respects and nothing contained in the Plan or the Disclosure Statement shall: (i) constitute a waiver or release of any claims by or Claims against or Equity Interests in the Debtors; (ii) prejudice in any manner the rights of the Debtors, the Debtors' Estates, any Holders, or any other Entity; or (iii) constitute an admission, acknowledgment, offer, or undertaking by the Debtors, the Debtors' Estates, any Holders, or any other Entity in any respect.

8.23 Modification, Revocation, or Withdrawal of the Plan

(a) **Modification and Amendments**

Effective as of the date hereof, (i) the Debtors reserve the right, in accordance with the Bankruptcy Code and the Bankruptcy Rules, to amend or modify the Plan before the entry of the Confirmation Order, subject to the limitations set forth herein and the Restructuring Support Agreement; and (ii) after the entry of the Confirmation Order, the Debtors or the Reorganized Debtor, as applicable, may amend or modify the Plan, in accordance with section 1127(b) of the Bankruptcy Code, remedy any defect or omission or reconcile any inconsistency in the Plan in such manner as may be necessary to carry out the purpose and intent of the Plan, this clause (b) being subject in all cases to the limitations set forth herein and in the Restructuring Support Agreement; provided, however, that neither the Debtors nor the Reorganized Debtor shall modify the Plan as to material terms that adversely affect the rights or duties of the Second Lien Notes Trustee without the prior written consent of the Second Lien Notes Trustee, which consent shall not be unreasonably withheld.

(b) **Effect of Confirmation on Modifications**

Entry of a Confirmation Order shall mean that all modifications or amendments to the Plan occurring after the solicitation thereof are approved pursuant to section 1127(a) of the Bankruptcy Code and do not require additional disclosure or re-solicitation under Bankruptcy Rule 3019.

(c) **Revocation or Withdrawal of the Plan**

The Debtors reserve the right to revoke or withdraw the Plan, including the right to revoke or withdraw the Plan for any Debtor or all Debtors, prior to the Confirmation Date. If the Debtors revoke or withdraw the Plan with respect to any Debtor, or if Confirmation or Consummation does not occur with respect to any Debtor, then: (i) the Plan with respect to such Debtor shall be null and void in all respects; (ii) any settlement or compromise embodied in the Plan with respect to such Debtor (including the fixing or limiting to an amount certain of any Claim or Equity Interest or Class of Claims or Equity Interests), assumption or rejection of Executory Contracts or Unexpired Leases effected by the Plan with respect to such Debtor, and any document or agreement executed pursuant to the Plan with respect to such Debtor, shall be deemed null and void; and (iii) nothing contained in the Plan with respect to such Debtor shall: (a) constitute a waiver or release of any Claims or Equity Interests; (b) prejudice in any manner the rights of the Debtors, the Debtors' Estates, or any other Entity; or (c) constitute an admission, acknowledgement, offer, or undertaking of any sort by the Debtors, the Debtors' Estates, or any other Entity.

8.24 Retention of Jurisdiction

Notwithstanding the entry of the Confirmation Order and the occurrence of the Effective Date, on and after the Effective Date, the Bankruptcy Court shall retain jurisdiction over the Chapter 11 Cases and all matters arising out of, or related to, the Chapter 11 Cases and the Plan, including jurisdiction to:

- Allow, disallow, determine, liquidate, classify, estimate, or establish the priority, secured or unsecured status, or amount of any Claim or Equity Interest, including the resolution of any request for payment of any Administrative Claim and the resolution of any and all objections to the secured or unsecured status, priority, amount, or allowance of Claims or Equity Interests;
- Decide and resolve all matters related to the granting and denying, in whole or in part, any applications for allowance of compensation or reimbursement of expenses to Professionals authorized pursuant to the Bankruptcy Code or the Plan;
- Resolve any matters related to: (i) the assumption and assignment or rejection of any Executory Contract or Unexpired Lease to which a Debtor is party or with respect to which a Debtor may be liable in any manner and to hear, determine, and, if necessary, liquidate, any Claims arising therefrom, including Claims related to the rejection of an Executory Contract or Unexpired Lease, Cure Costs pursuant to section 365 of the Bankruptcy Code, or any other matter related to such Executory Contract or Unexpired Lease; (ii) any potential contractual obligation under any Executory Contract or Unexpired Lease that is assumed; (iii) the Debtors or the Reorganized Debtor amending, modifying, or supplementing, after the Effective Date, pursuant to Article V of the Plan, any Executory Contracts or Unexpired Leases set forth on the list of Executory Contracts and Unexpired Leases to be assumed and assigned or rejected or otherwise; and (iv) any dispute regarding whether a contract or lease is or was executory or expired;
- Ensure that distributions to Holders of Allowed Claims are accomplished pursuant to the provisions of the Plan;
- Adjudicate, decide, or resolve any motions, adversary proceedings, contested or litigated matters, and any other matters, and grant or deny any applications involving a Debtor that may be pending on the Effective Date;
- Adjudicate, decide, or resolve any and all matters related to Causes of Action;
- Enter and implement such orders as may be necessary or appropriate to execute, implement, or consummate the provisions of the Plan and all contracts, instruments, releases, indentures, and other agreements or documents created in connection with the Plan or the Disclosure Statement;
- Enter and enforce any order for the sale of property pursuant to sections 363, 1123, or 1146(a) of the Bankruptcy Code;
- Resolve any cases, controversies, suits, disputes, or Causes of Action that may arise in connection with the Consummation, interpretation, or enforcement of the Plan or any Entity's obligations incurred in connection with the Plan;
- 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 Consummation or enforcement of the Plan;
- Resolve any cases, controversies, suits, disputes, or Causes of Action with respect to the settlements, compromises, releases, injunctions, exculpations, and other provisions contained in Article VIII of the Plan and enter such orders as may be necessary or appropriate to implement such releases, injunctions, and other provisions;
- Resolve any cases, controversies, suits, disputes, or Causes of Action with respect to the repayment or return of distributions and the recovery of additional amounts owed by the Holder of a Claim or Equity Interest for amounts not timely repaid pursuant to Article VI.F.1 of the Plan;
- Enter and implement such orders as are necessary or appropriate if the Confirmation Order is for any reason modified, stayed, reversed, revoked, or vacated;
- Determine any other matters that may arise in connection with or relate to the Plan, the Disclosure Statement, the Confirmation Order, or any contract, instrument, release, indenture, or other agreement or document created in connection with the Plan or the Disclosure Statement;
- Adjudicate any and all disputes arising from or relating to distributions under the Plan or any transactions contemplated therein;
- Consider any modifications of the Plan, to cure any defect or omission, or to reconcile any inconsistency in any Bankruptcy Court order, including the Confirmation Order;
- Determine requests for the payment of Claims entitled to priority pursuant to section 507 of the Bankruptcy Code;

- Hear and determine disputes arising in connection with the interpretation, implementation, or enforcement of the Plan, or the Confirmation Order, including disputes arising under agreements, documents, or instruments executed in connection with the Plan;
- Hear and determine matters concerning state, local, and federal taxes in accordance with sections 346, 505, and 1146 of the Bankruptcy Code;
- Hear and determine all disputes involving the existence, nature, or scope of the Debtors' Release or Third Party Release, including any dispute relating to any liability arising out of the termination of employment or the termination of any employee or retiree benefit program, regardless of whether such termination occurred prior to or after the Effective Date;
- Enforce all orders previously entered by the Bankruptcy Court;
- Hear any other matter not inconsistent with the Bankruptcy Code;
- Enter an order concluding or closing the Chapter 11 Cases; and
- Enforce the injunction, release, and exculpation provisions set forth in Article VIII of the Plan.

8.25 Term of Injunctions or Stays

Unless otherwise provided in the Plan or in the Confirmation Order, all injunctions or stays in effect in the Chapter 11 Cases pursuant to sections 105 or 362 of the Bankruptcy Code or any order of the Bankruptcy Court, and extant on the Confirmation Date (excluding any injunctions or stays contained in the Plan or the Confirmation Order) shall remain in full force and effect until the later of the maximum extent permitted by law or the closing of the Chapter 11 Cases. All injunctions or stays contained in the Plan or the Confirmation Order shall remain in full force and effect in accordance with their terms.

8.26 Plan Supplement Exhibits

All exhibits and documents included in the Plan Supplement are incorporated into and are a part of the Plan as if set forth in full in the Plan. The final forms of the Plan Supplement documents shall be materially consistent with those set forth in the Plan Supplement. After the exhibits and documents are filed, copies of such exhibits and documents shall be made available upon written request to the Debtors' counsels at the address above or by downloading such exhibits and documents from https://cases.primeclerk.com/milagro or the Bankruptcy Court's website at www.deb.uscourts.gov. Unless otherwise ordered by the Bankruptcy Court, to the extent any exhibit or document in the Plan Supplement is inconsistent with the terms of any part of the Plan that does not constitute the Plan Supplement, such part of the Plan that does not constitute the Plan Supplement shall control.

ARTICLE IX
CERTAIN FACTORS TO BE CONSIDERED

PRIOR TO VOTING TO ACCEPT OR REJECT THE PLAN, ALL HOLDERS OF CLAIMS THAT ARE IMPAIRED AND ENTITLED TO VOTE ON THE PLAN SHOULD READ AND CAREFULLY CONSIDER THE FACTORS SET FORTH HEREIN, AS WELL AS ALL OTHER INFORMATION SET FORTH OR OTHERWISE REFERENCED IN THIS DISCLOSURE STATEMENT.

ALTHOUGH THESE RISK FACTORS ARE MANY, THESE FACTORS SHOULD NOT BE REGARDED AS CONSTITUTING THE ONLY RISKS PRESENT IN CONNECTION WITH THE TRANSACTIONS SET FORTH IN THE PLAN AND THE IMPLEMENTATION OF THE PLAN.

9.1 General

The following provides a summary of various important considerations and risk factors associated with the Plan; however, it is not exhaustive. In considering whether to vote to accept the Plan or to object to Confirmation, holders of Claims should read and carefully consider the factors set forth below, as well as all other information set forth or otherwise referenced or incorporated by reference in this Disclosure Statement.

9.2 Risks Related to the Plan and Other Bankruptcy Law Considerations

(a) **A Claim or Interest Holder May Object to, and the Bankruptcy Court May Disagree with, the Debtors' Classification of Claims and Interests.**

Section 1122 of the Bankruptcy Code provides that a plan may place a claim or an equity interest in a particular class only if such claim or equity interest is substantially similar to the other claims or equity interests in such class. The Debtors believe that the classification of Claims and Interests under the Plan complies with the requirements set forth in the Bankruptcy Code because the Debtors created six Classes of Claims and Interests, each encompassing Claims or Interests, as applicable, that are substantially similar to the other Claims and Interests in each such Class. However, a Claim or Interest holder could challenge the Debtors' classification. In such an event, the cost of the Chapter 11 Cases and the time needed to confirm the Plan may increase, and there can be no assurance that the Bankruptcy Court will agree with the Debtors' classification. If the Bankruptcy Court concludes that either or both of the classifications of Claims and Interests under the Plan do not comply with the requirements of the Bankruptcy Code, the Debtors may need to modify the Plan. Such modification could require re-solicitation of votes on the Plan. The Plan may not be confirmed if the Bankruptcy Court determines that the Debtors' classification of Claims and Interests is not appropriate.

(b) **The Debtors May Not Be Able to Satisfy the Voting Requirements for Confirmation of the Plan.**

If votes are received in number and amount sufficient to enable the Bankruptcy Court to confirm the Plan, the Debtors may seek, as promptly as practicable thereafter, Confirmation. If the Plan does not receive the required support from Class 4 holders, the Debtors may elect to amend the Plan, seek alternative restructuring transactions, including, but not limited to, a sale of all or substantially all of the Debtors' assets pursuant to section 363 of the Bankruptcy Code, or proceed with liquidation.

(c) **The Bankruptcy Court May Not Confirm the Plan.**

The Debtors cannot assure you that the Plan will be confirmed by the Bankruptcy Court. Section 1129 of the Bankruptcy Code, which sets forth the requirements for confirmation of a plan of reorganization, requires, among other things, a finding by the Bankruptcy Court that the plan of reorganization is "feasible," that all claims and interests have been classified in compliance with the provisions of section 1122 of the Bankruptcy Code, and that, under the plan of reorganization, each holder of a claim or interest within each impaired class either accepts the plan of reorganization or receives or retains cash or property of a value, as of the date the plan of reorganization becomes effective, that is not less than the value such holder would receive or retain if the debtor were liquidated under chapter 7 of the Bankruptcy Code. There can be no assurance that the Bankruptcy Court will conclude that the feasibility test and other requirements of section 1129 of the Bankruptcy Code have been met with respect to the Plan.

If the Plan is not confirmed, the Chapter 11 Cases may be converted into 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. A discussion of the effects that a chapter 7 liquidation would have on the recoveries of holders of claims and interests and the Debtors' liquidation analysis are set forth under the unaudited liquidation analysis, attached hereto as **Exhibit D**. The Debtors believe that liquidation under chapter 7 of the Bankruptcy Code would result in, among other things, smaller distributions being made to creditors than those provided for in the Plan because of:

- the likelihood that the Debtors' assets would need to be sold or otherwise disposed of in a less orderly fashion over a short period of time;
- the likelihood that the Plan Release Consideration Assets would be unavailable;
- the likelihood that creditors whose claims are being assumed by White Oak may not be paid in full under an alternative to the Contribution Agreement Transaction;

- additional administrative expenses involved in the appointment of a trustee; and
- additional expenses and claims, some of which would be entitled to priority, which would be generated during the liquidation and from the rejection of leases and other Executory Contracts in connection with a cessation of the Debtors' operations.

(d) **The Debtors Are Pursuing Non-Consensual Confirmation.**

Although the Plan contains Impaired Classes of Claims or Equity Interests that are deemed not to accept the Plan, the Bankruptcy Court may nevertheless confirm the Plan if at least one Impaired Class of Claims has accepted the Plan (with such acceptance being determined without including the vote of any Insider), and as to each Impaired Class that has not accepted the Plan, the Bankruptcy Court determines that the Plan "does not discriminate unfairly" and is "fair and equitable" with respect to the dissenting Impaired Classes. The Debtors believe that the Plan satisfies these requirements and the Debtors will request non-consensual Confirmation in accordance with section 1129(b) of the Bankruptcy Code. Nevertheless, there can be no assurance that the Bankruptcy Court will reach this conclusion. In addition, the pursuit of non-consensual Confirmation or Consummation may result in, among other things, increased expenses in the Chapter 11 Cases.

(e) **The Debtors May Object to the Amount or Classification of a Claim or Interest.**

Except as otherwise provided in the Plan or the Restructuring Support Agreement, the Debtors reserve the right to object to the amount or classification of any Claim or Interest under the Plan. The estimates set forth in this Disclosure Statement cannot be relied on by any holder of a Claim or Interest where such Claim or Interest is subject to an objection. Any holder of a Claim or Interest that is subject to an objection thus may not receive its expected share of the estimated distributions described in this Disclosure Statement.

(f) **Even if the Debtors Receive All Necessary Acceptances for the Plan to Become Effective, the Debtors May Fail to Meet All Conditions Precedent to Effectiveness of the Plan.**

Although the Debtors believe that the Effective Date would occur very shortly after the Confirmation Date, there can be no assurance as to such timing.

The Confirmation and effectiveness of the Plan are subject to certain conditions that may or may not be satisfied. The Debtors cannot assure you that all requirements for Confirmation and effectiveness required under the Plan will be satisfied.

(g) **Contingencies May Affect Distributions to Holders of Allowed Claims.**

The distributions available to holders of Allowed Claims under the Plan can be affected by a variety of contingencies, including, whether the Bankruptcy Court orders certain Allowed Claims to be subordinated to other Allowed Claims. The occurrence of any and all such contingencies could affect distributions under the Plan.

(h) **The United States Trustee or Other Parties May Object to the Plan on Account of the Release and Exculpation Provisions.**

Any party in interest, including the United States Trustee, could object to the Plan on the grounds that the third-party releases are not given consensually or are granted in an impermissible, non-consensual manner, or that the releases by the Debtors or the exculpation provisions do not satisfy the standard for approval under applicable provisions of the Bankruptcy Code. In response to such an objection, the Bankruptcy Court could determine that the release and exculpation provisions are not valid under the Bankruptcy Code. If the Bankruptcy Court makes such a determination, the Plan could not be confirmed without modifying the Plan to remove or modify the release and exculpation provisions. This could result in substantial delay in Confirmation of the Plan or the Plan not being confirmed at all.

(i) **<u>The Debtors May Seek to Amend, Waive, Modify or Withdraw the Plan at Any Time Prior to Confirmation.</u>**

The Debtors reserve the right, prior to the Confirmation of the Plan or the occurrence of the Effective Date, subject to the provisions of section 1127 of the Bankruptcy Code and applicable law and the Restructuring Support Agreement, to amend the terms of the Plan or waive any conditions thereto if and to the extent such amendments or waivers are necessary or desirable to consummate the Plan. The potential impact of any such amendment or waiver on the holders of Claims and 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. All holders of Claims and Interests will receive notice of such amendments or waivers to the extent required by applicable law or the Bankruptcy Court. If, after receiving sufficient acceptances, but prior to Confirmation of the Plan, the Debtors seek to modify the Plan, the previously solicited acceptances will be valid only if (1) all classes of adversely affected creditors and interest holders entitled to vote on the Plan accept the modification in writing, or (2) the Bankruptcy Court determines, after notice to designated parties, that such modification was *de minimis* or purely technical or otherwise did not adversely change the treatment of holders of accepting Claims and Interests or is otherwise permitted by the Bankruptcy Code.

(j) **<u>The Plan May Have a Material Adverse Effect on the Debtors' Operations.</u>**

The commencement of the Chapter 11 Cases could adversely affect the relationships between the Debtors and their respective customers, employees, partners and others. There is a risk, due to uncertainty about the Debtors' future, that, among other things:

- the Debtors' customers' confidence in the abilities of the Debtors to produce and deliver their products could erode, resulting in a significant decline in the Debtors' revenues, profitability, and cash flow;
- it may become more difficult to retain, attract, or replace key employees;
- employees could be distracted from performance of their duties or more easily attracted to other career opportunities; and
- the Debtors' suppliers, vendors, and service providers could terminate their relationships with the Debtors or require financial assurances or enhanced performance, subject to the Debtors' assertions in the Bankruptcy Court of certain protections under the Bankruptcy Code.

The failure to maintain any of the relationships referenced above could adversely affect the Debtors' business, financial condition and results of operations. Also, the Debtors' transactions that are outside of the ordinary course of business are generally subject to the approval of the Bankruptcy Court, which may limit the Debtors' ability to respond on a timely basis to certain events or take advantage of certain opportunities. As a result, the effect that the Chapter 11 Cases will have on the Debtors' businesses, financial conditions and results of operations cannot be accurately predicted or quantified at this time.

(k) **<u>The Debtors Cannot Predict the Amount of Time Spent in Bankruptcy for the Purpose of Implementing the Plan, and a Lengthy Bankruptcy Proceeding Could Disrupt the Debtors' Businesses, as well as Impair the Prospect for Reorganization on the Terms Contained in the Plan.</u>**

The Debtors estimate that the process of obtaining Confirmation of the Plan by the Bankruptcy Court will last approximately 85 to 90 days from the Petition Date, but it could last considerably longer if, for example, Confirmation is contested or the conditions to Confirmation or Consummation are not satisfied or waived.

While the Debtors expect that the Chapter 11 Cases filed for the purpose of implementing the Plan, including the Contribution Agreement Transaction, would be of short duration and would not be unduly disruptive to the Debtors' businesses, the Debtors cannot be certain that this necessarily would be the case. Although the Plan is designed to minimize the length of the bankruptcy proceedings, it is impossible to predict with certainty the amount of time that the Debtors may spend in bankruptcy, and the Debtors cannot be certain that the Plan would be

confirmed. Even if confirmed on a timely basis, a bankruptcy proceeding to confirm the Plan could itself have an adverse effect on the Debtors' businesses. There is a risk, due to uncertainty about the Debtors' futures, that, among other things:

- employees could be distracted from performance of their duties or more easily attracted to other career opportunities; and
- business partners could terminate their relationship with the Debtors or demand financial assurances or enhanced performance, any of which could impair the Debtors' prospects.

A lengthy bankruptcy proceeding also would involve additional expenses and divert the attention of management from the operation of the Debtors' businesses, as well as create concerns for employees, vendors and customers.

The disruption that the bankruptcy process would have on the Debtors' businesses could increase with the length of time it takes to complete the Chapter 11 Cases. If the Debtors are unable to obtain Confirmation of the Plan on a timely basis, because of a challenge to the Plan or otherwise, the Debtors may be forced to operate in bankruptcy for an extended period of time while they try to develop a different reorganization plan that can be confirmed. A protracted bankruptcy case could increase both the probability and the magnitude of the adverse effects described above.

(l) **The Plan is Based Upon Assumptions the Debtors Developed Which May Prove Incorrect and Could Render the Plan Unsuccessful**

The Plan affects both the Debtors' capital structure and the ownership, structure and operation of its businesses and reflects assumptions and analyses based on the Debtors' experience and perception of historical trends, current conditions and expected future developments, as well as other factors that the Debtors consider appropriate under the circumstances. Whether actual future results and developments will be consistent with the Debtors' expectations and assumptions depends on a number of factors, including but not limited to (i) the ability to implement the substantial changes to the capital structure; (ii) the ability to obtain adequate liquidity and financing sources; and (iii) the overall strength and stability of general economic conditions of the financial and oil and gas industries, both in the United States and in global markets. The failure of any of these factors could materially adversely affect the successful reorganization of our businesses.

In addition, the Plan relies upon financial projections and other financial information, assumptions, and estimates. Financial forecasts are necessarily speculative, and it is likely that one or more of the assumptions and estimates that are the basis of these financial forecasts will not be accurate. In the case of the Debtors, the forecasts involve fundamental changes in the nature of the Debtors' capital structure. Accordingly, the Debtors expect that actual financial condition and results of operations will differ, perhaps materially, from what was anticipated, including as a result of the Contribution Agreement Transaction. Consequently, there can be no assurance that the results or developments contemplated by any plan of reorganization that may be implement will occur or, even if they do occur, that they will have the anticipated effects on the Debtors or their businesses or operations. The failure of any such results or developments to materialize as anticipated could materially adversely affect the successful execution of any plan of reorganization.

(m) **Other Parties in Interest Might Be Permitted to Propose Alternative Plans of Reorganization that May Be Less Favorable to Certain of the Debtors' Constituencies Than the Plan.**

Other parties in interest could seek authority from the Bankruptcy Court to propose an alternative plan of reorganization to the Plan. Under the Bankruptcy Code, a debtor-in-possession initially has the exclusive right to propose and solicit acceptances of a plan of reorganization for a period of 120 days from filing. However, such exclusivity period can be reduced or terminated upon order of the Bankruptcy Court. If such an order were to be entered, other parties in interest would then have the opportunity to propose alternative plans of reorganization.

If other parties in interest were to propose an alternative plan of reorganization following expiration or termination of the Debtors' exclusivity period, such a plan may be less favorable to existing holders of Claims and Interests and may seek to exclude these holders from receiving the distributions contemplated by the Plan. If there were competing plans of reorganization, the Chapter 11 Cases likely would become longer, more complicated, and much more expensive. If this were to occur, or if the Debtors' employees or other constituencies important to the Debtors' business reacted adversely to an alternative plan of reorganization, the adverse consequences discussed in the foregoing Section 9.2(j) also could occur.

(n) **The Debtors' Business May Be Negatively Affected if the Debtors Are Unable to Assume Their Executory Contracts.**

An executory contract is a contract on which performance remains due to some extent by both parties to the contract. The Plan provides for the rejection of all Executory Contracts and Unexpired Leases, unless designated as a Desired 365 Contract by White Oak as set forth in the Contribution Agreement. The Debtors or White Oak may be required to either forego the benefits offered by contracts that are either assumed by the Debtors or are Desired 365 Contracts in respect of White Oak, or find alternative arrangements to replace them.

(o) **Material Transactions Could Be Set Aside as Fraudulent Conveyances or Preferential Transfers.**

Certain payments received by stakeholders prior to the bankruptcy filing could be challenged under applicable debtor/creditor or bankruptcy laws as either a "fraudulent conveyance" or a "preferential transfer." A fraudulent conveyance occurs when a transfer of a debtor's assets is made with the intent to defraud creditors or in exchange for consideration that does not represent reasonably equivalent value to the property transferred. A preferential transfer occurs upon a transfer of property of the debtor while the debtor is insolvent for the benefit of a creditor on account of an antecedent debt owed by the debtor that was made on or within 90 days before the date of filing of the bankruptcy petition or one year before the date of filing of the petition, if the creditor, at the time of such transfer was an insider. If any transfer was challenged in the Bankruptcy Court and found to have occurred with regard to any of the Debtors' material transactions, a bankruptcy court could order the recovery of all amounts received by the recipient of the transfer.

(p) **The Tax Attributes of MOG May Not Be Available to the Reorganized Debtor.**

MOG currently has significant tax attributes (including, without limitation, net operating losses and unrecognized built in losses.) These attributes, to the extent not reduced as a result of cancellation of indebtedness income as a consequence of the discharge of Allowed Notes Claims against the Debtors under the Plan and/or as a result of the exchange of Allowed Notes Claims for shares of Reorganized Debtor Common Stock, are potentially available to offset future taxable income and/or gain of the Reorganized Debtor. Notwithstanding the above, the use of such tax attributes may be severely limited pursuant to various provisions of the Internal Revenue Code of 1986, as amended (the "IRC"), including, without limitation, IRC Section 382. Additionally, it is possible that the Reorganized Debtor will not have sufficient taxable income to utilize such tax attributes in future years. *See generally* Certain U.S. Federal Income Tax Consequences—U.S. Federal Income Tax Consequences to the Debtors.

9.3 Risks Related to the Restructuring Transaction

(a) **The Restructuring Support Agreement Could Be Terminated.**

The Restructuring Support Agreement may be terminated upon the occurrence of a number of termination events (each, an "RSA Termination Event"), as more specifically set forth in the Restructuring Support Agreement. Should an RSA Termination Event occur, all obligations of the parties to the agreement may terminate as set forth in the Restructuring Support Agreement.

Except as otherwise set forth in the Restructuring Support Agreement, upon termination of the Restructuring Support Agreement, any party thereto shall have all rights and remedies that it would have had and shall be entitled to take all actions that it would have been entitled to take had it not entered into the Restructuring

Support Agreement. Without the commitment provided by the Restructuring Support Agreement for the Consenting Noteholders to vote in favor of the Plan, the Debtors may not be able to secure sufficient votes to confirm the Plan.

(b) **The Contribution Agreement Could Be Terminated or White Oak Could Be Unable to Consummate the Restructuring Transaction.**

The Contribution Agreement also may be terminated upon the occurrence of certain termination events (each, a "Contribution Agreement Termination Event"), as more specifically set forth in the Contribution Agreement. Should a Contribution Agreement Termination Event occur, the obligations of the parties to the agreement may terminate as set forth in the Contribution Agreement and the Debtors would be unable to institute the Restructuring Transaction forming the basis of the Plan.

Furthermore, notwithstanding the occurrence or non-occurrence of a Contribution Agreement Termination Event, White Oak may be unable to consummate the Restructuring Transaction pursuant to the Contribution Agreement for reasons beyond the control of the Debtors.

(c) **The Backstop Commitment May Not be Obtained and the Backstop Commitment Letter May be Terminated**

The Backstop Commitment Letter is subject to specified conditions, and may be terminated under the conditions described above in "Rights Offering—Backstop Commitment." Since the Plan is predicated on the Debtors' receipt of the Rights Offering Proceeds, the Debtors will not be able to consummate the Plan in its current form if the Rights Offering is not fully subscribed and the Backstop Commitment Letter terminated.

(d) **The Debtors will be Subject to Business Uncertainties and Contractual Restrictions Prior to the Effective Date.**

Uncertainty about the effects of the Plan may have an adverse effect on the Debtors. These uncertainties may impair the Debtors' ability to retain and motivate key personnel and could cause vendors and others that deal with the Debtors to defer entering into contracts with the Debtors or making other decisions concerning the Debtors or seek to change existing business relationships with the Debtors. In addition, if key employees depart because of uncertainty about their future roles and the potential complexities of the Restructuring Transaction, the Debtors' businesses could be harmed.

(e) **There is Inherent Uncertainty in the Reorganized Debtor's Financial Projections and White Oak's Future Performance.**

The financial projections attached hereto as **Exhibit B** includes projections covering the Reorganized Debtor's operations through December 31, 2018. These projections are based on assumptions that are an integral part of the projections, including Confirmation and consummation of the Plan in accordance with its terms. These projections do not include any assumptions regarding income or loss related to the Reorganized Debtor's ownership of the Milagro Interest, which will be dependent on the future performance of White Oak, industry performance, general business and economic conditions, and other matters, many of which are beyond the control of the Debtors and the Reorganized Debtor. Ownership of the Milagro Interest may result in income or loss to the Reorganized Debtor, which could have a material impact on the Reorganized Debtor.

In addition, unanticipated events and circumstances occurring after the date hereof may affect the actual financial results of the Reorganized Debtor's and White Oak's operations. These variations may be material and may adversely affect the value of the Milagro Interests and the Equity Interests of the Reorganized Debtor. Because the actual results achieved may vary from projected results, perhaps significantly, the projections should not be relied upon as a guaranty or other assurance of the actual results that will occur.

(f) **Failure to Confirm and Consummate the Plan Could Negatively Impact the Debtors.**

If the Plan is not confirmed and consummated, the ongoing businesses of the Debtors may be adversely affected and there may be various consequences, including:

- the adverse impact to the Debtors' businesses caused by the failure to pursue other potential beneficial opportunities due to the focus on the Restructuring Transaction, without realizing any of the anticipated benefits of the Restructuring Transaction;
- the incurrence of substantial costs by the Debtors in connection with the Restructuring Transaction, without realizing any of the anticipated benefits of the Restructuring Transaction;
- the possibility for the Debtors being unable to repay indebtedness when due and payable; and
- the Debtors pursuing other chapter 11 or chapter 7 options resulting in recoveries for creditors and interest holders that are less than contemplated under the Plan, or resulting in no recovery for certain creditors and interest holders.

9.4 Business-Specific Risk Factors

(a) **Risk Factors Associated with White Oak's Business**

Following the effectuation of the distributions required pursuant to the Plan, including in respect of the Contribution Agreement Transaction, the Reorganized Debtor's primary asset will be the Milagro Interests in White Oak. The below subsections discuss risk factors that are or may be applicable to White Oak's business following the Effective Date of the Plan, which risk factors may also affect the Reorganized Debtor, whose sole business upon emergence will consist of its equity ownership in White Oak. In addition, these risks factors should be read in conjunction with the risk factors identified in section 9.4(b) with respect to the Debtors' assets which will be contributed to White Oak in the Contribution Agreement Transaction.

(1) **General Risks Associated with the Oil and Gas Industry.**

Risks associated with the oil and gas industry, within which the Debtors and White Oak operate, include, but are not limited to: (i) discovery, estimation, development and replacement of oil and gas reserves; (ii) decreases in proved reserves due to technical, economic or other factors; (iii) drilling of wells and other planned exploitation activities; (iv) adverse weather conditions; (v) timing and amount of future production of oil and gas; (vi) the volatility of oil and gas prices; (vii) operating costs; (viii) amount, nature and timing of capital expenditures, including future development; (ix) availability of drilling and production equipment; (x) cost and access to natural gas gathering, treatment and pipeline facilities; (xi) environmental hazards, such as natural gas leaks, oil spills and discharges of toxic gases; (xii) business strategy and the availability of acquisition opportunities; (xiii) equipment failure and accidents; and (xiv) other factors unknown at the time.

(2) **Oil and Gas Prices are Volatile, and a Decline in Oil and Gas Prices Would Reduce Revenues, Profitability and Cash Flow**

White Oak's revenues, profitability and cash flow depend substantially upon the prices and demand for oil and gas. The markets for oil and gas are volatile, and even relatively modest drops in price can have a significant impact on White Oak's financials. Prices for oil and gas fluctuate in response to relatively minor changes in supply and demand, market uncertainty and a variety of factors outside of White Oak's control, including, but not limited: (i) global supply of oil and gas; (ii) level of consumer demand; (iii) technological advances affecting consumption; (iv) global economic conditions; (v) price and availability of alternative fuels; (vi) actions of the Organization of Petroleum Exporting Countries and other state-controlled oil companies relating to oil price and production controls; (vii) governmental regulations and taxation; (viii) political conditions in or affecting other oil or gas-producing nations; (ix) weather conditions; (x) the proximity, capacity, cost and availability of pipeline and other transport facilities; and (xi) the impact of energy conservation efforts.

Lower oil and gas prices may not only decrease White Oak's revenues on a per unit basis, but significant or extended price declines may also reduce the amount of oil and gas that White Oak can produce economically. A reduction in production could result in a shortfall of expected cash flows and require White Oak to reduce capital spending or borrow funds to cover any such shortfall.

(3) **White Oak's Level of Indebtedness May Adversely Affect Its Cash Available for Operations.**

As of the Effective Date, White Oak will have approximately $220 million in outstanding indebtedness and approximately $30 million of available borrowing capacity. White Oak's level of indebtedness will have several important effects on its operation, including, but not limited to: (i) White Oak will dedicate a portion of its cash flow from operations to the payment of interest on its indebtedness and to the payment of its other current obligations and will not have that portion of cash flow available for other purposes; (ii) White Oak's debt agreements may limit its ability to borrow additional funds or dispose of assets and may affect its flexibility in planning for, and reacting to, changes in business conditions; (iii) White Oak's ability to obtain additional financing in the future for working capital, capital expenditures, acquisitions, general corporate purposes or other purposes may be impaired; (iv) White Oak may be more vulnerable to economic downturns and its ability to withstand sustained declines in oil and natural gas prices may be impaired; (v) White Oak's flexibility in planning for or reacting to changes in market conditions may be limited; and (vi) White Oak may be placed at a competitive disadvantage compared to its competitors that have less indebtedness.

(4) **The Instruments Governing White Oak's Indebtedness Contain Significant Operating and Financial Restrictions, Which May Prevent White Oak From Capitalizing on Business Opportunities and Taking Some Actions.**

The instruments governing White Oak's indebtedness contain customary restrictions on its activities, including, but not limited to, covenants that restrict or limit White Oak's and its affiliates' ability to: (i) incur additional indebtedness; (ii) pay dividends or other amounts on account of equity interests; (iii) create liens; (iv) effect mergers or consolidations; (v) sell or otherwise transfer assets; (vi) amend its corporate governance documents; (vii) utilize the proceeds of its financing facility; (viii) make certain types of investments; (ix) engage in certain transactions with affiliates; (x) enter into certain oil and gas hedge transactions; (xi) enter into certain operating leases; (xii) enter into certain commodity, interest rate, currency or other swap, option, collar and other derivative transactions; (xiii) acquire certain types of assets; (xiv) change its business or fiscal year; (xv) sell or discount its receivables; (xvi) enter into gas balancing agreements; (xvii) create additional subsidiaries; (xviii) prepay certain debt; (xix) issue equity; and (xx) open deposit or bank accounts.

(5) **White Oak's Development and Exploration Operations Require Substantial Capital, and Insufficient Cash Flow from Operations or an Inability to Obtain Needed Capital Could Result in a Loss of Properties and a Decline in Oil and Gas Reserves.**

The oil and gas industry is capital intensive. White Oak makes and expects to continue to make substantial capital expenditures in its business and operations for the exploration, development, production and acquisition of oil and gas reserves. In the past, White Oak has utilized cash flow from operations and access to the debt and equity markets to fund its capital requirements. White Oak's cash flow from operations and access to capital is subject to a number of variables, including, but not limited to: (i) the level of natural gas and crude oil it is able to produce from existing wells; (ii) White Oak's oil and gas reserves; (iii) uncertainties related to drilling and production operations; (iv) the selling prices of natural gas and crude oil; (v) the timing and amount of capital expenditures; (vi) White Oak's ability to control the development efforts, cost and timing of its operations; and (vii) White Oak's ability to acquire, locate and produce new reserves.

If White Oak's revenues decrease as a result of lower oil and gas prices, operating difficulties, declines in reserves or for any other reason or its capital expenditures increase as a result of operating difficulties, higher drillings costs or for any other reason, White Oak may have limited ability to generate sufficient cash flow from operations or obtain the capital necessary to sustain its operations at current levels or to further develop and exploit its current properties, or for exploratory activity. In order to fund its capital expenditures, White Oak may need to

seek additional financing. Any future indebtedness White Oak incurs may contain covenants restricting its ability to incur additional indebtedness without the consent of the lenders.

Furthermore, White Oak may not be able to obtain debt or equity financing in the future on favorable terms favorable, or at all. In addition, White Oak's existing debt upon consummation of the Restructuring Transaction contains restrictions on the incurrence of new debt. The failure to obtain additional financing could result in a curtailment of White Oak's operations relating to exploration and development of its prospects, which in turn could lead to a possible loss of properties and a decline in White Oak's gas and oil reserves.

(6) **If White Oak is Unable to Fulfill Commitments Under any of Its Oil and Gas Interests, White Oak Could Lose Its Interests and Its Entire Investment in Such Interest.**

White Oak's ability to retain oil and gas interests will depend on its ability to fulfill the commitments made with respect to each interest. White Oak cannot guarantee that it or other participants in the projects will have the financial ability to fund these potential commitments. If White Oak is unable to fulfill commitments under any of its interests, White Oak may lose its interest and its entire investment in such interest.

(7) **White Oak's Business Involves Many Uncertainties and Operating Risks that Can Prevent It from Realizing Profits and Can Cause Substantial Losses.**

White Oak's development activities may be unsuccessful for many reasons, including adverse weather conditions, cost overruns, equipment shortages, geological issues and mechanical difficulties. These operating risks may result in a loss or delay of cash flows from production or require additional capital expenditures. Moreover, the successful drilling of a natural gas or oil well does not assure White Oak will realize a profit on its investment. A variety of factors, both geological and market-related, can cause a well to become uneconomical or only marginally economical. In addition to their costs, unsuccessful wells may hinder White Oak's efforts to replace reserves.

White Oak's oil and natural gas exploration and production activities involve a variety of operating risks, including, but not limited to: (i) fires and explosions; (ii) blow-outs and surface cratering; (iii) uncontrollable flows of natural gas and oil; (iv) natural disasters; (v) inability to obtain insurance at reasonable rates; (vi) failure to receive payment on insurance claims in a timely manner, or the full amount claimed; (vii) pipe, cement or pipeline failures; (viii) casing collapses or failures; (ix) mechanical difficulties, such as lost or stuck oil field drilling and service tools; (x) abnormally pressured formations or rock compaction; and (xi) environmental hazards.

If White Oak experiences any of these problems, well bores, platforms, gathering systems and processing facilities could be affected, which could adversely affect its ability to conduct operations and receive the associated cash flows. White Oak could also incur substantial losses as a result of: (i) injury or loss of life; (ii) damage to or destruction of property, natural resources and equipment; (iii) pollution and other environmental damage; (iv) clean-up responsibilities; (v) regulatory investigation and penalties; (vi) suspension of operations; (vii) required repairs; and (viii) loss of reserves.

(8) **White Oak's Offshore Properties Involve Special Risks that Could Adversely Affect White Oak's Interests in Such Properties.**

White Oak owns working interests in certain offshore properties. Offshore operations are subject to a variety of operating risks specific to the marine environment, such as capsizing, collisions and damage or loss from hurricanes or other adverse weather conditions. These conditions can cause substantial damage to facilities and interrupt production. Offshore projects often lack proximity to the physical and oilfield service infrastructure, necessitating significant capital investment in subsea flow line infrastructure. Subsea tieback production systems require substantial time and the use of advanced and very sophisticated installation equipment supported by remotely operated vehicles. These operations may encounter mechanical difficulties and equipment failures that could result in significant cost overruns. In addition, such mechanical difficulties are more difficult, expensive and time consuming to fix in an offshore environment. As a result, a significant amount of time and capital must be invested before operators of these properties can market the associated oil or gas of a commercial discovery,

increasing both the financial and operational risk involved with these operations. Because of the lack and high cost of infrastructure, some offshore reserve discoveries may never be produced economically. The foregoing issues may keep White Oak from realizing profits on any of their offshore interests.

(9) **White Oak's Insurance May Not Protect It Against Business and Operating Risks.**

Oil and gas operations are subject to particular hazards incident to the drilling and production of oil and gas, such as blowouts, cratering, explosions, uncontrollable flows of oil, 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 operations. White Oak maintains insurance for some, but not all, of the potential risks and liabilities associated with its business. If a significant accident or other event resulting in damage to White Oak's operations, including severe weather, terrorist acts, war, civil disturbances, pollution or environmental damage, occurs and is not fully covered by insurance, it could adversely affect its financial condition and results of operations.

(10) **To Maintain and Grow Production and Cash Flow, White Oak Must Continue to Develop and Produce Existing Reserves and Discover or Acquire New Oil and Gas Reserves to Develop and Produce.**

White Oak's future oil and gas production is highly dependent upon its level of success in finding or acquiring additional reserves. Producing oil and gas reserves are generally characterized by declining production rates that vary depending on reservoir characteristics and other factors. White Oak's reserves will decline unless it acquires properties with proved reserves or conduct successful development and exploration drilling activities. White Oak accomplishes this through successful drilling programs and the acquisition of properties. However, White Oak may be unable to find, develop or acquire additional reserves or production at an acceptable cost or at all. Acquisition opportunities in the oil and gas industry are very competitive, which can increase the cost of, or cause White Oak to refrain from, pursuing acquisitions.

If White Oak is unable to find, develop or acquire additional reserves to replace its current and future production, its production rates will decline even if White Oak drills the undeveloped locations that were included in its estimated proved reserves. White Oak's future oil and gas reserves and production, and therefore its cash flow and income, are dependent on White Oak's success in economically finding or acquiring new reserves and efficiently developing its existing reserves.

(11) **White Oak's Expectations for Future Drilling and Development Activities will be Realized Over Several Years, Making them Susceptible to Uncertainties that Could Materially Alter the Occurrence or Timing of Such Activities.**

White Oak has identified drilling locations, prospects for future drilling opportunities and development plans for its commercial discoveries, including development, exploratory and other drilling and enhanced recovery activities. These drilling and development locations and prospects represent a significant part of White Oak's future drilling and development plans. White Oak's ability to drill and develop these locations depends on a number of factors, including the availability of capital, seasonal conditions, third-party operators, approval or other participants to drill wells and implement other work programs, availability of suitable drilling rigs, equipment and qualified operating personnel, regulatory approvals, negotiation of agreements with third parties, commodity prices, costs and drilling results. In particular, delays in obtaining regulatory approvals and operational issues can materially impact White Oak's ability to commence production at certain discovery sites which would materially impact its reserves, cash flow and results of operations. Furthermore, because of these uncertainties, White Oak cannot give any assurance as to the timing of these activities or that they will ultimately result in the realization of proved reserves or meet White Oak's expectations for success. As such, White Oak's actual drilling and enhanced recovery activities may materially differ from its current expectations, which could have a significant adverse effect on White Oak's financial condition and results of operations.

(12) **White Oak May Not Drill All of Its Potential Drilling Locations and Drilling Locations that It Decides to Drill May Not Yield Oil or Natural Gas in**

Commercially Viable Quantities or Quantities Sufficient to Meet Its Targeted Rate of Return.

White Oak's drilling locations are in various stages of evaluation, ranging from locations that are ready to be drilled to potential locations that will require substantial additional evaluation and interpretation. A decision to drill any specific well on White Oak's inventory of potential well locations may not be made for many years, if at all. If a decision is made to drill, White Oak cannot conclusively predict in advance of drilling and testing whether any particular drilling location will yield oil or natural gas in sufficient quantities to recover its drilling or completion costs or to be economically viable. White Oak's use of seismic data and other technologies and the study of producing fields in the same area will not enable it to know conclusively prior to drilling whether oil and natural gas will be present or, if present, whether oil and natural gas will be present in commercial quantities. The analysis that White Oak performs using data from other wells, more fully explored prospects and/or analogous producing fields may not be useful in predicting the characteristics and potential reserves associated with its drilling locations. As a result, White Oak may not find commercially viable quantities of oil and natural gas and, therefore, it may not achieve a targeted rate of return or have a positive return on investment.

(13) **The Marketability of White Oak's Oil and Natural Gas Production Depends, in Part, on Services and Facilities that White Oak Typically Does Not Own or Control. The Failure or Inaccessibility of Any Such Services or Facilities Could Affect Market Based Prices or Result in a Curtailment of Production and Revenues.**

The marketability of White Oak's oil and natural gas production depends in part upon the availability, proximity and capacity of oil and natural gas gathering and transportation systems, pipelines and processing facilities. In some instances, White Oak delivers oil at its leases under short-term trucking contracts. Counterparties to White Oak's short-term contracts rely on access to regional transportation systems and pipelines. If transportation systems or pipeline capacity is constrained, White Oak would be required to find alternative transportation modes, which would impact the market based price that it receives, or temporarily curtail production. In some instances, White Oak sells its natural gas production at the wellhead. The transportation of its natural gas may be interrupted due to capacity constraints on the applicable system, for maintenance or repair of the system, or for other reasons as dictated by the particular agreements. If any of the pipelines or other facilities that White Oak uses to transport its natural gas production become unavailable, it would be required to find a suitable alternative to transport and process the natural gas, which could increase White Oak's costs and reduce the revenues it might obtain from the sale of the natural gas.

(14) **White Oaks Relies on Independent Experts and Technical or Operational Service Providers Over Whom It May Have Limited Control.**

White Oak uses independent contractors to provide technical assistance and services. White Oak relies upon the owners and operators of rigs and drilling equipment, and upon providers of field services, to drill and develop its prospects to production. In addition, White Oak relies upon the services of other third parties to explore or analyze its prospects to determine a method in which the prospects may be developed in a cost-effective manner. White Oak's limited control over the activities and business practices of these providers, any inability on White Oak's part to maintain satisfactory commercial relationships with them or their failure to provide quality services could materially and adversely affect White Oak's business, results of operations and financial condition.

(15) **Reserve Estimates Depend on Many Assumptions that may Turn Out to be Inaccurate and any Material Inaccuracies in the Reserve Estimates or Underlying Assumptions of White Oak's Assets Will Materially Affect the Quantities and Present Value of Those Reserves.**

Estimating oil and gas reserves is complex and inherently imprecise. It requires interpretation of the available technical data and making many assumptions about future conditions, including price and other economic factors. In preparing such estimates, projection of production rates, timing of development expenditures and available geological, geophysical, production and engineering data are analyzed. The extent, quality and reliability of these data can vary. This process also requires economic assumptions about matters such as oil and gas prices, drilling and operating expenses, capital expenditures, taxes and availability of funds. If White Oak's or its

independent engineer's interpretations or assumptions used in arriving at its reserve estimates prove to be inaccurate, the amount of oil and gas that will ultimately be recovered may differ materially and adversely from the estimated quantities and net present value of reserves owned by White Oak.

Certain of White Oak's proved reserve estimates have been prepared by Cawley, Gillespie and Associates ("Cawley"), an independent consulting petroleum engineering firm. In conducting their evaluations, Cawley's engineers and geologists evaluate certain of White Oak's properties and independently develop proved reserve estimates. White Oak's actual results could vary materially from these estimated quantities of proved oil and natural gas reserves (in the aggregate and for a particular location), production, revenues, taxes and development and operating expenditures. In addition, these estimates of net proved reserves may be subject to downward or upward revision based upon production history, results of future exploration, exploitation and development, prevailing oil and natural gas prices, operating and development costs and other factors.

(16) **Actual Production Could Differ Significantly from Forecasts.**

From time to time White Oak provides forecasts of expected quantities of future oil and gas production. These forecasts are based on a number of estimates, including expectations of production decline rates from existing wells, outcomes from future drilling activity and assumptions relating to ongoing operations and maintenance of producing wells. Should these estimates prove inaccurate, actual production could be adversely impacted. Furthermore, downturns in commodity prices could make certain drilling activities or production uneconomical, which would also adversely impact production. White Oak may also adjust estimates of proved reserves to reflect production history, results of exploration and development, prevailing oil and gas prices and other factors, many of which are beyond White Oak's control.

(17) **A Portion of White Oak's Total Estimated Net Proved Reserves as of December 31, 2014 were Undeveloped and those Reserves May Not Ultimately be Developed.**

As of December 31, 2014, approximately 33% of White Oak's total estimated net proved reserves were undeveloped. Recovery of undeveloped reserves may require significant capital expenditures. White Oak's reserve data assumes that White Oak can and will make these expenditures and conduct these operations successfully. These assumptions, however, may not prove correct. If White Oak chooses not to spend the capital to develop these reserves or, if it is not otherwise able to successfully develop these reserves, White Oak may be required to write-off these reserves. Any such write-offs of White Oak's reserves could materially reduce its ability to borrow money and the value of its membership interests.

(18) **White Oak may be Unable to Make Attractive Acquisitions and any Acquisition It Completes is Subject to Substantial Risks that Could Impact Its Business.**

As part of its growth strategy, White Oak intends to continue to pursue strategic acquisitions of new properties or businesses that expand its current asset base and potentially offer unexploited reserve potential. White Oak's growth strategy could be impeded if it is unable to acquire additional interests in oil and gas prospects on a profitable basis. Acquisition opportunities in the oil and gas industry are very competitive, which can increase the cost of, or cause White Oak to refrain from, completing acquisitions. The success of any acquisition will depend on a number of factors and involves potential risks, including, but not limited to: (i) the inability to estimate accurately the costs to develop the interests in oil and gas prospects, the recoverable volumes of reserves, rates of future production and future net cash flows attainable from reserves; (ii) the assumption of unknown liabilities, losses or costs for which White Oak is not indemnified of for which the indemnity is not adequate; (iii) the validity of assumptions about costs, including synergies; (iv) the impact on White Oak's liquidity or financial leverage of using available cash or debt to finance acquisitions; (v) the diversion of management's attention from other business concerns; and (vi) an inability to hire, train or retrain qualified personnel to manage and operate growing business and assets.

All of these factors affect whether an acquisition will ultimately generate cash flows sufficient to provide a suitable return on investment. Consistent with industry practices, White Oak typically is only able to perform limited reviews of the properties it seeks to acquire. As a result, among other risks, White Oak's initial estimates of

reserves, and the costs associated with developing those estimated reserves, may be subject to revision following an acquisition, which may materially and adversely impact the desired benefits of the acquisition.

(19) **Economic Conditions in the U.S. and Key International Markets may Materially Adversely Impact White Oak's Operating Results, Which Could Hinder or Prevent White Oak from Meeting Its Capital Needs.**

Global economic growth drives demand for energy from all sources, including fossil fuels, and consequently, a lower future economic growth rate will result in decreased demand growth for White Oak's crude oil and natural gas production as well as lower commodity prices, which will reduce White Oak's cash flows from operations and its profitability and may adversely affect White Oak's ability to obtain funding for its projects.

Due to these and other factors, White Oak cannot be certain that funding will be available if needed, and to the extent required, on acceptable terms or at all. If funding is not available as needed, or is available only on unfavorable terms, White Oak may be unable to (i) meet its obligations as they come due, or (ii) implement its capital program, enhance its existing business, complete acquisitions or otherwise take advantage of business opportunities or respond to competitive pressures, any of which could have a material adverse effect on White Oak's production, revenues, results of operations and prospects.

(20) **Competition for Oil and Gas Properties and Prospects is Intense and Some of White Oak's Competitors have Larger Financial, Technical and Personnel Resources That Give Them an Advantage in Evaluating, Obtaining and Developing Properties and Prospects.**

White Oak operates in a highly competitive environment for reviewing prospects, acquiring properties, marketing oil and gas and securing trained personnel. Many of White Oak's competitors are major or independent oil and gas companies that have longer operating histories in the relevant areas of operation and employ superior financial resources which allow them to obtain substantially greater technical and personnel resources and which better enable them to acquire and develop the prospects that they have identified. White Oak also actively competes with other companies when acquiring new licenses or oil and gas properties. Specifically, competitors with greater resources than White Oak have certain advantages that are particularly important in reviewing prospects and purchasing properties. Competitors may be able to evaluate, bid for and purchase a greater number of properties and prospects than White Oak's financial or personnel resources permit. Competitors may also be able to pay more for producing oil and gas properties and exploratory prospects than White Oak is able or willing to pay. If White Oak is unable to compete successfully in these areas in the future, its future revenues and growth may be diminished or restricted.

These competitors may also be better able to withstand sustained periods of unsuccessful drilling or downturns in the economy, including decreases in the price of commodities. Larger competitors may also be able to absorb the burden of any changes in laws and regulations more easily than White Oak can, which would also adversely affect its competitive position. In addition, most of White Oak's competitors have been operating for a much longer time and have demonstrated the ability to operate through industry cycles.

(21) **White Oak is Dependent on Its Executive Officers and Needs to Attract and Retain Additional Qualified Personnel.**

White Oak's future success depends in large part on the service of its executive officers. The loss of these executives could have a material adverse effect on White Oak's business. Although White Oak has employment agreements with certain of White Oak's executive officers, there can be no assurance that it will have the ability to retain their services. White Oak maintains key-person life insurance on certain of its executive officers.

White Oak's future success also depends upon its ability to attract, assimilate and retain highly qualified technical and other management personnel who are essential for the identification and development of White Oak's prospects. There can be no assurance that White Oak will be able to attract, integrate and retain key personnel, and its failure to do so would have a material adverse effect on its business.

(22) **White Oak is Not the Operator of All of Its Oil and Natural Gas Properties and Therefore is Not in a Position to Control the Timing of Development Efforts, the Associated Costs or the Rate of Production of the Reserves on Such Properties.**

White Oak does not operate all of its properties. As a result, it may have limited ability to exercise influence over the operations of some non-operated properties or their associated costs. Dependence on the operator and other working interest owners for these projects, and limited ability to influence operations and associated costs could prevent the realization of targeted returns on capital in drilling or acquisition activities. The success and timing of development and exploitation activities on properties operated by others depend upon a number of factors that will be largely outside of White Oaks control, including, but not limited to: (i) the timing and amount of capital expenditures; (ii) the availability of suitable drilling equipment, production and transportation infrastructure and qualified operating personnel; (iii) the operator's expertise and financial resources; (iv) approval of other participants in drilling wells; (v) selection of technology; and (vi) the rate of production of the reserves.

In addition, when White Oak is not the majority owner or operator of a particular oil or natural gas project, if it is not willing or able to fund its capital expenditures relating to such projects when required by the majority owner or operator, White Oak's interests in these projects may be reduced or forfeited.

(23) **White Oak's Use of Derivative Transactions May Limit Future Revenues From the Price Increases and Involves the Risk that White Oak's Counterparties May be Unable to Satisfy Their Obligations.**

To manage its exposure to price risk with its production, White Oak may enter into commodity derivative contracts. The goal of these derivative contracts is to limit volatility and increase the predictability of cash flow. Although the use of derivative contracts limits the downside risk of price declines, their use also may limit future revenues from price increases. In addition, derivative contracts may expose White Oak to the risk of financial loss in certain circumstances, including instances in which its production is less than expected or a sudden, unexpected event materially impacts oil or gas prices.

Derivative contracts also involve the risk that counterparties, which generally are financial institutions, may be unable to satisfy their obligations to White Oak. If any one of White Oak's counterparties were to default on its obligations under the derivative contracts or seek bankruptcy protection, it could have a material adverse effect on White Oak's expected cash flows and its ability to fund its planned activities and could result in a larger percentage of White Oak's future production being subject to commodity price changes. In addition, in the current economic environment and tight financial markets, the risk of a counterparty default is heightened and it is possible that fewer counterparties will participate in future derivative transactions, which could result in greater concentration of White Oak's exposure to any one counterparty or a larger percentage of its future production being subject to commodity price changes.

(24) **White Oak is Subject to Environmental Regulations that can have a Significant Impact on Its Operations**

White Oak's operations are subject to a variety of national, state, local and international laws and regulations governing the emission and discharge of materials into the environment or otherwise relating to environmental protection. Failure to comply with these laws and regulations can result in the imposition of substantial fines and penalties as well as potential orders suspending or terminating White Oak's rights to operate. Some environmental laws to which White Oak is subject provide for strict liability for pollution damages and cleanup costs, rendering a person liable without regard to negligence or fault on the part of such person. In addition, White Oak may be subject to claims alleging personal injury or property damage as a result of alleged exposure to hazardous substances such as oil and gas related products. Aquatic environments in which White Oak operates are often particularly sensitive to environmental impacts, which may expose White Oak to greater potential liability than that associated with exploration, development and production at many onshore locations. Under certain environmental laws and regulations, White Oak could be subject to liability arising out of the conduct of operations or conditions caused by others, or for activities that were in compliance with all applicable laws at the time they were performed. Such liabilities can be significant, and if imposed could have a material adverse effect on White Oak's financial condition or results of operations. In addition, current and future environmental regulations,

including restrictions on GHG emissions of due to concerns about climate change, could reduce the demand for White Oak's products. White Oak's business, financial condition and results of operations could be materially and adversely affected if this were to occur.

Changes in environmental laws and regulations occur frequently, and any changes that result in more stringent or costly requirements for oil and gas exploration and production activities could require White Oak, as well as others in its industry, to make significant expenditures to attain and maintain compliance which could have a corresponding material adverse effect on White Oak's competitive position, financial condition or results of operations. White Oak cannot provide assurance that it will be able to comply with future laws and regulations to the same extent that it has complied in the past. Similarly, White Oak cannot always precisely predict the potential impact of environmental laws and regulations which may be adopted in the future, including whether any such laws or regulations would restrict White Oak's operations in any area.

(25) **Governmental Regulations to Which White Oak is Subject Could Expose White Oak to Significant Fines and/or Penalties and Its Cost of Compliance With Such Regulations Could be Substantial.**

Oil and gas exploration, development and production are subject to various types of regulation by local, state and national agencies. Regulations and laws affecting the oil and gas industry are comprehensive and under constant review for amendment and expansion. These regulations and laws carry substantial penalties for failure to comply. The regulatory burden on the oil and gas industry increases White Oak's cost of doing business and, consequently, adversely affects its profitability. In addition, competitive conditions may be substantially affected by various forms of energy legislation and/or regulation considered from time to time by the governments and/or agencies thereof.

(26) **Climate Change Legislation or Regulations Restricting Emissions of "Greenhouse Gases" Could Result in Increased Operating Costs and Reduced Demand for Crude Oil and Natural Gas.**

There are a number of programs at the international, national, and local levels that aim to reduce GHG emissions. Changes to the existing laws or the enactment of new laws and regulations could increase White Oak's operating costs and reduce demand for its products.

In the U.S., in response to findings that emissions of carbon dioxide, methane and other GHGs, present an endangerment to public health and the environment, the EPA has adopted regulations under existing provisions of the federal Clean Air Act that, among other things, establish PSD construction and Title V operating permit reviews for certain large stationary sources. Facilities required to obtain PSD permits for their GHG emissions also will be required to meet "best available control technology" standards that will be established by the states or, in some cases, by the EPA on a case-by-case basis. These EPA rulemakings could adversely affect White Oak's operations and restrict or delay White Oak's ability to obtain air permits for new or modified sources. In addition, the EPA has adopted rules requiring the monitoring and reporting of GHG emissions from specified onshore and offshore oil and gas production sources in the United States on an annual basis, which include certain of White Oak's operations. More recently, in January 2015, the Obama Administration announced that the EPA is expected to propose in the summer of 2015 new regulations that will set methane emission standards for new and modified oil and gas production and natural gas processing and transmission facilities as part of the Administration's efforts to reduce methane emissions from the oil and gas sector by up to 45 percent from 2012 levels by 2025.

While Congress has from time to time considered legislation to reduce emissions of GHGs, there has not been significant activity in the form of adopted legislation to reduce GHG emissions at the federal level in recent years. In the absence of such federal climate legislation, a number of state and regional efforts have emerged that are aimed at tracking and/or reducing GHG emission by means of cap and trade programs that typically require major sources of GHG emissions to acquire and surrender emission allowances in return for emitting those GHGs. Although it is not possible at this time to predict how legislation or new regulations that may be adopted to address GHG emissions would impact White Oak's business, any such future laws and regulations imposing reporting obligations on, or limiting emissions of GHGs from, White Oak's equipment and operations could require White Oak to incur costs to reduce emissions of GHGs associated with its operations. Substantial limitations on

GHG emissions could also adversely affect demand for the oil and natural gas White Oak produces. Finally, it should be noted that some scientists have concluded that increasing concentrations of GHGs in the Earth's atmosphere may produce climate changes that have significant physical effects, such as increased frequency and severity of storms, floods and other climatic events; if any such effects were to occur, they could have an adverse effect on White Oak's exploration and production operations.

(27) **The Enactment of Derivatives Legislation Could Have an Adverse Effect on White Oak's Ability to Use Derivative Instruments to Reduce the Effect of Commodity Price, Interest Rate and Other Risks Associated with White Oak's Business.**

On July 21, 2010, new comprehensive financial reform legislation, known as the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Act"), was enacted that established federal oversight and regulation of the over-the-counter derivatives market and entities, such as us, that participate in that market. The Act requires the U.S. Commodity Futures Trading Commission ("CFTC"), the SEC and other regulators to promulgate rules and regulations implementing the new legislation. In its rulemaking under the Act the CFTC has issued final regulations to set position limits for certain futures and option contracts in the major energy markets and for swaps that are their economic equivalents. Certain bona fide hedging transactions would be exempt from these position limits. The position limits rule was vacated by the United States District Court for the District of Colombia in September of 2012 although the CFTC has stated that it will appeal the District Court's decision. The CFTC also has finalized other regulations, including critical rulemakings on the definition of "swap," "security-based swap," "swap dealer" and "major swap participant." The Act and CFTC Rules also will require White Oak in connection with certain derivatives activities to comply with clearing and trade-execution requirements (or take steps to qualify for an exemption to such requirements). In addition new regulations may require White Oak to comply with margin requirements although these regulations are not finalized and their application to White Oak is uncertain at this time. Other regulations also remain to be finalized, and the CFTC recently has delayed the compliance dates for various regulations already finalized. As a result, it is not possible at this time to predict with certainty the full effects that the Act and CFTC rules will have on White Oak and the timing of such effects. The Act also may require the counterparties to White Oak's derivative instruments to spin off some of their derivatives activities to separate entities, which may not be as creditworthy as the current counterparties.

The Act and any new regulations could significantly increase the cost of derivative contracts (including from swap recordkeeping and reporting requirements and through requirements to post collateral which could adversely affect White Oak's available liquidity), materially alter the terms of derivative contracts, reduce the availability of derivatives to protect against risks White Oak encounters, reduce White Oak's ability to monetize or restructure its existing derivatives contract, and increase its exposure to less creditworthy counterparties. If White Oak reduces its use of derivatives as a result of the Act and regulations, White Oak's results of operations may become more volatile and its cash flows may be less predictable, which could adversely affect its ability to plan for and fund capital expenditures. Finally, the Act was intended, in part, to reduce the volatility of oil and natural gas prices, which some legislators attributed to speculative trading in derivatives and commodity instruments related to oil and natural gas. White Oak's revenues could therefore be adversely affected if a consequence of the Act and regulations is to lower commodity prices. Any of these consequences could have a material adverse effect on White Oak's business, financial condition, and results of operations.

(28) **Certain Federal Income Tax Deductions Currently Available with Respect to Oil and Natural Gas Exploration and Development may be Eliminated as a Result of Proposed Legislation.**

Legislation has been proposed that would, if enacted into law, make significant changes to U.S. federal income tax laws, including the elimination of certain key U.S. federal income tax incentives currently available to oil and natural gas exploration and production companies. These changes include, but are not limited to, (i) the repeal of the percentage depletion allowance for oil and natural gas properties, (ii) the elimination of current deductions for intangible drilling and development costs, (iii) the elimination of the deduction for certain domestic production activities, and (iv) an extension of the amortization period for certain geological and geophysical expenditures. It is unclear whether these or similar changes will be enacted and, if enacted, how soon any such changes could become effective. The passage of this legislation or any other similar changes in U.S. federal income tax laws could eliminate or postpone certain tax deductions that are currently available with respect to oil and

natural gas exploration and development, and any such change could have a material, adverse effect on White Oak, its financial condition and results of operations.

(b) **<u>Risk Factors Associated With the Contributed Assets and the Combination With White Oak</u>**

The Contribution Agreement provides that the Debtors will contribute to White Oak substantially all of the Debtors' oil and gas assets. The below subsections discuss potential risk factors related to the Debtors' contributed assets and their incorporation into White Oak's business.

(1) **The Debtors' Offshore Properties Involve Special Risks that Could Adversely Affect White Oak's Interests in Such Properties.**

Certain of the Debtors' contributed Assets are offshore oil and gas working interests. See 9.4(a)(8) for a discussion of risks associated with offshore oil and gas properties.

(2) **Potential Drilling Locations Provided by the Debtors May Not Yield Oil or Natural Gas in Commercially Viable Quantities or Quantities Sufficient to Meet White Oak's Targeted Rate of Return.**

The Debtors' drilling locations are in various stages of evaluation, ranging from locations that are ready to be drilled to potential locations that will require substantial additional evaluation and interpretation. A decision to drill any specific well on the Debtors' inventory of potential well locations may not be made for many years, if at all. If a decision is made to drill on any of the Debtors' contributed Assets, White Oak cannot conclusively predict in advance of drilling and testing whether any particular drilling location will yield oil or natural gas in sufficient quantities to recover its drilling or completion costs or to be economically viable. The use of seismic data and other technologies and the study of producing fields in the same area will not enable White Oak to know conclusively prior to drilling whether oil and natural gas will be present or, if present, whether oil and natural gas will be present in commercial quantities. Analysis using data from other wells, more fully explored prospects and/or analogous producing fields may not be useful in predicting the characteristics and potential reserves associated with these drilling locations. As a result, White Oak may not find commercially viable quantities of oil and natural gas associated with the Assets provided by the Debtors pursuant to the Contribution Agreement and, therefore, White Oak may not achieve a targeted rate of return or have a positive return on investment.

(3) **Reserve Estimates Depend on Many Assumptions; that May Turn Out to be Inaccurate and any Material Inaccuracies in the Reserve Estimates or Underlying Assumptions of the Debtors' Contributed Assets Will Materially Affect the Quantities and Present Value of Those Reserves.**

Estimating oil and gas reserves is complex and inherently imprecise.

The Debtors' proved reserve estimates have been prepared by W.D. Von Gonten & Co., an independent consulting petroleum engineering firm.

For a complete description of risks associated with reserve estimates, see 9.4(a)(15).

(4) **A Portion of the Debtors' Total Estimated Net Proved Reserves as of December 31, 2014 were Undeveloped and those Reserves May Not Ultimately be Developed.**

As of December 31, 2014, approximately 44.1% of the Debtors' total estimated net proved reserves were undeveloped. Recovery of undeveloped reserves may require significant capital expenditures. The Debtors' reserve data assumes that White Oak can and will make these expenditures and conduct these operations successfully. These assumptions, however, may not prove correct. Similar to the currently undeveloped properties of White Oak, if White Oak chooses not to spend the capital to develop these reserves or, if it is not otherwise able to successfully develop these reserves, White Oak may be required to write-off these reserves. Any such write-offs

of these reserves could materially reduce White Oak's ability to borrow money and the value of the Milagro Interests.

(5) **If White Oak is Unable to Fulfill Commitments Under any of the Oil and Gas Interests Obtained From the Debtors, White Oak Could Lose These Interests.**

White Oak's ability to retain oil and gas interests contributed by the Debtors will depend on its ability to fulfill the commitments made with respect to each interest. White Oak cannot guarantee that it or other participants in the projects will have the financial ability to fund these potential commitments. If White Oak is unable to fulfill commitments under any of these obtained interests, White Oak may lose its interest and any investment in such interest.

(6) **The Debtors Are Not the Operators of All of Their Oil and Natural Gas Properties and Therefore White Oak Will Not Be in a Position to Control the Timing of Development Efforts, the Associated Costs or the Rate of Production of the Reserves on Such Properties.**

The Debtors do not operate all of their properties. As of the Petition Date, the Debtors operated approximately 67% of their properties. As a result, following the Debtors' contribution of such properties, White Oak may have limited ability to exercise influence over the operations of some non-operated properties or their associated costs. Dependence on the operator and other working interest owners for these projects, and limited ability to influence operations and associated costs could prevent the realization of targeted returns on capital in drilling or acquisition activities. The success and timing of development and exploitation activities on properties operated by others depend upon a number of factors that will be largely outside of White Oak's control, including, but not limited to: (i) the timing and amount of capital expenditures; (ii) the availability of suitable drilling equipment, production and transportation infrastructure and qualified operating personnel; (iii) the operator's expertise and financial resources; (iv) approval of other participants in drilling wells; (v) selection of technology; and (vi) the rate of production of the reserves.

In addition, when White Oak is not the majority owner or operator of a particular oil or natural gas project obtained from the Debtors, if it is not willing or able to fund its capital expenditures relating to such projects when required by the majority owner or operator, White Oak's interests in these projects may be reduced or forfeited.

(7) **Certain of the Debtors' Properties are Located in Regions Which Will Make White Oak Vulnerable to Risks Associated With Operating in a Major Contiguous Geographic Area, Including the Risk and Related Costs of Damage or Business Interruptions from Hurricanes.**

The Debtors' oil and gas properties are primarily located onshore and in state and federal waters along the Texas and Louisiana Gulf Coast region of the United States. As a result of this geographic concentration, the Debtors have been disproportionately affected by any delays or interruptions in production or transportation in these areas caused by governmental regulation, transportation capacity constraints, natural disasters, regional price fluctuations and other factors. This is particularly true of the Debtors' inland water drilling and offshore operations, which are susceptible to hurricanes and other tropical weather disturbances. Such disturbances have affected the Debtors' business in the past and may or will in the future have any or all of the following adverse effects on White Oak's business: (i) interruptions to White Oak's operations as it suspends production in advance of an approaching storm; (ii) damage to White Oak's facilities and equipment, including damage that disrupts or delays it production; (iii) disruption to the transportation systems that White Oaks relies upon to deliver its products to its customers; and (iv) damage to or disruption of White Oak's customers' facilities that prevent them from taking delivery of White Oak's products.

(8) **Certain of the Debtors' Undeveloped Leasehold Acreage is Subject to Leases That Will Expire Over the Next Several Years Unless Production is Established On Units Containing the Acreage or the Leases Are Extended.**

Certain of the Debtors' undeveloped leasehold acreage is subject to leases that will expire unless production in paying quantities is established during their primary terms or an extension is obtained. The drilling plans for this undeveloped leasehold acreage is subject to various factors, including drilling results, oil and natural gas prices, the availability and cost of capital, drilling and production costs, availability of drilling services and equipment, gathering system and pipeline transportation constraints and regulatory approvals. If these leases expire, White Oak will lose its right to develop the related properties on this acreage. As of the Petition Date, the Debtors had leases representing 27.22 net acres expiring in 2015, 9,948.48 net acres expiring in 2016, and 25,212.44 net acres expiring in 2017.

(9) **White Oak May Be Unable to Successfully Integrate the Properties and Assets They Acquire From the Debtors With Their Existing Operations.**

Integration of the Assets contributed by the Debtors pursuant to the Contribution Agreement may be a complex, time consuming and costly process. Failure to timely and successfully integrate these Assets and properties with White Oak's operations may have a material adverse effect on White Oak's business, financial condition and results from operations. The difficulties of integrating these Assets and properties present numerous risks, including, but not limited to: (i) Assets provided by the Debtors may prove unprofitable and fail to generate anticipated cash flows; (ii) White Oak may need to (a) recruit additional personnel, and cannot be certain its recruiting efforts will succeed and (b) expand corporate infrastructure to facilitate the integration of White Oak's operations with the Debtors' Assets and properties, and failure to do so may lead to disruptions in White Oak's ongoing business or distract its management; (iii) White Oak's management's resources may be diverted from other business concerns; (iv) greater than expected costs and expenses of integration of the contributed Assets; and (v) certain systems and technical incompatibilities. White Oak may also be exposed to risks that are commonly associated with acquisitions of new oil and gas properties, such as unanticipated liabilities and costs, some of which may be material. As a result, the anticipated benefits of acquiring the contributed Assets and properties may not be full realized, it at all.

9.5 Risks Related to Securities Issued in Connection with Plan

(a) **Risks Relating to the Milagro Interests to be Issued to the Reorganized Debtor Under the Contribution Agreement**

(1) **No public markets for the Milagro Interests are currently present, and lack of the development of a public market could result in the Milagro Interests being difficult or impossible to trade. Other uncontrollable market factors could also negatively affect the value of the Milagro Interests.**

The Milagro Interests to be issued pursuant to the Contribution Agreement are securities for which there is currently no market, and there can be no assurance as to the development or liquidity of any market for the Milagro Interest. If a trading market does not develop or is not maintained, the Reorganized Debtor may experience difficulty in reselling the Milagro Interests or may be unable to sell it at all. Even if such a market were to exist, such securities could trade at prices higher or lower than the estimated value set forth in this Disclosure Statement depending upon many factors, including, without limitation, prevailing interest rates, markets for similar securities, industry conditions and the performance of White Oak.

Furthermore, any market for equity interest in White Oak that does develop may be volatile.

(2) **The Milagro Interests will be governed by the Second Amended and Restated Company Agreement for White Oak, which contains certain restrictions and allows for the possibility of dilution of the Reorganized Debtor's interest in White Oak.**

The Reorganized Debtor's rights with respect to the Milagro Interests are subject to the terms and conditions of the Second Amended and Restated Company Agreement for White Oak. As a result, the Reorganized Debtor's rights with respect to White Oak may be limited by contract. In addition, the Reorganized Debtor may be required to transfer its interests pursuant to certain drag along rights included therein.

The Reorganized Debtor's equity interest in White Oak could be diluted as a result of certain transactions involving White Oak's equity including a equity financing or other sale by White Oak of securities in which Milagro fails to purchase a *pro rata* portion of such securities, certain acquisition transactions involving White Oak, preemptive rights afforded to certain equity holders and other transactions relating to the sale of White Oak equity.

(3) **The Reorganized Debtor may only hold a minority interest in White Oak.**

It is currently contemplated that the Milagro Interests will represent less than a controlling stake in White Oak. As a result, the Reorganized Debtor may be limited in its ability to influence the business of White Oak and may be subject to the decisions made by holders controlling a majority of the equity interest in White Oak.

(b) **Risks Relating to the Equity Interests in the Reorganized Debtor to be Issued Under the Plan**

(1) **No public markets for the New Holdings Units are currently present, and lack of the development of a public market could result in the New Holdings Units being difficult or impossible to trade. Other uncontrollable market factors could also negatively affect the value of the New Holdings Units.**

The New Holdings Units to be issued pursuant to the Plan are securities for which there is currently no market, and there can be no assurance as to the development or liquidity of any market for the New Holdings Units. If a trading market does not develop or is not maintained, holders of the New Holdings Units may experience difficulty in reselling such securities or may be unable to sell them at all. Even if such a market were to exist, such securities could trade at prices higher or lower than the estimated value set forth in this Disclosure Statement depending upon many factors, including, without limitation, prevailing interest rates, markets for similar securities, industry conditions and the performance of White Oak and the Reorganized Debtor.

Furthermore, Persons to whom the New Holdings Units are issued pursuant to the Plan may prefer to liquidate their investments rather than hold such securities on a long-term basis. Accordingly, any market that does develop for such securities may be volatile.

(2) **The New Holdings Units could be subject to future dilution and, as a result, could decline in value.**

In the future, additional equity financings or other share issuances of equity interests in the Reorganized Debtor could adversely affect the market price of the New Holdings Units. Sales by existing holders of a large number of the New Holdings Units in the public market, or the perception that additional sales could occur, could affect the market price of the New Holdings Units.

(3) **The Reorganized Debtor May Be Controlled by Significant Holders.**

Under the Plan, Holders of Allowed Notes Claims shall receive the New Holdings Units, and, in connection therewith, will be automatically bound by the terms of the New Milagro LLC operating agreement without any requirement to become a signatory thereto. A holder of a significant amount of New Holdings Units, or a number of holders acting as a group, might be in a position to control the actions of the Reorganized Debtor and possibly White Oak, which may not be in the interest of the other holders of equity holders. In addition, the Consenting Noteholders shall be entitled to select the members of the new board of managers of the Reorganized Debtor. It is

further expected that the New Milagro LLC operating agreement could limit transfers of New Holdings Units by the holders thereof and include other provisions related to the New Holdings Units, such as customary drag along rights.

(4) **Certain Holders of New Holdings Units May be Restricted in Their Ability to Transfer or Sell Their Securities.**

To the extent that the offer and sale of the Reorganized Debtor Common Stock and New Holdings Units issued under the Plan is covered by Bankruptcy Code section 1145(a)(1), the New Holdings Units (that were immediately exchanged on a one for one basis with the Reorganized Debtor Common Stock) may be resold by the holders thereof without registration under the Securities Act, *provided that* the holder is not an "underwriter" as defined in Bankruptcy Code section 1145(b) with respect to such securities. Resales by Persons who receive New Holdings Units pursuant to the Plan that are deemed to be "underwriters" would not be exempted from registration under the Securities Act by Bankruptcy Code section 1145. Such Persons only would be permitted to resell the New Holdings Units without registration if they are able to comply with an applicable exemption from registration, which would be the case in connection with a resale transaction satisfying the conditions to Rule 144 under the Securities Act.

9.6 Disclosure Statement Disclaimer

(a) **Information Contained Herein is for Soliciting Votes**

The information contained in this Disclosure Statement is for the purpose of soliciting acceptances of the Plan and may not be relied upon for any other purpose.

(b) **Disclosure Statement Was Not Approved by the SEC or Any Federal State or Local Regulatory Authority**

This Disclosure Statement was not filed with or reviewed by the SEC or with any other securities regulatory authority of any state under any Blue Sky Laws. The SEC, like any party in interest, will be given an opportunity to object to the adequacy of this Disclosure Statement before the Bankruptcy Court approves it. The securities to be issued on or after the Effective Date will not have been the subject of, or registered pursuant to, a registration statement filed with the SEC. The plan has not been approved or disapproved by the SEC, any other securities regulatory authority, or any state securities commission, and neither the sec nor any federal, state or local regulatory authority has passed upon the accuracy or adequacy of this disclosure statement, or the exhibits or the statements contained herein. Any representation to the contrary is a criminal offense. This Disclosure Statement does not constitute an offer or solicitation in any state or other jurisdiction in which such offer or solicitation is not authorized.

(c) **Disclosure Statement May Contain Forward Looking Statements**

This Disclosure Statement may contain "forward looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, as amended. Such statements consist of any statement other than a recitation of historical fact and can be identified by the use of forward looking terminology such as "may," "will," "expect," "should," "could," "intend," "plan, " "believe," "predict," "anticipate," "estimate," or "continue," the negative thereof, or other variations thereon or comparable terminology.

The Debtors consider all statements regarding anticipated or future matters, including the following, to be forward-looking statements:

- any future effects as a result of the filing or pendency of the Chapter 11 Cases;
- growth opportunities for existing products and services;

- financing plans;
- competitive position;
- business strategy;
- budgets;
- projected cost reductions;
- projected and estimated liability costs, including tort, and environmental costs and costs of environmental remediation;
- results of litigation;
- disruption of operations;
- contractual obligations;
- projected general market conditions;
- plans and objectives of management for future operations; and
- the Debtors' expected future financial position, liquidity, results of operations, profitability, and cash flows.

Statements concerning these and other matters are not guarantees of the Debtors' or any other entity's future performance. The reader is cautioned that all forward-looking statements are necessarily speculative. The valuation information, the liquidation analysis, the recovery projections and other information contained herein and attached hereto are estimates only, and the timing and amount of actual distributions to holders of Allowed Claims may be affected by many factors that cannot be predicted. Forward-looking statements represent the Debtors' estimates and assumptions only as of the date such statements were made. There are risks, uncertainties, and other important factors that could cause the Debtors' actual performance or achievements to be materially different from those they may project, and the Debtors undertake no obligation to update any such statement.

(d) **No Legal or Tax Advice Is Provided to You by This Disclosure Statement**

THIS DISCLOSURE STATEMENT IS NOT LEGAL ADVICE TO YOU. The contents of this Disclosure Statement should not be construed as legal, business, or tax advice. Each holder of a Claim should consult his or her own legal counsel and accountant with regard to any legal, tax, and other matters concerning his or her Claim. This Disclosure Statement may not be relied upon for any purpose other than to determine how to vote on the Plan or object to Confirmation.

(e) **No Admissions Made**

The information and statements contained in this Disclosure Statement will neither (1) constitute an admission of any fact or liability by any entity (including the Debtors) nor (2) be deemed evidence of the tax or other legal effects of the Plan on the Debtors, holders of Allowed Claims or Interests, or any other parties-in-interest.

(f) **Failure to Identify Litigation Claims or Projected Objections**

No reliance should be placed on the fact that a particular litigation Claim or projected objection to a particular Claim or Interest is, or is not, identified in this Disclosure Statement. The Debtors reserve the right to continue to investigate Claims and Interests and file and prosecute objections to Claims and Interests.

(g) **No Waiver of Right to Object or Right to Recover Transfers and Assets**

The vote by a holder of an Allowed Claim or Interest for or against the Plan does not constitute a waiver or release of any Claims or rights of the Debtors to object to that holder's Allowed Claim or Interest, or to bring Causes

of Action or recover any preferential, fraudulent, or other voidable transfer of assets, regardless of whether any Claims or Causes of Action of the Debtors or their respective Estates are specifically or generally identified herein.

(h) **Information Was Provided by the Debtors and White Oak and Was Relied Upon by the Debtors' Advisors**

Counsel to and other advisors retained by the Debtors have relied upon information provided by the Debtors and White Oak in connection with the preparation of this Disclosure Statement. Although counsel to and other advisors retained by the Debtors have performed certain limited due diligence in connection with the preparation of this Disclosure Statement, they have not independently verified the information contained herein.

(i) **Potential Exists for Inaccuracies and the Debtors Have No Duty to Update**

The Debtors make the statements contained in this Disclosure Statement as of the date hereof, unless otherwise specified herein, and the delivery of this Disclosure Statement after that date does not imply that there has not been a change in the information set forth herein since such date. Although the Debtors have used their reasonable business judgment to ensure the accuracy of all of the information provided in this Disclosure Statement and in the Plan, the Debtors nonetheless cannot, and do not, confirm the current accuracy of all statements appearing in this Disclosure Statement. Further, although the Debtors may subsequently update the information in this Disclosure Statement, the Debtors have no affirmative duty to do so unless ordered by the Bankruptcy Court.

(j) **No Representations Outside of the Disclosure Statement Are Authorized**

No representations concerning or relating to the Debtors, the Chapter 11 Cases, or the Plan are authorized by the Bankruptcy Court or the Bankruptcy Code, other than as set forth in this Disclosure Statement and associated documents. In deciding whether to vote to accept or reject the Plan, you should not rely upon any representations or inducements made to secure your acceptance or rejection of the Plan that are other than as contained in, or included with, this Disclosure Statement, unless otherwise indicated herein. You should promptly report unauthorized representations or inducements to the counsel to the Debtors and the U.S. Trustee.

ARTICLE X
IMPORTANT SECURITIES LAW DISCLOSURE

No registration statement will be filed under the Securities Act or pursuant to any state securities laws with respect to the offer and distribution of securities under the Plan. The Debtors will rely on the exemption provided by section 4(a)(2) of the Securities Act and applicable exemptions from Blue Sky Laws to issue the Rights Interests in respect of the Backstop Commitment and the Backstop Commitment Fee. The Debtors believe that the provisions of section 1145(a)(1) of the Bankruptcy Code will exempt the issuance and distribution of the remaining securities (other than the Rights Interests to be issued in respect of the Backstop Commitment and the Backstop Commitment Fee) issued under the Plan (the "**1145 Securities**") from federal and state securities registration requirements. The 1145 Securities issued to affiliates of the Reorganized Debtor will be treated as issued pursuant to section 1145(a)(1), but will be subject to the restrictions on resale of securities held by affiliates of an issuer. To the extent section 1145 is unavailable, such securities shall be exempt from registration under the Securities Act through a private placement pursuant to section 4(a)(2) of the Securities Act, and/or the safe harbor of Regulation D promulgated thereunder, or such other exemption as may be available from any applicable registration requirements

10.1 Bankruptcy Code Exemptions from Registration Requirements.

(a) **Securities Issued in Reliance on Section 1145 of the Bankruptcy Code.**

Section 1145(a)(1) of the Bankruptcy Code exempts the offer and sale of securities under a plan of reorganization from registration under the Securities Act and state laws if three principal requirements are satisfied: (i) the securities must be offered and sold under a plan of reorganization and must be 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 each hold a prepetition or administrative expense claim against the debtor or an interest in the

debtor; and (iii) the securities must be issued entirely in exchange for the recipient's claim against or interest in the debtor, or principally in such exchange and partly for cash or other property.

The exemptions provided for in section 1145 do not apply to an entity that is deemed an "underwriter" as such term is defined in section 1145(b) of the Bankruptcy Code. Section 1145(b) defines an "underwriter" as one who, except with respect to "ordinary trading transactions" of an entity that is not an "issuer":

(a) purchases a claim against, an interest in, or a claim for administrative expense against, the debtor, with a view to distributing any security received in exchange for such a claim or interest ("accumulators");

(b) offers to sell securities offered under a plan for the holders of such securities ("distributors");

(c) offers to buy securities from the holders of such securities, if the offer to buy is (i) with a view to distributing such securities and (ii) made under a distribution agreement; and

(d) is an "issuer" with respect to the securities, as the term "issuer" is defined in section 2(a)(11) of the Securities Act, which includes affiliates of the issuer, defined as persons who are in a relationship of "control" with the issuer.

Persons who are not deemed "underwriters" may generally resell the securities they receive that comply with the requirements of Section 1145(a)(1) without registration under the Securities Act or other applicable law. Persons deemed "underwriters" may sell such securities without registration only pursuant to exemptions from registration under the Securities Act and other applicable law. The Backstop Purchasers will not be deemed to be "underwriters" under section 1145(b) solely on account of their participation in the Backstop Commitment.

(b) **Subsequent Transfers of 1145 Securities**

Section 1145(c) of the Bankruptcy Code provides that securities issued pursuant to section 1145(a)(1) are deemed to have been issued in a public offering. In general, therefore, resales of and subsequent transactions in the 1145 Securities will be exempt from registration under the Securities Act pursuant to section 4(a)(1) of the Securities Act, unless the holder thereof is deemed to be an "issuer," an "underwriter" or a "dealer" with respect to such securities. For these purposes, an "issuer" includes any "affiliate" of the issuer, defined as a person directly or indirectly controlling, controlled by or under common control with the issuer.

"Control," as defined in Rule 405 of the Securities Act, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a person, whether through the ownership of voting securities, by contract or otherwise. A "dealer," as defined in section 2(a)(12) of the Securities Act, is any person who engages either for all or part of his or her time, directly or indirectly, as agent, broker or principal, in the business of offering, buying, selling or otherwise dealing or trading in securities issued by another person. Whether or not any particular person would be deemed to be an "affiliate" of the Reorganized Debtor or an "underwriter" or a "dealer" with respect to any 1145 Securities will depend upon various facts and circumstances applicable to that person.

Notwithstanding the provisions of section 1145(b) of the Bankruptcy Code regarding accumulators and distributors, the staff of the SEC has taken the position that resales of securities distributed under a plan of reorganization by accumulators and distributors of securities who are not affiliates of the issuer of such securities are exempt from registration under the Securities Act if effected in "ordinary trading transactions." The staff of the SEC has indicated in this context that a transaction by such non-affiliates may be considered an "ordinary trading transaction" if it is made on a national securities exchange or in the over-the-counter market and does not involve any of the following factors:

(a) (i) concerted action by the recipients of securities issued under a plan in connection with the sale of such securities or (ii) concerted action by distributors on behalf of one or more such recipients in connection with such sales;

(b) the use of informational documents concerning the offering of the securities prepared or used to assist in the resale of such securities, other than a bankruptcy court-approved disclosure statement and supplements thereto, and documents filed with the SEC pursuant to the Exchange Act; or

(c) the payment of special compensation to brokers and dealers in connection with the sale of such securities designed as a special incentive to the resale of such securities (other than the compensation that would be paid pursuant to arm's-length negotiations between a seller and a broker or dealer, each acting unilaterally, not greater than the compensation that would be paid for a routine similar-sized sale of similar securities of a similar issuer).

The Staff of the SEC has not provided any guidance for privately arranged trades. The views of the staff of the SEC on these matters have not been sought by the Debtors and, therefore, no assurance can be given regarding the proper application of the "ordinary trading transaction" exemption described above. Any person intending to rely on such exemption is urged to consult their counsel as to the applicability thereof to their circumstances.

The 1145 Securities generally may be resold without registration under state securities laws pursuant to various exemptions provided by the respective laws of those states. However, the availability of such state exemptions depends on the securities laws of each state, and holders of Claims may wish to consult with their own legal advisors regarding the availability of these exemptions in their particular circumstances.

(c) **<u>Subsequent Transfers of Securities Issued to Affiliates.</u>**

Securities issued under the Plan to affiliates of the Reorganized Debtor will be subject to restrictions on resale. Affiliates of the Reorganized Debtor for these purposes will generally include its directors and officers and its controlling stockholders. While there is no precise definition of a "controlling" stockholder, the legislative history of section 1145 of the Bankruptcy Code suggests that a creditor who owns 10% or more of a class of securities of a reorganized debtor may be presumed to be a "controlling person" of the debtor, and therefore, an underwriter.

The Staff of the SEC has indicated that Rule 144 under the Securities Act is available for the immediate resale of securities issued under a plan of reorganization to affiliates of the issuing debtor that would otherwise be unrestricted under the Securities Act. This Rule is conditioned on the public availability of certain information concerning the issuer and imposes on selling stockholders certain volume limitations and certain manner of sale and notice requirements. However, the Debtors do not presently intend to make publicly available the requisite current information regarding the Reorganized Debtor, and as a result, Rule 144 will not be available for resales of 1145 Securities by Persons deemed to be underwriters.

GIVEN THE COMPLEX NATURE OF THE QUESTION OF WHETHER A PARTICULAR PERSON MAY BE AN UNDERWRITER, AFFILIATE OR DEALER, THE DEBTORS MAKE NO REPRESENTATIONS CONCERNING THE RIGHT OF ANY PERSON TO TRADE IN SECURITIES TO BE DISTRIBUTED PURSUANT TO THE PLAN. THE DEBTOR RECOMMENDS THAT HOLDERS OF CLAIMS CONSULT THEIR OWN COUNSEL CONCERNING WHETHER THEY MAY FREELY TRADE SUCH SECURITIES.

(d) **<u>Rights and Rights Interests.</u>**

The Rights and Rights Interests are being offered and issued pursuant to exemption from registration under the Securities Act and applicable state securities laws. Such securities may be deemed restricted securities, and may only be resold pursuant to applicable exemptions from registration (but the ability of holders thereof to resell 1145 Securities shall not be affected). Holders of such securities should consult their own counsel concerning resale.

ARTICLE XI
CONFIRMATION PROCEDURES

The following is a brief summary of the Confirmation process. Holders of Claims are encouraged to review the relevant provisions of the Bankruptcy Code and to consult with their own advisors.

11.1 The Confirmation Hearing

Section 1128(a) of the Bankruptcy Code provides that the Bankruptcy Court, after notice, may conduct the Confirmation Hearing to consider Confirmation. Section 1128(b) of the Bankruptcy Code provides that any party in interest may object to Confirmation.

11.2 Confirmation Standards

Among the requirements for the Confirmation are that the Plan is accepted by all Impaired Classes of Claims and Interests, or if rejected by an Impaired Class, that the Plan "does not discriminate unfairly" and is "fair and equitable" as to such Class, is feasible, and is in the "best interests" of holders of Claims and Interests that are Impaired under the Plan. The following requirements must be satisfied pursuant to section 1129(a) of the Bankruptcy Code before the Bankruptcy Court may confirm a plan of reorganization. The Plan fully complies with the statutory requirements for Confirmation listed below.

- The proponents of the Plan have complied with the applicable provisions of the Bankruptcy Code.
- The Plan has been proposed in good faith and not by any means forbidden by law.
- Any payment made or to be made by the Debtors (or any other proponent of the Plan) or by a Person issuing Securities or acquiring property under the Plan, for services or for costs and expenses in or in connection with the Chapter 11 Cases, in connection with the Plan and incident to the Chapter 11 Cases is subject to the approval of the Bankruptcy Court as reasonable.
- The Debtors (or any other proponent of the Plan) have disclosed the identity and affiliations of any individual proposed to serve, after Confirmation, as a director, officer, of the Reorganized Debtor, any Affiliate of the Debtors reorganized under the Plan, or any successor to the Debtors under the Plan, and the appointment to, or continuance in, such office of such individual is consistent with the interests of Creditors and holders of Interests and with public policies.
- The proponent of the Plan has disclosed the identity of any Insider that will be employed or retained by the Reorganized Debtor and the nature of any compensation for such Insider.
- With respect to each holder within an Impaired Class of Claims or Interests, each such holder (a) has accepted the Plan or (b) will receive or retain under the Plan on account of such Claim or Interest property of a value, as of the Effective Date, that is not less than the amount that such holder would so receive or retain if the Debtors were liquidated under chapter 7 of the Bankruptcy Code on such date.
- With respect to each Class of Claims or Interests, such Class (a) has accepted the Plan or (b) is Unimpaired under the Plan (subject to the "cram-down" provisions discussed below).
- The Plan provides for treatment of Claims, as applicable, in accordance with the provisions of section 507(a) of the Bankruptcy Code.
- If a Class of Claims is Impaired under the Plan, at least one Class of Claims that is Impaired under the Plan has accepted the Plan, determined without including any acceptance of the Plan by any Insider.

- Confirmation is not likely to be followed by the liquidation, or the need for further financial reorganization, of the Reorganized Debtor or any successor to the Debtors under the Plan, unless such liquidation or reorganization is proposed in the Plan.

- All fees payable under 28 U.S.C. § 1930 have been paid or the Plan provides for the payment of all such fees on the Effective Date.

11.3 Best Interests Test/Liquidation Analysis

As described above, section 1129(a)(7) of the Bankruptcy Code requires that each holder of an Impaired Claim or Interest either (a) accept the Plan or (b) 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 if the Debtors were liquidated under chapter 7 of the Bankruptcy Code. Based on the Debtors' liquidation analysis, the Debtors believe that the value of any distributions if the Debtors' Chapter 11 Cases were converted to cases under chapter 7 of the Bankruptcy Code would be no greater than the value of distributions under the Plan. As a result, the Debtors believe holders of Claims and Interests in all Impaired Classes will recover at least as much as a result of Confirmation as they would recover through a hypothetical chapter 7 liquidation. Please see unaudited liquidation analysis attached hereto as **Exhibit D**.

11.4 Feasibility

The Bankruptcy Code requires that a debtor demonstrate that confirmation of a plan of reorganization is not likely to be followed by liquidation or the need for further financial reorganization. For purposes of determining whether the Plan meets this requirement, the Debtors have analyzed the ability of the Reorganized Debtor to meet the obligations under the Plan. As part of this analysis, the Debtors have prepared projections, which, together with the assumptions on which they are based, are attached hereto as **Exhibit B**. Based on such projections, the Debtors believe that the Reorganized Debtor will be able to make all payments required under the Plan. Therefore, Confirmation is not likely to be followed by liquidation or the need for further reorganization.

11.5 Confirmation Without Acceptance by All Impaired Classes

The Bankruptcy Court may confirm a plan of reorganization over the rejection or deemed rejection of the plan of reorganization by a class of claims or interests if the plan of reorganization "does not discriminate unfairly" and is "fair and equitable" with respect to such class.

(a) **No Unfair Discrimination**

This test applies to Classes of Claims or Interests that are of equal priority and are receiving different treatment under the Plan. The test does not require that the treatment be the same or equivalent, but that such treatment be "fair". The Debtors do not believe the Plan discriminates unfairly against any Impaired Class of Claims or Interests. The Debtors believe the Plan and the treatment of all Classes of Claims and Interests under the Plan satisfy the foregoing requirements for non-consensual confirmation.

(b) **Fair and Equitable Test**

This test applies to Classes of different priority and status (e.g., secured versus unsecured) and includes the general requirement that no Class of Claims or Interests receive more than 100% of the amount of the allowed Claims or Interests in such Class. As to the dissenting Class, the test sets different standards depending on the type of Claims or Interests of the Debtor in such Class. In order to demonstrate that a plan is fair and equitable, the plan proponent must demonstrate:

- Secured Creditors: Each holder of a secured claim either (1) retains its liens on the property, to the extent of the allowed amount of its secured claim and receives deferred cash payments having a value, as of the effective date of the chapter 11 plan, of at least the allowed amount of such claim, (2) has the right to credit bid the amount of its claim if its property is sold and retains its

liens on the proceeds of the sale (or if sold, on the proceeds thereof), or (3) receives the "indubitable equivalent" of its allowed secured claim.

- Unsecured Creditors: Either (1) each holder of an impaired unsecured claim receives or retains under the chapter 11 plan property of a value equal to the amount of its allowed claim or (2) the holders of claims and interests that are junior to the claims of the dissenting class will not receive any property under the chapter 11 plan.

- Equity Interests: Either (1) each holder of an interest will receive or retain under the chapter 11 plan property of a value equal to the greatest of the fixed liquidation preference to which such holder is entitled, the fixed redemption price to which such holder is entitled, or the value of the interest or (2) the holder of an interest that is junior to the non-accepting class will not receive or retain any property under the chapter 11 plan.

ARTICLE XII
ALTERNATIVES TO CONFIRMATION AND CONSUMMATION OF THE PLAN

If the Plan cannot be confirmed, the Debtors may seek to (1) prepare and present to the Bankruptcy Court an alternative chapter 11 plan for confirmation, (2) effect a merger or sale transaction, including, potentially, a sale of all or substantially all of the Debtors' assets pursuant to section 363 of the Bankruptcy Code, or (3) liquidate the Debtors under chapter 7 of the Bankruptcy Code. If the Debtors were to pursue a liquidation, the Chapter 11 Cases would be converted to cases under chapter 7 of the Bankruptcy Code and a trustee would be elected or appointed to liquidate the assets of the Debtors for distribution in accordance with the priorities established by the Bankruptcy Code. A discussion of the effects that a chapter 7 liquidation would have on Creditors' recoveries and the Debtors is described in the unaudited liquidation analysis attached hereto as **Exhibit D**.

ARTICLE XIII
CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES

The following is a general discussion of certain U.S. federal income tax consequences to certain Holders of Allowed Notes Claims against and Interests in the Debtors as a result of consummation of the Plan. This summary does not address all aspects of U.S. federal income taxation that may be relevant to a particular Holder of an Allowed Notes Claim or Interest in light of its particular facts and circumstances or to certain types of Holders of Allowed Notes Claims or Interests that are subject to special treatment under the Internal Revenue Code of 1986, as amended (the "IRC") (including, persons who are related to the Debtors within the meaning of the IRC, foreign persons, *i.e.* persons who are not "U.S. persons" as defined in the IRC, Holders liable for the alternative minimum tax, Holders whose functional currency is not the U.S. dollar, Holders of Allowed Notes Claims who are themselves in bankruptcy, regulated investment companies, financial institutions, broker-dealers, insurance companies, pass-through entities such as partnerships and Holders through such pass-through entities, and tax-exempt organizations) and also does not discuss any aspects of state, local, or foreign taxation or United States tax laws other than U.S. federal income taxation. The following summary does not address the U.S. federal income tax consequences to Holders whose Allowed Claims are unimpaired under the Plan. The following summary also does not address the U.S. federal income tax consequences to Holders whose Allowed Claims against and Interests in the Debtors are completely terminated for no consideration under the Plan. Holders of Allowed Claims or Interests are urged to consult their own tax advisors as to the effect such ownership may have on the U.S. federal income tax consequences described below.

If a partnership holds an Allowed Notes Claim or Interest, the tax treatment of a partner of such partnership will generally depend upon the status of the partner and the activities of the partnership. If a Holder is a partner of a partnership holding Allowed Notes Claims against or Interests in the Debtors, such Holder is urged to consult its tax advisors.

The following assumes that the Plan will be implemented as described herein and does not address the tax consequences if the Plan is not carried out. This discussion further assumes that the various debt and other

arrangements to which the Debtors are a party will be respected for U.S. federal income tax purposes in accordance with their form. In addition, a substantial amount of time may elapse between the confirmation date and the receipt of a final distribution under the Plan. Events subsequent to 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 thereunder.

This summary of the U.S. federal income tax consequences of the Plan is not binding on the Internal Revenue Service (the "IRS"), and no ruling will be sought or has been sought from the IRS with respect to any of the tax aspects of the Plan and no opinion of counsel has been obtained or will be obtained by the Debtors with respect thereto. The U.S. federal income tax consequences of certain aspects of the Plan are therefore uncertain due to the lack of applicable legal authority and may be subject to administrative or judicial interpretations that differ from the discussion below. The U.S. federal income tax laws applicable to corporations (including some of the Debtors) in bankruptcy are extremely complex and the following summary is not exhaustive. For these reasons, the discussion is not a substitute for careful tax planning and professional tax advice based upon the individual circumstances of each Holder of an Allowed Notes Claim or Interest. Accordingly, each Holder of an Allowed Notes Claim or Interest is strongly urged to consult with its own tax advisor regarding the U.S. federal, state, local, and foreign tax consequences of the Plan.

13.1 U.S. Federal Income Tax Consequences to the Debtors

(a) Limitation on Tax Loss Carryforwards and other Tax Attributes

The Debtors have substantial tax loss carryforwards and other favorable tax attributes for U.S. federal income tax purposes. In general, a Section 382 ownership change occurs if the percentage of the value of a Debtor's stock owned by one or more 5% shareholders (as specially defined for Section 382 purposes to include certain groupings of less-than-5% shareholders) has increased (referred to as an "owner shift") by more than 50 percentage points during the applicable testing period, which is generally the shorter of a rolling three-year period or the period that has elapsed since the last ownership change. As discussed below, the amount of the Debtors' tax loss carryforwards and other favorable tax attributes may be significantly reduced or eliminated upon implementation of the Plan.

The Debtors anticipate that they will experience an "ownership change" within the meaning of Section 382 of the IRC on the Effective Date as a result of the issuance of Reorganized Debtor Common Stock and cancellation of the existing common stock and preferred stock in the Debtors pursuant to the Plan. An ownership change will result in an annual limitation on the amount of the Debtors' pre-ownership change tax loss carryforwards and other favorable tax attributes that may be utilized to offset the Debtors' future taxable income. This annual limitation is generally equal to the value of the Debtors' stock immediately before the ownership change (with certain adjustments) multiplied by the applicable federal rate for Section 382 purposes for the month in which the ownership change occurs (for example, the applicable federal rate is 2.74% for ownership changes occurring in July, 2015). Any portion of the annual limitation that is not used in a particular year may be carried forward and used in subsequent years.

If the Debtors have a net unrealized built-in gain in their assets at the time of the ownership change, the annual limitation will be increased by certain built-in income and gains recognized (or treated as recognized) during the five years following the ownership change (up to the total amount of built-in income and gain that exists at the time of the ownership change). The Debtors will have a net unrealized built-in gain if, at the time of the ownership change, the built-in gain in their assets (*i.e.*, asset value in excess of tax basis) and net built-in income (*i.e.*, income which is economically accrued but not yet taken into account for tax purposes) exceeds the built-in loss in their assets and their built-in deductions by more than $10 million. In that case, built-in gain and built-in income recognized (or treated as recognized) during the five years following the ownership change would increase the annual limitation and therefore the amount of the Debtors' tax losses that could be used following the ownership change. Under one of the two available methods for determining built-in income, the Debtors' built-in income would include the amount by which their tax depreciation, depletion, and amortization expense during the five-year period is less than it would be if the Debtors' assets had a tax basis on the date of the ownership change equal to their fair market value at such time. Under this method, built-in income also would include cancellation of debt ("COD") income, but only to the extent the COD income was economically accrued at the time of the ownership

change. Furthermore, to increase the limitation on the amount of the Debtors' pre-ownership change tax losses that could be used following an ownership change, the built-in COD income would have to be recognized during the five-year period.

The operation and effect of Section 382 of the IRC would be materially different than that just described if the Debtors are subject to special bankruptcy rules provided in the IRC. One special bankruptcy rule (the "382(1)(5) Exception") provides that the Debtors' ability to utilize their pre-Plan tax loss carryforwards and other favorable tax attributes would not be limited as described above. However, several other limitations would apply to the Debtors under the 382(l)(5) Exception, including (a) the Debtors' pre-Plan tax loss carryforwards and other favorable tax attributes would be calculated without taking into account deductions for interest paid or accrued in the portion of the current tax year ending on the Effective Date and all other tax years ending during the three-year period prior to the current tax year with respect to the Allowed Notes Claims that are exchanged for Reorganized Debtor Common Stock pursuant to the Plan, and (b) if the Debtors undergo another ownership change within two years of the Effective Date, the Debtors' limitation under Section 382 of the IRC with respect to that ownership change will be zero. It should be noted that the Rights Offering and the issuance of the Rights Interests could adversely affect the Debtors' ability to qualify for the 382(l)(5) Exception. A second special bankruptcy rule is also available (the "382(1)(6) Exception"). Under the 382(1)(6) Exception, a corporation in bankruptcy that undergoes an ownership change generally is permitted to determine the fair market value of its stock after taking into account the increase in value resulting from any surrender or cancellation of creditors' claims in the bankruptcy for purposes of determining the limitation under Section 382 of the IRC. The Debtors have not yet determined whether they would elect to have the 382(l)(5) Exception or the 382(l)(6) Exception apply to the ownership change arising from the consummation of the Plan (assuming the 382(l)(5) Exception or 382(l)(6) Exception would otherwise apply).

(b) **Cancellation of Debt Income**

The Debtors may realize COD income as a result of the discharge of Allowed Notes Claims against the Debtors under the Plan and/or as a result of the exchange of Allowed Notes Claims for shares of Reorganized Debtor Common Stock. COD is the amount by which the indebtedness discharged exceeds any consideration given in exchange therefor. However, COD income is not taxable to a debtor if the debt discharge occurs in a case under the Bankruptcy Code. Rather, under Section 108 of the IRC, any such COD income would reduce certain of the Debtors' tax attributes, generally in the following order: (a) net operating losses; (b) general business credit carryforwards; (c) minimum tax credit carryforwards; (d) capital loss carryforwards; (e) the tax basis of the Debtors' depreciable and nondepreciable assets (but not below the amount of their liabilities immediately after the discharge); (f) passive activity loss and credit carryforwards; and (g) foreign tax credit carryforwards. A debtor may elect to alter the preceding order of attribute reduction and, instead, first reduce the tax basis of its depreciable assets (and, possibly, the depreciable assets of its subsidiaries) and then to reduce net operating losses. It is unlikely that the Debtors will make this election. The reduction in tax attributes occurs only after the tax for the year of the debt discharge has been determined. Any excess COD income over the amount of available tax attributes is not subject to U.S. federal income tax and has no other U.S. federal income tax impact. Because the Plan provides that the Holders of Allowed Notes Claims against the Debtors will receive Reorganized Debtor Common Stock in exchange for the Allowed Notes Claims, the amount of COD income, and accordingly the amount of tax attributes required to be reduced, will depend on the fair market value of the Reorganized Debtor Common Stock. These amounts cannot be known with certainty until after the Effective Date.

The regulations promulgated by the IRS (the "Treasury Regulations") address the method and order for applying tax attribute reduction to an affiliated group of corporations. Under the Treasury Regulations, the tax attributes of each group member of an affiliated group of corporations that is excluding COD income is first subject to reduction. To the extent the debtor member's tax basis in stock of a lower-tier member of the affiliated group is reduced, a "look through rule" requires that a corresponding reduction be made to the tax attributes of the lower-tier member. If a debtor member's excluded COD income exceeds its tax attributes, the excess COD income is applied to the reduction of certain remaining consolidated tax attributes of the affiliated group.

As a result of the implementation of the Plan, there may be material reductions in tax loss carryforwards and other favorable tax attributes that the Debtors now have. The extent of such COD income and resulting tax attribute reduction will depend significantly on the fair market value of the Reorganized Debtor Common Stock issued in exchange for the Allowed Notes Claims against the Debtors.

(c) **Alternative Minimum Tax**

In general, alternative minimum tax ("AMT") is imposed to the extent 20% of alternative minimum taxable income ("AMTI") exceeds regular federal income tax. Certain tax deductions and other beneficial allowances are modified or eliminated in computing AMTI. One such modification is a limitation imposed on the use of net operating losses for AMT purposes. Specifically, no more than 90% of AMTI can be offset with net operating losses (as recomputed for AMT purposes). Therefore, AMT will be owed in years in which the Debtors have positive AMTI for the year, even if all of their regular taxable income is offset with net operating losses. In such case, the Debtors' AMTI (before reduction by AMT net operating losses) will be taxed at a 2% effective federal tax rate (*i.e.*, 10% of AMTI that cannot be offset with net operating losses multiplied by 20% AMT rate).

13.2 U.S. Federal Income Tax Consequences to Holders of Allowed Notes Claims

(a) **Classification of Allowed Notes Claims as Securities**

The U.S. federal income tax consequences to Holders of Allowed Notes Claims who receive in full satisfaction and discharge of their Allowed Notes Claims their pro rata share of some or all of the Reorganized Debtor Common Stock will depend upon whether the Allowed Notes Claims constitute "securities" for U.S. federal income tax purposes.

The term "security" is not defined in the IRC or applicable Treasury Regulations. Judicial decisions have held that the determination of whether a particular debt constitutes a "security" is based on an overall evaluation of the nature of the original debt. One of the most significant factors is the term of the original debt. In general, debt obligations issued with a weighted average maturity at issuance of five years or less do not constitute securities, whereas debt obligations with a weighted average maturity at issuance of ten years or more do constitute securities. The Allowed Notes Claims have an original maturity of five years.

If the Allowed Notes Claims are securities for U.S. federal income tax purposes, the Plan should be treated as a recapitalization. If the Plan is treated as a recapitalization, a Holder of Allowed Notes Claims will recognize gain, if any, equal to the lesser of (a) the amount of any cash received or the fair market value of (as of the Effective Date) any property received, and (b) the amount, if any, by which the sum of any cash, the fair market value of any property received, and the fair market value of (as of the Effective Date) the Reorganized Debtor Common Stock received, that is not allocable to accrued but unpaid interest, exceeds the Holder's adjusted tax basis in the Allowed Notes Claims exchanged in the Plan other than any tax basis attributable to accrued but unpaid interest. If a Holder's tax basis in the Allowed Notes Claims exceeds the sum of any cash or the fair market value of any property received and the fair market value of the Reorganized Debtor Common Stock received in exchange for the Allowed Notes Claims, such a Holder will not recognize loss. For this purpose, the Rights Interests should qualify as "securities" under applicable Treasury Regulations and should not be treated as cash or other property.

Although the status of the Allowed Notes Claims as securities is not certain, the Plan may qualify as a recapitalization. Holders of Allowed Notes Claims should consult their own tax advisor regarding whether the Allowed Notes Claims are securities for U.S. federal income tax purposes.

(b) **Consequences of the Exchange if not Qualified as a Recapitalization**

Pursuant to the Plan, in full satisfaction and discharge of their Allowed Notes Claims, Holders of Allowed Notes Claims will receive their pro rata share of some or all of the Reorganized Debtor Common Stock. A Holder should recognize gain or loss equal to the difference between (1) the sum of the fair market value as of the Effective Date of the Reorganized Debtor Common Stock, the Rights Interests, and the amount of cash or other property received that is not allocable to accrued but unpaid interest and (2) the Holder's tax basis in the Allowed Notes Claims surrendered by the Holder other than any tax basis attributable to accrued but unpaid interest. Such gain or loss should be capital in nature if the Allowed Notes Claims were held as capital assets by the Holder (subject to the "market discount" rules described below) and should be long-term capital gain or loss if the Allowed Notes Claims were held for more than one year by the Holder. If the Holder is a non-corporate taxpayer, any such long-term capital gain will be taxed at preferential rates. The deductibility of capital losses is subject to various limitations.

To the extent that a portion of the Reorganized Debtor Common Stock, Rights Interests, or cash received in the exchange is allocable to accrued but unpaid interest, the Holder may recognize ordinary income. See the discussion of accrued but unpaid interest below. A Holder's tax basis in the Reorganized Debtor Common Stock and Rights Interests should equal the fair market value of the Reorganized Debtor Common Stock and Rights Interests as of the Effective Date. A Holder's holding period for the Reorganized Debtor Common Stock and Rights Interests should begin on the day following the Effective Date. A Holder's tax basis in any other property received should equal the fair market value of such property as of the Effective Date. A Holder's holding period for any such other property should begin on the day following the Effective Date.

(c) **Accrued Interest**

To the extent that any amount received by a Holder of an Allowed Notes Claim is attributable to accrued but unpaid interest, not previously included in income for U.S. federal income tax purposes, such amount should be taxable to the Holder as interest income. Conversely, a Holder of an Allowed Notes Claim may be able to recognize a deductible loss to the extent that any accrued interest on the Allowed Notes Claim was previously included in the Holder's gross income but was not paid in full by the Debtors. The Treasury Regulations generally treat a payment under a debt instrument first as a payment of accrued but unpaid interest and then as a payment of principal.

(d) **Market Discount**

If a Holder of an Allowed Notes Claim purchased the underlying debt obligation at a price less than its issue price, the difference would constitute "market discount" for U.S. federal income tax purposes. Any gain recognized by a Holder on the exchange of its Allowed Notes Claim should be treated as ordinary income to the extent of any market discount accrued on the underlying debt obligation by the Holder on or prior to the date of the exchange.

(e) **Ownership and Disposition of Reorganized Debtor Common Stock and Rights Interests**

Unless a non-recognition provision applies, a Holder of Reorganized Debtor Common Stock and Rights Interests will recognize capital gain or loss upon the sale or exchange of the Reorganized Debtor Common Stock or Rights Interests in an amount equal to the difference between the Holder's adjusted tax basis in the Reorganized Debtor Common Stock and Rights Interests and the sum of the cash plus the fair market value of any property received from such disposition. A non-corporate Holder of Reorganized Debtor Common Stock or Rights Interests may be entitled to claim a reduced tax rate applicable to long-term capital gains if such Holder's holding period of the Reorganized Debtor Common Stock or Rights Interests is more than one year at that time and certain other conditions are satisfied. The deductibility of capital losses is subject to certain limitations. Distributions will be taxable as dividends to the extent of the Reorganized Debtor's current and accumulated earnings and profits, then as a return of basis, and then as capital gains in excess of basis. A non-corporate Holder may be entitled to claim a reduced tax rate applicable to dividends if the Holder's holding period exceeds one year at that time and certain conditions are satisfied.

(f) **Information Reporting and Backup Withholding**

Payments of interest (including accruals of "original issue discount") or dividends and any other reportable payments, possibly including amounts received pursuant to the Plan and payments of proceeds from the sale, retirement or other disposition of the Reorganized Debtor Common Stock or Rights Interests may be subject to "backup withholding" (currently at a rate of 28%) if a recipient of those payments fails to furnish to the payor certain identifying information and, in some cases, a certification that the recipient is not subject to backup withholding. Backup withholding is not an additional tax. Any amounts deducted and withheld generally should be allowed as a credit against that recipient's U.S. federal income tax, provided that the appropriate proof is timely provided under the rules established by the IRS. Furthermore, certain penalties may be imposed by the IRS on a recipient of payments who is required to supply information but who does not do so in the proper manner. Backup withholding generally should not apply with respect to payments made to certain exempt recipients, such as corporations and financial institutions. Information may also be required to be provided to the IRS concerning payments, unless an exemption applies. You should consult your own tax advisor regarding your qualification for exemption from backup withholding and information reporting and the procedures for obtaining such an exemption.

Treasury 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. You are urged to consult your own tax advisor regarding these regulations and whether the contemplated transactions under the Plan would be subject to these regulations and require disclosure on your tax return.

The foregoing summary has been provided for informational purposes only. The U.S. federal income tax consequences of the Plan are complex. The foregoing summary does not discuss all aspects of U.S. federal income taxation that may be relevant to a particular Holder in light of such Holder's circumstances and income tax situation. Holders of Allowed Notes Claims against and Interests in the Debtors are urged to consult their own tax advisors concerning the U.S. federal, state, local and other tax consequences of the Plan, including the applicability and effect of any state, local or foreign tax laws and of any change in applicable tax laws.

ARTICLE XIV
CONCLUSION AND RECOMMENDATION

The Plan effects the Restructuring Transaction that the Debtors believe will allow them to best maximize value for all their stakeholders. The Debtors urge all holders of Claims entitled to vote to accept the Plan and to evidence such acceptance by returning their ballots so they will be received by the Solicitation Agent no later than 5:00 p.m. (prevailing Eastern Time) on October 1, 2015.

[remainder of page intentionally left blank]

Respectfully submitted, as of the date first set forth above,

MILAGRO HOLDINGS, LLC
on behalf of itself and all other Debtors

By:
Name: Gary J. Mabie
Title: President & Chief Operating Officer

APPENDIX:
RULES OF INTERPRETATION, COMPUTATION OF TIME, GOVERNING LAW, AND OTHER REFERENCES

1. Rules of Interpretation

For purposes of the Disclosure Statement, the following rules of interpretation apply: (a) in the appropriate context, 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) unless otherwise specified, any reference herein to a contract, lease, instrument, release, indenture, or other agreement or document being in a particular form or on particular terms and conditions means that such document shall be substantially in such form or substantially on such terms and conditions; (c) unless otherwise specified, any reference herein to an existing document, schedule, or exhibit, shall mean such document, schedule, or exhibit, as it may have been or may be amended, modified, or supplemented; (d) unless otherwise specified, all references herein to "Articles" are references to Articles hereof or hereto; (e) the words "herein," "hereof," and "hereto" refer to the Plan in its entirety rather than to any particular portion of the Plan; (f) captions and headings to Articles 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) unless otherwise specified herein, the rules of construction set forth in section 102 of the Bankruptcy Code shall apply; and (h) any term used in capitalized form herein that is not otherwise defined but that 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 applicable.

2. Computation of Time

Bankruptcy Rule 9006(a) applies in computing any period of time prescribed or allowed herein.

3. Governing Law

Except to the extent the Bankruptcy Code or Bankruptcy Rules apply, and subject to the provisions of any contract, lease, instrument, release, indenture, or other agreement or document entered into expressly in connection herewith, the rights and obligations arising hereunder shall be governed by, and construed and enforced in accordance with, the laws of the State of Delaware, without giving effect to conflict of laws principles.

4. Reference to Monetary Figures

All references in the Disclosure Statement to monetary figures refer to currency of the United States of America, unless otherwise expressly provided.

5. Reference to the Debtors or the Reorganized Debtor

Except as otherwise specifically provided in the Disclosure Statement to the contrary, references in the Disclosure Statement to the Debtors or to the Reorganized Debtor mean the Debtors and the Reorganized Debtor, as applicable, to the extent the context requires.

EXHIBIT A

Plan

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re	:	**Chapter 11**
MILAGRO HOLDINGS, LLC, *et al.*,	:	**Case No. 15-11520 (KG)**
Debtors.[1]	:	**Jointly Administered**

DEBTORS' JOINT PLAN OF REORGANIZATION PURSUANT TO CHAPTER 11 OF THE BANKRUPTCY CODE

YOUNG CONAWAY STARGATT & TAYLOR, LLP
M. Blake Cleary (No. 3614)
Joel A. Waite (No. 2925)
Ryan M. Bartley (No. 4985)
Ian J. Bambrick (No. 5455)
1000 N. King Street
Rodney Square
Wilmington, Delaware 19801
Telephone: (302) 571-6600

PORTER HEDGES LLP
John F. Higgins
Eric M. English
1000 Main Street, 36th Floor
Houston, TX 77002
Telephone: (713) 226-6687

Co-Counsel for the Debtors and Debtors in Possession

THIS DRAFT PLAN IS NOT AN OFFER WITH RESPECT TO ANY SECURITIES OR SOLICITATION OF ACCEPTANCES OF A CHAPTER 11 PLAN PURSUANT TO SECTION 1125 OF THE BANKRUPTCY CODE. ANY SUCH OFFER OR SOLICITATION WILL BE MADE ONLY IN COMPLIANCE WITH ALL APPLICABLE SECURITIES LAWS AND/OR PROVISIONS OF THE BANKRUPTCY CODE.

Dated: July 22, 2015

[1] The Debtors in these cases, along with the last four digits of each Debtor's federal tax identification number, are: Milagro Holdings, LLC (7232); Milagro Oil & Gas, Inc. (7173); Milagro Exploration, LLC (9260); Milagro Producing, LLC (9330); Milagro Mid-Continent, LLC (8804); and Milagro Resources, LLC (6134). The Debtors' mailing address is 1301 McKinney Street, Suite 500, Houston, Texas 77010.

TABLE OF CONTENTS

Page

ARTICLE I . DEFINED TERMS, RULES OF INTERPRETATION, COMPUTATION OF TIME, AND GOVERNING LAW 4
A. Defined Terms 4
B. Rules of Interpretation 15
C. Computation of Time 16
D. Governing Law 16
E. Reference to Monetary Figures 16
F. Controlling Document 16

ARTICLE II ADMINISTRATIVE AND PRIORITY CLAIMS 16
A. Administrative Claims 16
B. DIP Claims 17
C. Priority Tax Claims 17
D. Professional Fee Claims 17
E. U.S. Trustee Statutory Fees 18

ARTICLE III CLASSIFICATION, TREATMENT, AND VOTING OF CLAIMS AND INTERESTS 18
A. Summary of Classifications 18
B. Treatment of Classes of Claims and Equity Interests 19
C. Special Provision Governing Unimpaired Claims 22
D. Confirmation Pursuant to Sections 1129(a)(10) and 1129(b) of the Bankruptcy Code 22

ARTICLE IV MEANS FOR IMPLEMENTATION OF THE PLAN 22
A. Substantive Consolidation 22
B. Sources of Consideration for Plan Distributions 23
C. General Settlement of Claims 23
D. Contribution Agreement Transaction 23
E. Rights Offering 24
F. Plan Release Consideration Assets Implementation Procedure 25
G. The Post-Effective Date Reorganized Debtor 26
H. Cancellation of Instruments, Certificates, and Other Documents: 27
I. Offering and Issuance of Securities 28
J. Vesting of Assets in the Reorganized Debtor 29
K. Corporate Action 29
L. New Holdings Units 29
M. New Holdings Operating Agreement 29
N. Boards of Managers 29
O. Restructuring Recognition Awards. 30
P. Effectuating Documents; Further Transactions 30
Q. Exemption from Certain Taxes and Fees 31
R. Causes of Action 31
S. Closing the Chapter 11 Cases 31

ARTICLE V TREATMENT OF EXECUTORY CONTRACTS AND UNEXPIRED LEASES 32
A. Assumption and Assignment of Executory Contracts and Unexpired Leases 32
B. Cure of Defaults for Assumed Executory Contracts and Unexpired Leases 32
C. Pre-existing Payment and Other Obligations 33
D. Claims Based on Rejection of Executory Contracts and Unexpired Leases 33
E. Contribution Agreement; Assumed Contracts 33
F. Modifications, Amendments, Supplements, Restatements, or Other Agreements 33
G. D&O Policies 34
H. Indemnification Obligations 34

I. Reservation of Rights ... 34

ARTICLE VI PROVISIONS GOVERNING DISTRIBUTIONS ... 34
A. Allowance of Claims and Administrative Expenses for Purposes of this Plan ... 34
B. Calculation of Amounts to Be Distributed ... 34
C. Rights and Powers of the Debtors and the Reorganized Debtor ... 35
D. Delivery of Distributions and Undeliverable or Unclaimed Distributions ... 35
E. Compliance with Tax Requirements/Allocations ... 37
F. Claims Paid or Payable by Third Parties ... 37

ARTICLE VII PROCEDURES FOR RESOLVING CONTINGENT, UNLIQUIDATED, AND DISPUTED CLAIMS ... 38
A. Resolution of Disputed Claims ... 38
B. Disallowance of Claims ... 39
C. Amendments to Claims ... 39
D. No Interest ... 40
E. Second Lien Notes Trustee as Claim Holder ... 40

ARTICLE VIII SETTLEMENT, RELEASE, INJUNCTION, AND RELATED PROVISIONS ... 40
A. Compromise and Settlement of Claims, Equity Interests, and Controversies ... 40
B. Release of Liens ... 40
C. Subordinated Claims ... 40
D. Debtor Release ... 41
E. Third Party Release ... 41
F. Exculpation ... 42
G. Injunction ... 42
H. Waiver of Statutory Limitations on Releases ... 43
I. Setoffs ... 44
J. Discharge of the Debtors ... 44

ARTICLE IX CONFIRMATION AND SUBSTANTIAL CONSUMMATION OF THE PLAN ... 44
A. Conditions Precedent to Consummation of this Plan ... 44
B. Waiver of Conditions ... 45
C. Effect of Non-Occurrence of Conditions to the Effective Date ... 45

ARTICLE X MODIFICATION, REVOCATION, OR WITHDRAWAL OF THE PLAN ... 45
A. Modification and Amendments ... 45
B. Effect of Confirmation on Modifications ... 46
C. Revocation or Withdrawal of this Plan ... 46
D. Confirmation of this Plan ... 46

ARTICLE XI RETENTION OF JURISDICTION ... 46

ARTICLE XII MISCELLANEOUS PROVISIONS ... 48
A. Immediate Binding Effect ... 48
B. Additional Documents ... 48
C. Dissolution of Committee ... 48
D. Reservation of Rights ... 49
E. Successors and Assigns ... 49
F. Service of Documents ... 49
G. Term of Injunctions or Stays ... 50
H. Entire Agreement ... 50
I. Plan Supplement Exhibits ... 50
J. Nonseverability of Plan Provisions ... 51
K. Waiver or Estoppel ... 51

INTRODUCTION

The Debtors propose the following *Debtors' Joint Plan of Reorganization Pursuant to Chapter 11 of the Bankruptcy Code*. Capitalized terms used in this Plan and not otherwise defined have the meanings ascribed to such terms in Article I of this Plan. On July 17, 2015, the Bankruptcy Court entered an order [Docket No. 33] authorizing the joint administration and procedural consolidation of these Chapter 11 Cases pursuant to Bankruptcy Rule 1015(b). Reference is made to the Disclosure Statement, filed in connection herewith, for a discussion of the Debtors' history, as well as a summary and analysis of this Plan and certain related matters. Each Debtor is a proponent of this Plan within the meaning of section 1129 of the Bankruptcy Code.

ARTICLE I.

DEFINED TERMS, RULES OF INTERPRETATION, COMPUTATION OF TIME, AND GOVERNING LAW

A. Defined Terms

As used in this Plan, capitalized terms have the meanings set forth below or, if not defined herein, as set forth in that certain *Contribution Agreement*, dated July 15, 2015, between Milagro Oil & Gas, Inc., a Delaware corporation, its Subsidiaries, and White Oak Resources VI, LLC, a Delaware limited liability company (the "Contribution Agreement").[2]

1. "*Accredited Investor*" means an "Accredited Investor" as defined in Rule 501 promulgated under the Securities Act of 1933, as amended.

2. "*Administrative Agent*" means TPG Specialty Lending, Inc., a Delaware corporation, as administrative agent for the lenders under the Credit Agreement.

3. "*Administrative Claim*" means a Claim for costs and expenses of administration of the Chapter 11 Cases pursuant to sections 503(b), 507(a)(2), 507(b), or 1114(e)(2) of the Bankruptcy Code, including (i) the actual and necessary costs and expenses incurred on or after the Petition Date until and including the Effective Date of preserving the Estates and operating the businesses of the Debtors; (ii) Allowed Professional Fee Claims; (iii) DIP Claims; and (vi) all fees and charges assessed against the Estates pursuant to section 1930 of chapter 123 of title 28 of the United States Code; provided, that, notwithstanding anything herein to the contrary, DIP Claims shall be treated as provided in Article II.B.

4. "*Administrative Claims Objection Deadline*" means the first Business Day that is one (1) year following the Effective Date, except as specifically set forth in this Plan or a Final Order, including, without limitation, the Bar Date Order.

5. "*Administrative Claims Bar Date*" means the first Business Day that is 30 days following the Effective Date, except as specifically set forth in this Plan or a Final Order, including, without limitation, the Bar Date Order.

6. "*Affiliate*" means affiliate as set forth at section 101(2) of the Bankruptcy Code.

7. "*Allowed*" means, except as otherwise provided herein, with respect to any Claim or Equity Interest: (i) a Claim or Equity Interest that has been scheduled by the Debtors in their Schedules (to the extent Filed) as other than disputed, contingent, or unliquidated and as to which no timely Proof of Claim asserting a different amount or interest has been Filed; (ii) a Claim or Equity Interest that either is not Disputed or has been allowed by a Final Order; (iii) a Claim or Equity

[2] The Contribution Agreement is attached hereto as **Exhibit 1** and incorporated herein in full.

Interest that is allowed (a) in any stipulation of amount and nature of Claim executed prior to the entry of the Confirmation Order and approved by the Bankruptcy Court; (b) in any stipulation with the Debtors of amount and nature of Claim or Equity Interest executed on or after the entry of the Confirmation Order; or (c) in or pursuant to any contract, instrument, indenture, or other agreement entered into or assumed in connection herewith; (iv) a Claim or Equity Interest that is allowed pursuant to the terms hereof; or (v) a Disputed Claim as to which a Proof of Claim has been timely Filed and as to which no objection has been Filed by the deadline fixed by the Bankruptcy Court for objecting to Claims. Notwithstanding the foregoing, a Claim or Administrative Claim shall be "Allowed" under this Plan if it is based on or arising out of a liability of a Debtor that was assumed by White Oak pursuant to the Contribution Agreement; however, any such Claim or Administrative Claim shall automatically be deemed satisfied on the Effective Date without further order of the Bankruptcy Court, provided that the Reorganized Debtor shall file a Notice of Satisfaction with the Clerk of the Court identifying the applicable Proofs of Claim, requests for allowance of administrative expenses, and claims listed in the Schedules satisfied by the Debtors or assumed by White Oak (which notice shall be in form and substance reasonably satisfactory to White Oak as it relates to claims assumed by White Oak). "*Allow*" shall have a correlative meaning.

8. "*Avoidance Actions*" means any and all actual or potential claims and causes of action to avoid a transfer of property or an obligation incurred by the Debtors pursuant to any applicable section of the Bankruptcy Code, including sections 544, 547, and 548 of the Bankruptcy Code or under similar or related state or federal statutes and common law, including fraudulent transfer laws.

9. "*Backstop Commitment*" has the meaning given to it in Article IV.E.6 herein.

10. "*Backstop Commitment Fee*" means a fee payable to each Backstop Party (based on such Backstop Party's share of the Backstop Commitment) in shares of Reorganized Debtor Common Stock equal to its pro rata share of 5% of the Reorganized Debtor Common Stock to be initially offered in connection with the Rights Offering regardless of whether such amount is reduced as provided in Article IV.E.3 herein, which immediately following the Effective Date shall be converted to New Holdings Units.

11. "*Backstop Commitment Letter*" means that certain letter agreement dated July 15, 2015, by and among MOG and the Backstop Parties, a copy of which is attached as an exhibit to the Disclosure Statement.

12. "*Backstop Parties*" means the Backstop Purchasers as identified in the Backstop Commitment Letter.

13. "*Ballot*" means a ballot authorized by the Bankruptcy Court pursuant to the Disclosure Statement Order to indicate acceptance or rejection of this Plan and to make an election with respect to the third party release provided by Article VIII.E hereof.

14. "*Bankruptcy Code*" means title 11 of the United States Code, 11 U.S.C. §§ 101–1532, as the same may be amended from time to time.

15. "*Bankruptcy Court*" means the United States Bankruptcy Court for the District of Delaware, or in the event such court ceases to exercise jurisdiction over any Chapter 11 Case, such court or adjunct thereof that exercises jurisdiction over such Chapter 11 Case in lieu of the United States Bankruptcy Court for the District of Delaware.

16. "*Bankruptcy Rules*" means the Federal Rules of Bankruptcy Procedure, promulgated under 28 U.S.C. § 2075, the Local Rules of Bankruptcy Practice and Procedure of the United States Bankruptcy Court for the District of Delaware, the Local Rules of Civil Practice and Procedure of the United States District Court for the District of Delaware, and general orders and chambers

procedures of the Bankruptcy Court, each as applicable to the Chapter 11 Cases and as amended from time to time.

17. "*Bar Date Order*" means the Final Order entered by the Bankruptcy Court setting deadlines for certain parties in interests to file against the Debtors Claims arising prepetition [Docket No. {●}].

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

19. "*Cash*" means the legal tender of the United States or the equivalent thereof.

20. *Cash-Out Payment*" means with respect to each Non-Eligible Participant, a Cash payment equal to the value of the pro rata share of Rights such Non-Eligible Participant would have received if it was an Eligible Participant as determined by the Debtors, with the consent of the Requisite Consenting Noteholders.

21. "*Cash Payment*" means, in total, the Cash Payment Cap.

22. "*Causes of Action*" means, subject to the releases, exculpations, and injunctions set forth in this Plan, any claim, cause of action, controversy, right of setoff, cross claim, counterclaim, or recoupment and any claim on contracts or for breaches of duties imposed by law or in equity, demand, right, action, Lien, indemnity, guaranty, suit, obligation, liability, damage, judgment, account, defense, power, privilege, license, and franchise of any kind or character whatsoever, known, unknown, fixed or contingent, matured or unmatured, suspected or unsuspected, liquidated or unliquidated, disputed or undisputed, secured or unsecured, assertable directly or derivatively, whether arising before, on, or after the Petition Date, in contract or in tort, in law or in equity, or pursuant to any other theory of law, which was not conveyed to White Oak in connection with the Contribution Agreement Transaction and which was property of the Debtors or in which the Debtors held rights as of the Effective Date.

23. "*Chapter 11 Cases*" means, with respect to each Debtor, the case initiated under chapter 11 of the Bankruptcy Code by such Debtor's Filing on the Petition Date of a voluntary petition for relief in the Bankruptcy Court.

24. "*Claim*" means a claim, as defined in section 101(5) of the Bankruptcy Code, against one of the Debtors (or all or some of them) whether or not asserted or Allowed.

25. "*Claims Agent*" means Prime Clerk LLC.

26. "*Claims Objection Deadline*" means the first Business Day that is one (1) year after the Effective Date or such later date as may be fixed by the Bankruptcy Court upon a motion Filed by the Reorganized Debtor and served only on the Bankruptcy Rule 2002 service list (which motion to extend the objection deadline shall not be deemed a modification of this Plan).

27. "*Claims Register*" means the official register of Claims maintained by the Claims Agent.

28. "*Committee*" means any official committee of unsecured creditors appointed in the Chapter 11 Cases pursuant to section 1102(a) of the Bankruptcy Code.

29. "*Committee Members*" means all current and former members of the Committee, to the extent one is appointed.

30. "*Confirmation*" means the entry of the Confirmation Order on the docket of the Chapter 11 Cases.

31. "*Confirmation Date*" means the date on which the Confirmation Order is entered by the Bankruptcy Court.

32. "*Confirmation Hearing*" means the hearing held by the Bankruptcy Court to consider Confirmation of this Plan pursuant to section 1129 of the Bankruptcy Code.

33. "*Confirmation Order*" means the order of the Bankruptcy Court confirming this Plan.

34. "*Consenting Noteholders*" means (i) each of the Noteholders identified on the signature pages of the Restructuring Support Agreement (together with any of their respective successors and permitted assigns under the Restructuring Support Agreement) and (ii) each of the other Noteholders that becomes a party to the Restructuring Support Agreement after the Restructuring Support Effective Date (as defined in the Restructuring Support Agreement) in accordance with the terms thereof by executing and delivering a Joinder Agreement (as defined in the Restructuring Support Agreement) (together with any of their respective successors and permitted assigns under the Restructuring Support Agreement).

35. "*Consolidation*" has the meaning ascribed to it in Article IV.A herein.

36. "*Consummation*" means the occurrence of the Effective Date.

37. "*Contribution Agreement Transaction*" means that transaction contemplated by the Contribution Agreement.

38. "*Credit Agreement*" means that certain Second Amended and Restated First Lien Credit Agreement, dated as of September 4, 2014 (as amended and restated, restated, supplemented, or otherwise modified from time to time) by and among (i) Milagro Exploration, LLC, a Delaware limited liability company, and Milagro Producing, LLC, a Delaware limited liability company, as borrowers, (ii) MOG, a Delaware corporation, as guarantor, (iii) the various financial institutions and other persons from time to time parties thereto as the lenders, and (iv) the Administrative Agent.

39. "*D&O Policies*" means all insurance policies for directors, members, managers, trustees, and officers' liability maintained by the Debtors' Estates as of the Effective Date.

40. "*Debtors*" means, collectively, each of the following: (i) Milagro Holdings, LLC; (ii) MOG; (iii) Milagro Exploration, LLC; (iv) Milagro Producing, LLC; (v) Milagro Mid-Continent, LLC; and (vi) Milagro Resources, LLC.

41. "*Debtor Release*" has the meaning provided in Article VIII.D herein.

42. "*Definitive Documents*" means Company Governance Documents (as defined in the Restructuring Support Agreement), documents required to close on the Contribution Agreement Transaction, and any other documents required for the Plan to go effective or by the Contribution Agreement.

43. "*DIP Agent*" means TPG Specialty Lending, Inc., a Delaware corporation, in its capacity as administrative agent and collateral agent for the DIP Lenders, or its permitted successor or assignee.

44. "*DIP Claim*" means a Claim of the DIP Lenders or the DIP Agent arising under the DIP Facility, the other DIP Loan Documents (as defined in the DIP Facility), the Interim DIP Order and/or Final DIP Order.

45. "*DIP Credit Agreement*" means that certain Debtor-in-Possession Credit Agreement, dated as of July 15, 2015, by and among MOG, the other borrowers and guarantors party thereto, the DIP Agent, the DIP Lenders and other parties thereto.

46. "*DIP Facility*" means the senior secured credit facility provided by the DIP Lenders in an aggregate principal amount of up to $117,250,857.80 made pursuant to the DIP Credit Agreement.

47. "*DIP Lenders*" means those certain lenders who are lenders under the DIP Facility.

48. "*Disclosure Statement*" means the disclosure statement related to this Plan and approved by the Bankruptcy Court pursuant to the Disclosure Statement Order, as such disclosure statement may be amended, modified, or supplemented (including all exhibits and schedules annexed thereto or referenced therein).

49. "*Disclosure Statement Order*" means the order of the Bankruptcy Court approving the Disclosure Statement [Docket No. {●}].

50. "*Disputed*" means, with respect to any Claim or Equity Interest, any Claim or Equity Interest: (i) listed on the Schedules as unliquidated, disputed, or contingent, unless a Proof of Claim has been timely Filed; (ii) as to which the Debtors or the Reorganized Debtor have interposed a timely objection or request for estimation in accordance with the Bankruptcy Code and the Bankruptcy Rules; or (iii) as otherwise disputed by the Debtors or the Reorganized Debtor in accordance with applicable law, which objection, request for estimation, or dispute has not been withdrawn or determined by a Final Order.

51. "*Distribution Record Date*" shall mean the Confirmation Date.

52. "*District*" means the District of Delaware.

53. "*Effective Date*" means (i) the first business day after the entry of the Confirmation Order on which (a) the Confirmation Order is final and non-appealable unless this requirement has been waived, (b) no stay of the Confirmation Order is in effect, (c) all conditions precedent to effectiveness of this Plan shall have been satisfied or waived, (d) all conditions precedent to the closing of the Contribution Agreement Transaction shall have been satisfied or waived, and (e) all conditions precedent to the closing of the Rights Offering shall have been satisfied or waived or (ii) such other date as may be selected by the Debtors, subject to obtaining any consents required under the Restructuring Support Agreement.

54. "*Election Form*" means a form pursuant to which a Noteholder that is a Holder of a Notes Claim certifies whether or not it is an Accredited Investor, pursuant to the Rights Offering Procedures.

55. "*Election Form Deadline*" means the date by which a Noteholder that is a Holder of a Notes Claim may submit its Election Form, as set forth in the Rights Offering Procedures.

56. "*Eligible Participant*" means a Noteholder that, in accordance with the terms set forth in the Election Form and the Rights Offering Procedures, has submitted a completed Election Form certifying that such holder is an Accredited Investor.

57. "*Eligible Plan Release Consideration Recipient*" means any Holder of a General Unsecured Claim (only to the extent such Claim is ultimately Allowed) other than any Holder of (i) a Claim that has been assumed by White Oak under the Contribution Agreement, (ii) a Notes Claim with respect to any deficiency, or (iii) a Claim (regardless of type) of an Equity Holder or Insider of the Debtors or any of the Affiliates of any such persons, including, without limitation, any Claims for management, advisory, or similar services.

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

59. "*Equity Holders*" means the Holders of Equity Interests.

60. "*Equity Interests*" means either (i) the legal, equitable, contractual, or other rights of any Entity with respect to the preferred or common stock, membership interests or any other direct or indirect equity interest in any of the Debtors, including any options, warrants or other securities or other interest in or right to convert or exchange into such equity interest or (ii) the legal, equitable, contractual, or other right of any Entity to acquire or receive any of the foregoing.

61. "*Escrow Accounts*" means escrow accounts for Allowed Administrative Claims, Allowed Priority Tax Claims, Professional Fee Claims (to the extent necessary), Other Priority Claims, Other Secured Claims and Plan Implementation Expenses.

62. "*Estate*" means each estate created in the Chapter 11 Cases pursuant to section 541 of the Bankruptcy Code.

63. "*Estate Assets*" means any assets not transferred to White Oak pursuant to the Contribution Agreement.

64. "*Exculpated Parties*" means, collectively: (i) the Debtors; (ii) the Reorganized Debtor; (iii) the Committee and the Committee Members; and (iv) with respect to each of the foregoing Entities, such Entity's respective successors and assigns and current and former affiliates, subsidiaries, officers, directors, principals, employees, agents, financial advisors, attorneys, accountants, investments bankers, consultants, representatives, and other professionals, in each case solely in their capacity as such.

65. "*Exculpation*" means the exculpation provision set forth in Article VIII.F herein.

66. "*Executory Contract*" means a contract or lease to which one or more of the Debtors is a party that is subject to assumption or rejection under sections 365 or 1123 of the Bankruptcy Code.

67. "*Federal Judgment Rate*" means the federal judgment rate in effect as of the Petition Date.

68. "*File*," "*Filed*," or "*Filing*" means file, filed, or filing in the Chapter 11 Cases with the Bankruptcy Court or, with respect to the filing of a Proof of Claim, the Claims Agent.

69. "*Final DIP Order*" means the Final Order of the Bankruptcy Court authorizing, among other things, the Debtors to enter into and make borrowings under the DIP Facility and granting certain rights, protections, and liens to and for the benefit of the DIP Lenders dated July 15, 2015 [Docket No. {●}].

70. "*Final Order*" means an order or judgment of the Bankruptcy Court, or other court of competent jurisdiction with respect to the subject matter, which has not been reversed, stayed, modified, or amended, and as to which the time to appeal, petition for certiorari, or move for reargument or rehearing has expired and no appeal or petition for certiorari has been timely taken, or as to which any appeal that has been taken or any petition for certiorari that has been or may be filed has been resolved by the highest court to which the order or judgment was appealed or from which certiorari was sought or has otherwise been dismissed with prejudice.

71. "*General Unsecured Claim*" means an unsecured non-priority Claim against a Debtor that is not an Administrative Claim, a Priority Tax Claim, a Professional Fee Claim, a Senior Debt Claim, an Other Priority Claim, an Other Secured Claim, or a Notes Claim.

72. "*Governmental Unit*" shall have the meaning set forth in section 101(27) of the Bankruptcy Code.

73. "*GUC Settlement Payment*" means the pro rata distribution of the Plan Release Consideration Assets to the Plan Release Consideration Recipients, not to exceed the full amount of such Holder's Allowed General Unsecured Claim. For the avoidance of doubt, (i) any GUC Settlement Payment that is returned or is not negotiated within ninety (90) days of distribution shall be forfeited and such amount shall revest in the Reorganized Debtor and (ii) any amount of the Plan Release Consideration Assets that would provide a Plan Release Consideration Recipient with a greater than 100% recovery on account of its Allowed Claims shall be retained by the Reorganized Debtor.

74. "*GUC Third Party Consent*" means the written consent Eligible Plan Release Consideration Recipients must execute and return to the Reorganized Debtor in order to elect to become a Releasing Party, which will be provided with the Release Consideration Notice.

75. "*Holder*" means an Entity holding legal title to a Claim or an Equity Interest as of the Distribution Record Date.

76. "*Impaired*" means, with respect to a Claim or Equity Interest, or Class of Claims or Equity Interests, "impaired" within the meaning of section 1124 of the Bankruptcy Code.

77. "*Indemnification Provisions*" means each of the Debtors' indemnification provisions as of the Effective Date whether in the bylaws, certificates of incorporation or formation, other formation documents, board resolutions, or employment contracts for the current and former directors, managers, officers, employees, attorneys, other professionals, and agents of the Debtors, and such current and former directors', managers', and officers' respective Affiliates.

78. "*Initial Distribution Date*" means the date on which the Debtors or the Reorganized Debtor make initial distributions to Holders of Allowed Claims pursuant to this Plan, which will be the Effective Date.

79. "*Insider*" has the meaning set forth in section 101(31) of the Bankruptcy Code.

80. "*Intercompany Claim*" means any Claim held by a Debtor against another Debtor.

81. "*Interim DIP Order*" means the interim order of the Bankruptcy Court authorizing, among other things, the Debtors to enter into and make borrowings under the DIP Facility and granting certain rights, protections, and liens to and for the benefit of the DIP Lenders dated July 17, 2015 [Docket No. 35].

82. "*Lien*" shall have the meaning set forth in section 101(37) of the Bankruptcy Code.

83. "*Milagro Interests*" means the Company Interest in White Oak to be issued to the Reorganized Debtor under section 2.4 of the Contribution Agreement and pursuant to the Second Amended Company Agreement of White Oak, which contains certain restrictions and allows for the possibility of dilution of the Reorganized Debtor's interest in White Oak.

84. "*MOG*" means Milagro Oil & Gas, Inc.

85. "*Motions and Orders*" has the meaning set forth in the Restructuring Support Agreement.

86. "*New Holdings Operating Agreement*" means the Operating Agreement to be adopted by the Reorganized Debtor, after the conversion of such entity to a limited liability company on the Effective Date.

87. "*New Holdings Units*" means the membership interests in New Milagro LLC, which membership units in such entity shall initially be issued in exchange for shares of Reorganized Debtor

Common Stock on a one for one basis in connection with the conversion of the Reorganized Debtor to New Milagro LLC, a limited liability company, on the Effective Date.

88. "*New Milagro LLC*" means the limited liability company to be organized in Delaware upon the conversion of the Reorganized Debtor on the Effective Date, as contemplated by the Plan.

89. "*Non-Eligible Participant*" means a Noteholder that, in accordance with the terms set forth in the Election Form and the Rights Offering Procedures, has submitted a completed Election Form certifying that such holder is not an Accredited Investor.

90. "*Noteholders*" means the beneficial owners (or investment managers or advisors for the beneficial owners) of the Notes. For the avoidance of doubt, in no event shall the Second Lien Notes Trustee be considered a Noteholder.

91. "*Notes*" means the 10.500% Senior Secured Second Lien Notes due May 11, 2016, issued by MOG pursuant to the Second Lien Notes Indenture.

92. "*Notes Claim*" means any Claim arising under, derived from, or based upon the Second Lien Notes Indenture, the Notes, and the other Note Documents (as defined in the Second Lien Notes Indenture).

93. "*Notice of Satisfaction*" means a notice filed by the Debtors or Reorganized Debtor upon satisfaction of Allowed Claims with the Bankruptcy Court, which shall provide the Holder of the satisfied Allowed Claim twenty-one (21) days to object to the stated satisfaction of its Allowed Claim. If the Holder of an Allowed Claim fails to timely object to such notice of satisfaction, such Holder shall be forever barred from asserting an argument that the Claim has not been satisfied.

94. "*Other Priority Claim*" means priority Claims against the Debtors under section 507(a), other than Administrative Claims and Priority Tax Claims.

95. "*Other Secured Claim*" means Claims against any Debtor that are secured by a lien on property in which the Estate of any Debtor has an interest, which liens are valid, perfected, and enforceable under applicable law or by reason of a Final Order, or that are subject to setoff under section 553 of the Bankruptcy Code, to the extent of the value of the Claim Holder's interest in such Estate's interest in such property or to the extent of the amount subject to setoff, as applicable, as determined pursuant to section 506(a) of the Bankruptcy Code.

96. "*Per Interest Price*" has the meaning given to it in Article IV.E herein.

97. "*Petition Date*" means the date on which the Debtors Filed the Chapter 11 Cases.

98. "*Plan*" means this *Debtors' Joint Plan of Reorganization Pursuant to Chapter 11 of the Bankruptcy Code*, as amended, supplemented, or otherwise modified from time to time, including the Plan Supplement, which is incorporated in this Plan by reference and made part of this Plan as if set forth in this Plan.

99. "*Plan Documents*" has the meaning set forth in the Restructuring Support Agreement.

100. "*Plan Release Consideration Assets*" means the $1.0 million in the aggregate being given by the Noteholders from the Rights Offering Proceeds or the amounts otherwise subject to the liens of the Second Lien Notes Trustee for the benefit of itself and the Noteholders on the Effective Date for the eventual distribution by the Reorganized Debtor to the Plan Release Consideration Recipients.

101. "*Plan Release Consideration Recipient*" means any Eligible Plan Release Consideration Recipient that consents to become a Releasing Party and, therefore, is entitled to share in the Plan Release Consideration Assets.

102. "*Plan Implementation Expenses*" means any reasonable costs and expenses necessary to implement the Plan, including to wind-down the Estates and/or the Debtors, other than the Reorganized Debtor, after the Effective Date, including, without limitation, any reasonable compensation and reimbursement of professionals and consultants retained by the Reorganized Debtor, and the payment of statutory fees and taxes required to be paid in connection with dissolving each of the former Debtors other than the Reorganized Debtor.

103. "*Plan Supplement*" means any compilation of documents and forms of documents, agreements, schedules, and exhibits to the Plan, which shall be filed by the Debtors no later than five (5) days prior to the deadline for voting on the Plan or such later date as may be approved by the Bankruptcy Court, and additional documents filed with the Bankruptcy Court prior to the Effective Date as amendments to the Plan Supplement, which documents shall be consistent in all respects with, and shall otherwise contain, the terms and conditions set forth in the Restructuring Support Agreement, this Plan, the Disclosure Statement and the respective exhibits, annexes, and schedules attached hereto and thereto (in each case as may be amended or otherwise modified from time to time in accordance with the terms hereto and thereto) and otherwise acceptable to the Requisite Consenting Noteholders and/or the Requisite Secured Lenders (as applicable) in their reasonable discretion, except that the Contribution Documents (as defined in the Restructuring Support Agreement) shall also be reasonably acceptable to White Oak and the Company Governance Documents need only be reasonably acceptable to (A) the Requisite Consenting Noteholders and (B) so long as it holds at least 10% of the total amount of Second Lien Notes, Credit Suisse Securities USA LLC.

104. "*Priority Tax Claim*" means a Claim against the Debtors under section 507(a)(8) of the Bankruptcy Code.

105. "*Professional*" means any Entity employed pursuant to a Final Order in accordance with sections 327, 328, or 1103 of the Bankruptcy Code, and to be compensated for services rendered prior to and including the Effective Date pursuant to sections 327, 328, 329, 330, or 331 of the Bankruptcy Code.

106. "*Professional Fee Claim*" means a Claim for all accrued and/or unpaid fees and expenses (including, without limitation, fees or expenses allowed or awarded by the Bankruptcy Court or any other court of competent jurisdiction) for legal, financial advisory, accounting, and other services and reimbursement of expenses related thereto that are awardable and allowable under sections 328, 330(a), 331, 503(b), or 1103(a) of the Bankruptcy Code or otherwise and that are incurred (i) prior to the Effective Date or (ii) thereafter in connection with (a) applications Filed pursuant to section 330, 331, 503(b), or 1103(a) of the Bankruptcy Code and (b) motions seeking the enforcement of the provisions of this Plan or Confirmation Order, or appeals relating thereto, by all Professionals retained in the Chapter 11 Cases, except to the extent that (x) the Bankruptcy Court has disallowed or denied authority to pay or reimburse such fees and expenses by a Final Order or (y) any such fees and expenses have previously been paid, regardless of whether a fee application has been Filed for any such amount. To the extent that any amount of a Professional's fees or expenses are denied by a Final Order, then those amounts shall no longer constitute Professional Fees.

107. "*Professional Fee Claims Estimate*" means the estimate to be prepared by the Professionals of their fees accrued before and as of the Effective Date, taking into account any prior payments, which shall be delivered to the Debtors no later than three (3) calendar days before the commencement of the Confirmation Hearing.

108. "*Professional Fees' Escrow Account*" means the escrow created at Closing for Professional Fee Claims (to the extent necessary).

109. "*Proof of Claim*" means a proof of Claim Filed against any of the Debtors in the Chapter 11 Cases.

110. "*Release Consideration Notice*" means that notice to be provided to Eligible Plan Release Consideration Recipients in accord with Article IV.F.

111. "*Released Parties*" means each of, and solely in its capacity as such, (i) the Debtors, (ii) the Reorganized Debtor; (iii) White Oak, (iv) the Initial Equity Holders and the Additional Equity Holders (each as defined in the Restructuring Support Agreement), (v) the Secured Lenders, (vi) Consenting Noteholders and any other Noteholder or Holders of Notes Claims who do not opt-out of the Third Party Release, (vii) the Second Lien Notes Trustee, (viii) the Administrative Agent, (ix) the Plan Release Consideration Recipients and (x) each of the foregoing Entities' respective current and former officers, directors, members, employees, partners, managers, advisors, attorneys, financial advisors, investment bankers, accountants, and other professionals and representatives, and each of their direct and indirect shareholders' and owners' respective officers, directors, members, employees, partners, managers, advisors, attorneys, financial advisors, investment bankers, accountants, and other professionals and representatives.

112. "*Releasing Parties*" means each of, and solely in its capacity as such, (i) the Debtors, (ii) the Reorganized Debtor, (iii) White Oak, (iv) the Initial Equity Holders and the Additional Equity Holders (each as defined in the Restructuring Support Agreement), (v) the Secured Lenders, (vi) Consenting Noteholders and any other Noteholder or Holders of Notes Claims who do not opt-out of the Third Party Release, (vii) the Second Lien Notes Trustee, (viii) the Administrative Agent, (ix) Plan Release Consideration Recipients, (x) with respect to the foregoing Entities, to the extent they could assert Claims on behalf of such Entities, such Entities' respective successors and assigns and current and former officers, directors, principals, members, employees, agents, financial advisors, attorneys, accountants, investment bankers, consultants, representatives, equity holders, partners, and other professionals.

113. "*Reorganized Debtor*" means, MOG, in its capacity as the sole remaining Debtor after the Effective Date of this Plan, which shall be converted immediately upon the Effective Date of the Plan to New Milagro LLC.

114. "*Reorganized Debtor Causes of Action*" means the Causes of Action that are not transferred to White Oak, waived, relinquished, exculpated, released, compromised, or settled under this Plan.

115. "*Reorganized Debtor Common Stock*" means the common stock of the Reorganized Debtor, which common stock shall be converted to membership interests in such entity on a one for one basis in connection with the conversion of the Reorganized Debtor to New Milagro LLC, a limited liability company, on the Effective Date.

116. "*Requisite Consenting Noteholders*" shall have the meaning set forth in the Restructuring Support Agreement.

117. "*Requisite Backstop Parties*" means, as of any date of determination, the Backstop Parties who own or control as of such date at least a majority of the Backstop Commitment as of such date.

118. "*Restructuring Documents*" has the meaning set forth in the Restructuring Support Agreement.

119. "*Restructuring Recognition Awards*" shall mean the cash payments of $416,000 to Gary Mabie and $384,000 to Marshall Munsell.

120. "*Restructuring Recognition Event*" shall mean each of (i) the closing of the Contribution Agreement Transaction, (ii) the completion and closing of the Rights Offering, and (iii) the occurrence of the Effective Date.

121. "*Restructuring Support Agreement*" means that certain agreement, dated as of July 15, 2015 by and among (i) the Debtors, (ii) White Oak, (iii) the Consenting Noteholders, (iv) the Secured Lenders and the Administrative Agent, and (v) the Equity Holders pursuant to which (subject to the terms and conditions set forth therein), among other things, the aforesaid parties have (A) agreed to vote in favor of this Plan (to the extent entitled to vote), (B) to support this Plan and the other transactions contemplated herein, (C), to seek or support as applicable, Confirmation of this Plan in the Chapter 11 Cases and (D) to provide for certain approval rights in respect of the Plan Documents, the Motions and Orders, the Plan Supplement Documents (which includes the Plan Supplement and the other documents set forth under such definition in the Restructuring Support Agreement) and the Restructuring Documents.

122. "*Rights*" has the meaning given to it in Article IV.E herein.

123. "*Rights Interests*" has the meaning given to it in Article IV.E herein.

124. "*Rights Offering*" has the meaning given to it in Article IV.E herein.

125. "*Rights Offering Procedures*" means the procedures with respect to the Rights Offering, as approved by order of the Bankruptcy Court and as may be amended, modified or supplemented by the Bankruptcy Court from time to time.

126. "*Rights Offering Proceeds*" has the meaning given to it in Article IV.E herein.

127. "*Schedules*" means the schedules of assets and liabilities Filed by each Debtor pursuant to Bankruptcy Rule 1007, unless the Debtors are excused from the requirement to File such documents.

128. "*Second Lien Notes Trustee Charging Lien*" means any Lien or other priority in payment arising prior to the Effective Date to which the Second Lien Notes Trustee is entitled, pursuant to the Second Lien Notes Indenture, against distributions to be made to Noteholders that are Holders of Allowed Notes Claims for payment of any Second Lien Notes Trustee Fees.

129. "*Second Lien Notes Indenture*" means that certain Indenture dated as of May 11, 2011 (as amended, modified or otherwise supplemented from time to time prior to the Petition Date) by and among MOG, the guarantors party thereto, and the Second Lien Notes Trustee.

130. "*Second Lien Notes Trustee*" means Wilmington Trust, National Association (as successor in interest to Wells Fargo Bank, N.A.), as trustee under the Second Lien Notes Indenture.

131. "*Second Lien Notes Trustee Fees*" means the reasonable compensation, fees, expenses, disbursements and indemnity claims, including, without limitation, attorneys' and agents' fees, expenses and disbursements, incurred by the Second Lien Notes Trustee in accordance with and subject to the terms of the Note Documents (as defined in the Second Lien Notes Indenture), whether prior to or after the Petition Date and whether prior to or after the consummation of the Plan.

132. "*Secured Lenders*" means the Holders of the Senior Debt.

133. "*Securities Act*" means the Securities Act of 1933, as amended.

134. "*Senior Debt*" means indebtedness of any of the Debtors arising under or related to the Credit Agreement, the Fee Letter (as defined in the Credit Agreement) and the other Loan Documents (as defined in the Credit Agreement), including without limitation, all principal, accrued and unpaid interest, fees and the Yield Maintenance Premium and Prepayment Premium (each as defined in the Fee Letter), in the aggregate amounts set forth in Section 11.24 of the DIP Credit Agreement.

135. "*Senior Debt Claim*" means any Claims arising under or related to the Senior Debt.

136. "*Subscription Agent*" means the agent designated under the Rights Offering Procedures to receive subscriptions for the Reorganized Debtor Common Stock in the Rights Offering.

137. "*Subscription Deadline*" means a date certain specified in the Rights Offering Procedures, which shall be the last date and time that Rights may be exercised in accordance with the Rights Offering Procedures.

138. "*Subsequent Distribution Date*" means the date following the Initial Distribution Date on which the Reorganized Debtor in its reasonable discretion elects to make distributions to Holders of Allowed Claims pursuant to this Plan.

139. "*Third Party Release*" has the meaning provided in Article VIII.E herein.

140. "*Unexpired Lease*" means a lease of nonresidential real property to which one or more of the Debtors is a party that is subject to assumption or rejection under sections 365 or 1123 of the Bankruptcy Code.

141. "*Unimpaired*" means, with respect to a Class of Claims or Equity Interests, a Claim or an Equity Interest that is unimpaired within the meaning of section 1124 of the Bankruptcy Code.

142. "*United States*" means the United States of America and its agencies.

143. "*United States Trustee*" means the United States Trustee appointed under Article 591 of title 28 of the United States Code to serve in the District of Delaware.

144. "*U.S. Trustee Fees*" means fees arising under 28 U.S.C. § 1930(a)(6) and any accrued interest thereon arising under 31 U.S.C. § 3717.

145. "*White Oak*" means White Oak Resources VI, LLC, a Delaware limited liability company.

B. Rules of Interpretation

For purposes herein: (i) in the appropriate context, 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; (ii) unless otherwise specified, any reference in this Plan to a contract, lease, instrument, release, indenture, or other agreement or document being in a particular form or on particular terms and conditions means that the referenced document shall be substantially in that form or substantially on those terms and conditions; (iii) unless otherwise specified, any reference in this Plan to an existing document or exhibit having been Filed or to be Filed shall mean that document or exhibit, as it may thereafter be amended, modified, or supplemented from time to time; (iv) unless otherwise specified, all references in this Plan to "Articles" are references to Articles hereof or hereto; (v) unless otherwise stated, the words "herein," "hereof," and ''hereto'' refer to this Plan in its entirety rather than to a particular portion of this Plan; (vi) captions and headings to Articles are inserted for convenience of reference only and are not intended to be a part of or to affect the interpretation hereof; (vii) unless otherwise specified, the rules of construction set forth in section 102 of the Bankruptcy Code shall apply; (viii) any term used in capitalized form in this Plan that is not otherwise defined but that is used in the Bankruptcy Code or the Bankruptcy Rules shall have the meaning assigned to that term in the Bankruptcy Code or the Bankruptcy Rules, as applicable; (ix) references to docket numbers of documents Filed in

the Chapter 11 Cases are references to the docket numbers under the Bankruptcy Court's CM/ECF system; (x) references to "Proofs of Claim," "Holders of Claims," "Disputed Claims," and the like shall include "Proofs of Equity Interest," "Holders of Equity Interests," "Disputed Equity Interests," and the like as applicable; (xi) references to "shareholders," "directors," and/or "officers" shall also include "members" and/or "managers," as applicable, as such terms are defined under the applicable state limited liability company laws; and (xii) any immaterial effectuating provisions may be interpreted by the Debtors or the Reorganized Debtor in such a manner that is consistent with the overall purpose and intent of this Plan all without further notice to or action, order, or approval of the Bankruptcy Court or any other Entity.

C. Computation of Time

The provisions of Bankruptcy Rule 9006(a) shall apply in computing any period of time prescribed or allowed in this Plan.

D. Governing Law

Except to the extent the Bankruptcy Code or Bankruptcy Rules apply, and subject to the provisions of any contract, lease, instrument, release, indenture, or other agreement or document entered into expressly in connection herewith, the rights and obligations arising hereunder shall be governed by, and construed and enforced in accordance with, the laws of the State of Delaware, without giving effect to conflict of laws principles.

E. Reference to Monetary Figures

All references in this Plan to monetary figures shall refer to currency of the United States, unless otherwise expressly provided in this Plan.

F. Controlling Document

In the event of an inconsistency between this Plan and the Disclosure Statement, the terms of this Plan shall control in all respects. In the event of an inconsistency between this Plan and the Plan Supplement, this Plan shall control. In the event of any inconsistency between this Plan and the Confirmation Order, the Confirmation Order shall control.

ARTICLE II

ADMINISTRATIVE AND PRIORITY CLAIMS

A. Administrative Claims

Subject to the provisions of sections 327, 330(a), and 331 of the Bankruptcy Code, 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) as follows: (i) if such Administrative Claim is Allowed on or prior to the Effective Date, on the Effective Date or as soon as reasonably practicable thereafter (or, if not then due and payable, when such Allowed Administrative Claim is due and payable or as soon as reasonably practicable thereafter); (ii) if such Administrative Claim is not Allowed as of the Effective Date, no later than thirty (30) days after the date on which an order Allowing such Administrative Claim becomes a Final Order, or as soon as reasonably practicable thereafter (or, if not then due and payable, when such Allowed Administrative Claim is due and payable or as soon as reasonably practicable thereafter); (iii) at such time and upon such terms as may be agreed upon by such Holder and the Debtors or the Reorganized Debtor, as applicable; or (iv) at such time and upon such terms as set forth in an order of the Bankruptcy Court.

1. Administrative Claims Bar Date

Except as otherwise provided by a Final Order previously entered by the Bankruptcy Court (including the Bar Date Order) or as provided by this Article II, unless previously Filed, requests for payment of Administrative Claims, other than requests for payment of Professional Fee Claims, must be Filed and served on the Debtors no later than the Administrative Claims Bar Date pursuant to the procedures specified in the Confirmation Order and the notice of entry of the Confirmation Order. Holders of Administrative Claims that are required to File and serve a request for payment of such Administrative Claims that do not File and serve such a request by the Administrative Claims Bar Date shall be forever barred, estopped, and enjoined from asserting such Administrative Claims against the Debtors, their Estates, or the Estate Assets, and such Administrative Claims shall be deemed compromised, settled, and released as of the Effective Date. Objections to such requests must be Filed and served on the requesting party by the Administrative Claims Objection Deadline.

2. Administrative Claims' Escrow Account

On the Effective Date and after satisfaction of the DIP Claims and Senior Debt Claims, if any, in accordance with this Plan, the Debtors shall fund the Administrative Claims' Escrow Account in Cash as described in Article IV.G.2 hereof. Any amounts remaining in the Administrative Claims' Escrow Account after payment of all Allowed Administrative Claims shall be retained and available for use by the Reorganized Debtor.

B. DIP Claims

On the Effective Date, the DIP Claims shall be indefeasibly paid in full in Cash.

C. Priority Tax Claims

In accordance with section 1129(a)(9)(C) of the Bankruptcy Code, 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 on which such Priority Tax Claim becomes Allowed, (iii) the date on which such Allowed 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 or the Reorganized Debtor, as applicable. Any Claims asserted by a governmental unit on account of any penalties and assessments shall not be Priority Tax Claims.

1. Priority Tax Claims' Escrow Account

On the Effective Date, the Debtors shall fund the Priority Tax Claims' Escrow Account in Cash as described in Article IV.G.2 hereof. Any amounts remaining in the Priority Tax Claims' Escrow Account after payment of all Allowed Priority Tax Claims shall be retained and available for use by the Reorganized Debtor.

D. Professional Fee Claims

1. Professional Fees' Escrow Account

The Debtors shall establish and fund an Escrow Account for Professional Fee Claims. The Professionals shall estimate their Professional Fee Claims before and as of the Effective Date, taking into account any prior payments, and shall deliver such estimate to the Debtors no later than three (3) business days before the commencement of the Confirmation Hearing. For the avoidance of doubt, the Professional Fee Claims Estimate shall not be deemed to limit the amount of fees and expenses that are the subject of a Professional's final request for payment of Professional Fee Claims Filed with the Bankruptcy Court. The Debtors shall fund the Professional Fees' Escrow Account with Cash equal to the Professional Fee Claims Estimate. If a Professional does not provide a Professional Fee Claims Estimate within the timeframe described herein, the Debtors may estimate the unpaid and unbilled fees and expenses of such Professional. Except as provided in the next sentence, the Professional Fees' Escrow Account shall be funded on the Effective Date and maintained in trust by the Reorganized Debtor for the

Professionals and shall not be considered property of the Debtors' Estates. When all Allowed Professional Fee Claims have been paid in full, amounts remaining in the Professional Fees' Escrow Account, if any, shall be released to the Reorganized Debtor.

To the extent that funds held in the Professional Fees' Escrow Account are unable to satisfy the amount of an Allowed Professional Fee Claim owing to a Professional after application of funds deposited into the Professional Fees' Escrow Account pursuant to such Professional's Professional Fee Claim Estimate, such Professional shall have an Allowed Administrative Claim for any such deficiency, which Allowed Administrative Claim shall be satisfied in accordance with this Plan.

2. Final Fee Applications

All final requests for payment of Professional Fee Claims shall be Filed no later than the first Business Day that is 30 days after the Effective Date. After notice provided in accordance with the procedures established by the Bankruptcy Code and prior Bankruptcy Court orders, the Allowed amounts of such Professional Fee Claims shall be determined by the Bankruptcy Court. Subject to Article II.D.1 hereof, the amount of Professional Fee Claims owing to the Professionals shall be paid in Cash to such Professionals from funds held in the Professional Fees' Escrow Account, or as otherwise provided herein, when such Claims are Allowed by an order of the Bankruptcy Court, which order is not subject to a stay.

E. U.S. Trustee Statutory Fees

The Debtors or the Reorganized Debtor, as applicable, shall pay all U.S. Trustee Fees for each quarter (including any fraction thereof) until the Chapter 11 Cases are converted, dismissed, or closed, whichever occurs first.

ARTICLE III

CLASSIFICATION, TREATMENT, AND VOTING OF CLAIMS AND INTERESTS

In accordance with section 1123(a)(1) of the Bankruptcy Code, Administrative Claims, Priority Tax Claims, and Professional Fee Claims have not been classified and, thus, are excluded from the Classes of Claims and Equity Interests set forth in this Article.

A. Summary of Classifications

All Claims and Equity Interests, other than Administrative Claims (including DIP Claims), Priority Tax Claims, and Professional Fee Claims, are classified in the Classes set forth in this Article for all purposes, including voting, Confirmation, and distributions under this Plan and pursuant to sections 1122 and 1123(a)(1) of the Bankruptcy Code. A Claim or Equity Interest is classified in a particular Class only to the extent that the Claim or Equity Interest qualifies within the description of that Class and is classified in other Classes to the extent that any portion of the Claim or Equity Interest qualifies within the description of such other Classes. A Claim or Equity Interest is also classified in a particular Class for the purpose of receiving distributions under this Plan only to the extent that such Claim or Equity Interest is an Allowed Claim or Allowed Equity Interest in that Class and has not been paid, released, or otherwise satisfied prior to the Effective Date. The Debtors reserve the right to withdraw this Plan with respect to one or more Debtors while seeking Confirmation or approval of this Plan with respect to all other Debtors.

The Plan constitutes a separate Plan for each of the Debtors, and the classification of Claims and Equity Interests set forth herein shall apply separately to each of the Debtors.

1. Substantive Consolidation of the Estates

Pursuant to Article IV.A hereof, this Plan provides for the Consolidation of the Estates into a single Estate for all purposes associated with Confirmation (including voting) and Consummation. As a result of the

Consolidation of the Estates, each Class of Claims and Equity Interests will be treated as a single consolidated Estate without regard to the separate identification of the Debtors.

2. Class Identification

The classification of Claims against and Equity Interests in each Debtor (as applicable) pursuant to this Plan is as set forth below. To the extent there are no Holders of Claims or Equity Interests in a particular Class or Classes, such Claims or Equity Interests shall be treated as set forth in Article III hereof.

Class	Claims and Equity Interests	Status	Voting Rights
1	Senior Debt Claims	Unimpaired	Not Entitled to Vote (Conclusively Presumed to Accept)
2	Other Priority Claims	Unimpaired	Not Entitled to Vote (Conclusively Presumed to Accept)
3	Other Secured Claims	Unimpaired	Not Entitled to Vote (Conclusively Presumed to Accept)
4	Notes Claims	Impaired	Entitled to Vote
5	General Unsecured Claims	Impaired	Not Entitled to Vote (Deemed to Reject)
6	Equity Interests	Impaired	Not Entitled to Vote (Deemed to Reject)

B. Treatment of Classes of Claims and Equity Interests

Except to the extent that the Debtors and a Holder of an Allowed Claim or Equity Interest, as applicable, agree to a less favorable treatment, such Holder shall receive under this Plan the treatment described below in full and final satisfaction, settlement, and release of and in exchange for such Holder's Allowed Claim or Equity Interest. Unless otherwise indicated, each Holder of an Allowed Claim or Equity Interest, as applicable, shall receive such treatment on the Effective Date or as soon as reasonably practicable thereafter, the timing of which shall be subject to the reasonable discretion of the Debtors or the Reorganized Debtor, as applicable.

Notwithstanding the foregoing, no Claim or Administrative Claim Allowed under this Plan that is based on or arising out of a liability of a Debtor that was assumed by White Oak pursuant to the Contribution Agreement shall receive a distribution under this Plan or from any Debtor or Reorganized Debtor, and any such Claim or Administrative Claim shall automatically be deemed satisfied on the Effective Date without further order of the Bankruptcy Court, provided that the Reorganized Debtor shall file a Notice of Satisfaction with the Clerk of the Court, identifying the applicable Proofs of Claim, requests for allowance of administrative expenses, and claims listed in the Schedules satisfied by the Debtors or assumed by White Oak.

Any transfers of Claims or Interests are subject to orders of the Bankruptcy Court.

1. Class 1—Senior Debt Claims

(a) *Classification*: Class 1 consists of any Senior Debt Claims against the Debtors.

(b) *Allowance:* The Senior Debt Claims shall be Allowed in the aggregate amounts set forth in Section 11.24 of the DIP Credit Agreement, inclusive of principal, accrued and unpaid

interest (including default interest), fees and the Yield Maintenance Premium and Prepayment Premium.

(c) *Treatment*: To the extent not previously paid, each Senior Debt Holder shall receive, on the Effective Date, in full and indefeasible satisfaction and discharge thereof, Cash equal to the full amount of such Holder's Senior Debt Claim or such other treatment agreed to by mutual consent of the parties. Additionally, the Reorganized Debtor shall pay the Transaction Expenses (as defined in the Restructuring Support Agreement) of the Administrative Agent as provided for in the Restructuring Support Agreement. To the extent that Senior Debt Claims become DIP Claims, such Senior Debt Claims will not receive additional payments and treatment under Class 1.

(d) *Voting*: Class 1 is Unimpaired. Holders of Allowed Class 1 Claims are conclusively presumed to have accepted this Plan under section 1126(f) of the Bankruptcy Code. Holders of Allowed Class 1 Claims are not entitled to vote to accept or reject this Plan.

2. Class 2—Other Priority Claims

(a) *Classification*: Class 2 consists of all Other Priority Claims against the Debtors.

(b) *Treatment*: Each Holder of an Allowed Other Priority Claim shall receive, in full satisfaction and discharge thereof, Cash equal to the unpaid amount of such Allowed Other Priority 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 on which such Other Priority Claim becomes Allowed, (iii) the date on which such Allowed Other Priority Claim becomes due and payable, and (iv) such other date as mutually may be agreed to by and among such Holder and the Debtors or the Reorganized Debtor, as applicable. On the Effective Date, the Debtors shall fund the Other Priority Claims' Escrow Account in Cash as described in Article IV.G.2 hereof. Any amounts remaining in the Other Priority Claims' Escrow Account after payment of all Allowed Other Priority Claims shall be retained and available for use by the Reorganized Debtor.

(c) *Voting*: Class 2 is Unimpaired. Holders of Allowed Class 2 Claims are conclusively presumed to have accepted this Plan under section 1126(f) of the Bankruptcy Code. Holders of Allowed Class 2 Claims are not entitled to vote to accept or reject this Plan.

3. Class 3—Other Secured Claims

(a) *Classification*: Class 3 consists of any Other Secured Claims against the Debtors.

(b) *Treatment*: Each Holder of an Allowed Other Secured Claim shall receive, at the election of the Debtors and in full satisfaction and discharge thereof, (i) Cash equal to the unpaid amount of such Allowed Other Secured Claim (except to the extent that such Holder agrees to less favorable treatment thereof), (ii) the collateral securing the Allowed Other Secured Claim and payment of any interest required under section 506(b) of the Bankruptcy Code, or (iii) other treatment rendering such Claim Unimpaired; in any case, on or as soon as practicable after, the latest of (a) the Effective Date, (b) the date on which such Other Secured Claim becomes Allowed, (c) the date on which such Allowed Other Secured Claim becomes due and payable, and (d) such other date as mutually may be agreed to by and among such Holder and the Debtors or the Reorganized Debtor, as applicable. On the Effective Date, the Debtors shall fund the Other Secured Claims' Escrow Account in Cash as described in Article IV.G.2 hereof. Any amounts remaining in the Other Secured Claims' Escrow Account after payment of all Allowed Other Secured Claims shall be retained and available for use by the Reorganized Debtor.

(c) *Voting*: Class 3 is Unimpaired. Holders of Allowed Class 3 Claims are conclusively presumed to have accepted this Plan under section 1126(f) of the Bankruptcy Code. Holders of Allowed Class 3 Claims are not entitled to vote to accept or reject this Plan.

4. Class 4—Notes Claims

(a) *Classification*: Class 4 consists of all Notes Claims against the Debtors.

(b) *Allowance*: Notes Claims shall be Allowed in the aggregate principal amount of $250,000,000 as of the Petition Date, plus accrued and unpaid interest or penalties payable pursuant to the Second Lien Notes Indenture. Acceptance of this Plan by Class 4 shall constitute an election under this Plan, pursuant to section 1111(b)(2) of the Bankruptcy Code, to have the Notes Claims treated as a secured claim to the extent that such Notes Claims are Allowed; provided that such election shall be deemed to be made solely with respect to this Plan, and the right of Holders of Notes Claims to make or not to make such an election in the event that this Plan is not confirmed is expressly reserved and preserved.

(c) *Treatment*: Each Holder of an Allowed Notes Claim that is a Noteholder shall receive, (i) in full satisfaction and discharge thereof, but subject to the Second Lien Notes Trustee Charging Lien, its pro rata share of 100% of the Reorganized Debtor Common Stock (the Reorganized Debtor Common Stock issued on the Effective Date to be immediately converted to New Holdings Units in the Reorganized Debtor upon its conversion to a limited liability company as set forth in this Plan and, in connection therewith, each such Holder will be automatically bound by the terms of the New Holdings Operating Agreement without any requirement to become a signatory thereto), subject to dilution from the Reorganized Debtor Common Stock issued in connection with the Rights Offering and the Backstop Commitment Fee, and (ii) if applicable, Rights Interests or the Cash-Out Payment; provided, however, that in accordance with the Contribution Agreement, if White Oak acquires any Notes in a Note Purchase, there shall be no distribution on account of such Notes (whether held by White Oak or subsequently transferred by White Oak) and, instead, such Notes shall be cancelled, and the Adjusted Equity Component of the Purchase Price under the Contribution Agreement shall be adjusted in accordance with section 3.4(a)(13) of the Contribution Agreement. Additionally, the Reorganized Debtor shall pay the Transaction Expenses (as defined in the Restructuring Support Agreement) of the Consenting Noteholders and the Second Lien Notes Trustee and their respective legal counsel as provided for in the Restructuring Support Agreement.

(d) *Voting*: Class 4 is Impaired. Holders of Allowed Class 4 Claims are entitled to vote to accept or reject this Plan.

5. Class 5—General Unsecured Claims

(a) *Classification*: Class 5 consists of all General Unsecured Claims against the Debtors.

(b) *Treatment*: All General Unsecured Claims shall be cancelled, extinguished, and discharged on the Effective Date, and no Holder of a General Unsecured Claim shall receive or retain any property or interest on account of such claim.

(i) Notwithstanding the foregoing, Holders of Allowed General Unsecured Claims who are Eligible Plan Release Consideration Recipients that consent to become Releasing Parties shall be entitled to, in exchange for the Third Party Releases, a GUC Settlement Payment.

(c) *Voting*: Class 5 is Impaired. Holders of Claims in Class 5 are deemed to have rejected this Plan pursuant to section 1126(g) of the Bankruptcy Code and, therefore, are not entitled to vote to accept or reject this Plan.

6. Class 6—Equity Interests

(a) *Classification*: Class 6 consists of all Equity Interests of the Debtors.

(b) *Treatment*: All Equity Interests of the Debtors shall be cancelled, extinguished, and discharged on the Effective Date, and no Holder of such Equity Interest shall receive or retain any property or interest on account of such claim.

(c) *Voting*: Class 6 is Impaired. Holders of Equity Interests in Class 9 are deemed to have rejected this Plan pursuant to section 1126(g) of the Bankruptcy Code and, therefore, are not entitled to vote to accept or reject this Plan.

C. Special Provision Governing Unimpaired Claims

Except as otherwise provided in this Plan, nothing under this Plan shall affect the rights of the Debtors, the Debtors' Estates, or the Reorganized Debtor 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.

D. Confirmation Pursuant to Sections 1129(a)(10) and 1129(b) of the Bankruptcy Code

The Debtors shall seek Confirmation of this Plan pursuant to section 1129(b) of the Bankruptcy Code with respect to any rejecting Class of Claims or Equity Interests. The Debtors reserve the right to modify this Plan in accordance with Article X hereof to the extent, if any, that Confirmation pursuant to section 1129(b) of the Bankruptcy Code requires modification, including by modifying the treatment applicable to a Class of Claims or Equity Interests to render such Class of Claims or Equity Interests Unimpaired to the extent permitted by the Bankruptcy Code and the Bankruptcy Rules.

ARTICLE IV

MEANS FOR IMPLEMENTATION OF THE PLAN

A. Substantive Consolidation

The Plan shall serve as a motion by the Debtors seeking entry of an order pursuant to sections 105(a), 363(b), and 1123 of the Bankruptcy Code and Bankruptcy Rule 9019 substantively consolidating all of the Estates into a single consolidated Estate for all purposes associated with Confirmation and Consummation (the "Consolidation"). The tabulation of votes to accept or reject this Plan shall be counted on a consolidated basis.

Entry of the Confirmation Order shall constitute the approval, pursuant to sections 105(a), 541, 1123, and 1129 of the Bankruptcy Code, effective as of the Effective Date, of the Consolidation of the Debtors for all purposes. On and after the Effective Date, (i) all assets and liabilities of the Debtors shall be pooled and shall be the responsibility of the remaining Reorganized Debtor; (ii) all of the Intercompany Claims shall be disallowed and expunged and no distributions shall be made on account of such Intercompany Claims; (iii) no distributions shall be made under this Plan on account of any Equity Interest held by a Debtor in any other Debtor; (iv) all guarantees of any Debtors of the obligations of any other Debtor shall be eliminated so that any Claim against any Debtor and any guarantee thereof executed by any other Debtor, and any joint or several liability of any of the Debtors, shall be one obligation of the Reorganized Debtor following the Consolidation of the Debtors and the dissolution of the Debtors other than MOG, as provided in Article IV.G.3 of this Plan; and (v) each and every Claim Filed or to be Filed in the case of any of the Debtors other than the Reorganized Debtor shall be deemed Filed against the Reorganized Debtor.

The Consolidation (other than for purposes of effectuating this Plan) shall not affect: (i) the legal and corporate structures of the Debtors; (ii) pre- and post-Effective Date guarantees, liens, and security interests that are required to be maintained; (iii) distributions from any insurance policies or proceeds of such policies; (iv) vesting of the Estate Assets in the Reorganized Debtor; and (v) satisfaction of the DIP Claims and Senior Debt Claims in accordance with this Plan. If the Bankruptcy Court does not approve the Consolidation, or approves the Consolidation but with respect to less than all of the Debtors' Estates, then this Plan shall be treated as a separate plan of liquidation for each Debtor not substantively consolidated and such Debtor(s) shall not, nor shall be required to, resolicit votes with respect to this Plan, nor will the failure of the Bankruptcy Court to approve the Consolidation alter the distributions set forth in this Plan.

Notwithstanding the Consolidation provided for herein, U.S. Trustee Fees payable pursuant to 28 U.S.C. § 1930 shall continue to accrue for each and every Debtor until a particular Debtor's case is closed, dismissed, or converted to a case under Chapter 7 of the Bankruptcy Code.

B. Sources of Consideration for Plan Distributions

Distributions under this Plan shall be made from (i) funds in the Debtors' or Reorganized Debtor's possession, including without limitation, from the Cash Payment by White Oak under the Contribution Agreement, the Rights Offering Proceeds, funds received from the disposition of the Estate Assets not being acquired by White Oak and other Cash on hand and (ii) issuance of the Reorganized Debtor Common Stock (and the New Holdings Units to be issued in connection with the conversion of the Reorganized Debtor into a limited liability company).

C. General Settlement of Claims

Pursuant to section 1123 of the Bankruptcy Code and Bankruptcy Rule 9019, and in consideration for the classification, distributions, releases, and other benefits provided under this Plan, on the Effective Date, the provisions of this Plan shall constitute a good-faith compromise and settlement of all Claims, Equity Interests, and controversies resolved pursuant to this Plan.

D. Contribution Agreement Transaction

On the Effective Date and in accordance with Article IV.D hereof, the Reorganized Debtor and any other Entity party to the Contribution Agreement Transaction shall take all actions that are necessary or appropriate to effect the Contribution Agreement Transaction, including, but not limited to:

1. Subject to the terms and conditions of the Contribution Agreement, the Debtors will contribute, assign, transfer, and convey to White Oak, and White Oak will acquire and accept from the Debtors, the Assets;

2. In consideration of the contribution of the Assets by the Debtors, White Oak will, on the Effective Date, issue the Milagro Interests to the Reorganized Debtor as set forth in Section 2.4 of the Contribution Agreement;

3. White Oak will pay to MOG the Cash Payment Cap as set forth in Section 3.2(a) of the Contribution Agreement; and

4. The Reorganized Debtor shall make indefeasible payments to the DIP Agent or the Administrative Agent, as applicable, in satisfaction of the DIP Claims and Senior Debt Claims in accordance with this Plan.

E. Rights Offering

1. Generally

Each Holder of a Notes Claim that is an Accredited Investor will have the opportunity to make an election, in conjunction with voting on this Plan, to purchase (each, a "Right" and together, the "Rights") contemporaneously with the Effective Date, a pro rata share of shares of Reorganized Debtor Common Stock (the Reorganized Debtor Common Stock issued on the Effective Date to be immediately converted to New Holdings Units in the Reorganized Debtor upon its conversion to a limited liability company as set forth in this Plan), resulting in gross Cash proceeds (the "Rights Offering Proceeds") of up to $20,000,000 (as determined by the Company and the Requisite Backstop Parties) pursuant to the Rights Offering Procedures and the Plan (the "Rights Offering," and such shares of Reorganized Debtor Common Stock subject to the Rights Offering, the "Rights Interests"). Notwithstanding anything contained in the Plan or the Rights Offering Procedures to the contrary, the Debtors may, with the consent of the Requisite Backstop Parties, modify the Rights Offering Procedures or adopt such additional procedures. The closing of the Rights Offering is conditioned on the consummation of the Plan, the Rights Offering Procedures and the Contribution Agreement Transaction. Amounts held by the Subscription Agent with respect to the Rights Offering prior to the Effective Date shall not be entitled to any interest on account of such amounts.

2. Election Form

In accordance with the terms of the Rights Offering Procedures, the Debtors will deliver an Election Form to each Noteholder that is a Holder of a Notes Claim to determine which such Holders will be considered Eligible Participants and which such Holders will be considered Non-Eligible Participants. To determine that such Holder is an Eligible Participant, such Holder must, in accordance with the terms set forth in the Election Form, validly complete and return the Election Form by the Election Form Deadline certifying that such Holder is an Accredited Investor and each Holder shall indicate the extent of its interest in participating in the Rights Offering. To determine that such Holder is a Non-Eligible Participant, such Holder must, in accordance with the terms set forth in the Election Form, validly complete and return the Election Form by the Election Form Deadline certifying that such Holder is not an Accredited Investor. Only Eligible Participants shall be able to participate in the Rights Offering. Only Non-Eligible Participants shall be eligible to receive the Cash-Out Payment. Any Noteholder that is a Holder of a Notes Claim that does not return a validly completed Election Form by the Election Form Deadline shall not be entitled to participate in the Rights Offering and shall not be eligible to receive the Cash-Out Payment.

3. Issuance of Rights

The number of Rights Interests allocated pursuant to the Rights Offering will be based upon a pro rata share of all Notes Claims. The number of Rights Interests will be adjusted to reflect the final amount of Rights Offering Proceeds, which amount shall initially be sized above the projected Cash needs of the Estates prior to the Effective Date, with excess funds returned to the subscribers to the Rights Offering at the closing of the Rights Offering. Notwithstanding anything to the contrary herein or in the Rights Offering Procedures, fractional Rights shall not be issued and any such fractional Rights will be rounded up or down to the nearest whole number. The price per equity interest ("Per Interest Price") shall be determined using the Deemed Equity Value of White Oak determined pursuant to Section 2.4 of the Contribution Agreement and the pro forma restructured capital structure, and applying a 30% discount to the equity value thereto (after giving effect to the Rights Offering).

4. Transfer Restrictions and Revocation

The Rights shall not be assignable or detachable, and shall not be transferrable other than in connection with the transfer of the corresponding Claims. After a Right has been exercised, the underlying Claim corresponding to the Right will cease to be transferrable. In addition, once an Eligible Participant has properly exercised its Rights, such exercise cannot be revoked, rescinded or annulled for any reason unless the Effective Date has not occurred on or before forty-five (45) days following the Subscription Deadline, at which time any Eligible Participant may revoke the exercise of all, but not less than all, of the Rights it has exercised by delivery of a revocation notice pursuant to the Rights Offering Procedures.

5. Issuance of New Holdings Units

On the Effective Date, the Reorganized Debtor shall issue shares of Reorganized Debtor Common Stock, in exchange for payment therefor, to those Eligible Participants that, in accordance with the Plan and the Rights Offering Procedures, validly exercised their respective Rights to participate in the Rights Offering. The New Holdings Operating Agreement shall be adopted on the Effective Date and shall be deemed to be valid, binding, and enforceable in accordance with its terms, and each holder of New Holdings Units shall be bound thereby.

6. Backstop Commitment

The Backstop Parties have committed (the "Backstop Commitment"), pursuant to the Backstop Commitment Letter, to purchase (on a several and not joint basis) the Rights Interests (based on a Per Interest Price) that are not purchased by the Holders of Notes Claims as part of the Rights Offering, based initially on a percentage to be set forth in the Backstop Commitment Letter, which percentage shall be based on the amount of Notes held by such Backstop Party relative to the aggregate amount of Notes held by all Backstop Parties on the Petition Date. On the Effective Date, the Reorganized Debtor will pay each Initial Consenting Noteholder providing a Backstop Commitment its portion of the Backstop Commitment Fee.

The Debtors intend to rely on the exemption provided by section 4(a)(2) of the Securities Act and applicable exemptions from Blue Sky Laws in respect of the Rights Interests associated with the Backstop Commitment and the Backstop Commitment Fee.

7. Refund of Payments

If the Rights Offering is terminated, including by termination of the Backstop Commitment Letter, any payment made by an Eligible Participant pursuant to the Rights Offering shall be refunded as soon as practicable thereafter, without interest or deduction. If an Eligible Participant participating in the Rights Offering has made an overpayment, including in respect of the Rights, the amount of such overpayment shall be refunded as soon as practicable following the Subscription Deadline, without interest or deduction.

8. Rights Offering Dates

The Rights Offering shall be commenced and completed in accordance with the dates set forth in the Rights Offering Procedures; provided, however, that the Debtors may modify such dates and deadlines consistent with the Rights Offering Procedures, subject to the consent of the Requisite Backstop Parties.

For the avoidance of doubt, nothing herein constitutes an offer of Rights Interests.

F. Plan Release Consideration Assets Implementation Procedure

Within 180 days of the Effective Date, the Reorganized Debtor shall provide to Eligible Plan Release Consideration Recipients the Release Consideration Notice. The Release Consideration Notice will explain that, in exchange for consenting to the Third Party Release and thereby becoming a Releasing Party, Plan Release Consideration Recipients will be entitled to the GUC Settlement Payment. In order to consent, Eligible Plan Release Consideration Recipients will be required to execute and return the GUC Third Party Consent, which will accompany the Release Consideration Notice, to the Reorganized Debtor within thirty (30) days of service of the Release Consideration Notice. Once all Disputed General Unsecured Claims for which a GUC Third Party Consent has been executed and returned have been resolved, the Reorganized Debtor shall distribute the GUC Settlement Payment to the Plan Release Consideration Recipients. In administering the GUC Settlement Payment, including, without limitation, objecting to and resolving Claims and in making distributions to Plan Release Consideration Recipients, the Reorganized Debtor shall be entitled to act in its sole discretion (and not in a fiduciary capacity) and shall have no liability to any Plan Release Consideration Recipient or any other party in connection therewith.

G. The Post-Effective Date Reorganized Debtor

All Debtors other than MOG shall be deemed dissolved on the Effective Date and their assets transferred to the Reorganized Debtor or funded into the Escrow Accounts for distribution in accordance with the terms of this Plan by the Reorganized Debtor. From and after the Effective Date, the Reorganized Debtor shall take actions it deems necessary or desirable in connection with this Plan and the Estate, including, without limitation, (i) winding up the Debtors' affairs as is appropriate under the circumstances, (ii) liquidating, by conversion to Cash or other methods, including by way of abandonment, any remaining assets of the Estates, to the extent necessary to fund the Escrow Accounts, (iii) enforcing and prosecuting claims, interests, rights, and privileges of the Debtors and their Estates, (iv) resolving Disputed Claims, (v) confirming and administering this Plan and taking such actions as are necessary to effectuate this Plan, and (vi) filing appropriate tax returns.

Upon the Effective Date, all equity interests of MOG shall be cancelled and new shares of Reorganized Debtor Common Stock shall be issued, as set forth under this Plan, to the Noteholders that are Holders of the Allowed Notes Claims, Eligible Participants that exercised their respective Rights to participate in the Rights Offering and to the Backstop Parties. Immediately after the issuance of such shares of common stock to the Noteholders that are Holders of the Allowed Notes Claims, MOG shall convert to a limited liability company (New Milagro LLC) and the shares of common stock shall convert to limited liability company interests on a one for one basis. New Milagro LLC will adopt the New Holdings Operating Agreement, and it shall make a "check-the-box" election to be taxed as a corporation pursuant to the Internal Revenue Code.

Further, the Reorganized Debtor shall be deemed to be substituted as the party-in-lieu of the Debtors in all matters, including (i) motions, contested matters, and adversary proceedings pending in the Bankruptcy Court, and (ii) all matters pending in any courts, tribunals, forums, or administrative proceedings outside of the Bankruptcy Court, in each case without the need or requirement for the Reorganized Debtor to file motions or substitutions of parties or counsel in each such matter. From and after the Effective Date, the Reorganized Debtor shall be authorized to conduct its business as a reorganized limited liability company pursuant to the New Holdings Operating Agreement and to operate, buy, sell, or transfer its assets without Bankruptcy Court supervision.

1. Tax Returns

After the Effective Date, the Reorganized Debtor shall complete and file all final or otherwise required federal, state, and local tax returns for each of the other Debtors, and, pursuant to section 505(b) of the Bankruptcy Code, may request an expedited determination of any unpaid tax liability of such Debtor or its Estate for any tax incurred during the administration of such Debtor's Chapter 11 Case, as determined under applicable tax laws.

2. Escrow Accounts

On the Effective Date, the Debtors shall establish escrow accounts for Allowed Administrative Claims, Allowed Priority Tax Claims, Allowed Professional Fee Claims (to the extent necessary), Allowed Other Priority Claims, Allowed Other Secured Claims and Plan Implementation Expenses. Funds in the Escrow Accounts shall be used by the Reorganized Debtor only for the payment of, Administrative Claims, Priority Tax Claims, Professional Fee Claims, Other Priority Claims and Other Secured Claims Allowed after the Effective Date to the extent that such Claims have not been paid in full on or prior to the Effective Date and Plan Implementation Expenses. Any amounts remaining in the Escrow Accounts after payment of all Allowed Administrative Claims, Allowed Priority Tax Claims, Allowed Professional Fee Claims, Allowed Other Priority Claims, and Allowed Other Secured Claims shall be retained and available for use by the Reorganized Debtor and shall vest in the Reorganized Debtor free and clear of all liens, Claims, encumbrances, charges, and other interests, except as otherwise specifically provided in this Plan or in the Confirmation Order.

3. Wind-Down of Certain Debtors

On and after the Effective Date, the Reorganized Debtor will be authorized to implement this Plan and any applicable orders of the Bankruptcy Court, and the Reorganized Debtor shall have the power and authority to take

any action necessary to wind-down and dissolve the Debtors' (other than that of the Reorganized Debtor) and their respective Estates.

As soon as reasonably practicable after the Effective Date, except with respect to the Reorganized Debtor as set forth herein, the Reorganized Debtor shall: (i) cause the Debtors to comply with, and abide by, the terms of the Contribution Agreement; (ii), by the Plan:

> (A) in the Reorganized Debtor's capacity as the sole direct or indirect member of Milagro Exploration, LLC, Milagro Producing, LLC, Milagro Mid-Continent, LLC, and Milagro Resources, LLC (collectively, the "Subsidiary Debtors"), be appointed, authorized and directed, on behalf of each Subsidiary Debtor, to cause each such Subsidiary Debtor to wind up such Subsidiary Debtor's affairs and, upon the completion of the winding up of the affairs of each Subsidiary Debtor, to file for each of such Subsidiary Debtor a certificate of cancellation to effect the dissolution and termination of the Subsidiary Debtors under and in accordance with sections 801 through 806 of the Delaware Limited Liability Company Act, 6 Del. C. §18-101 *et seq.* (the "LLC Act"); and
>
> (B) as agent for Milagro Holdings, LLC, (1) seek, to the extent not previously granted, the unanimous consent of the Board of Milagro Holdings, LLC required under the Amended and Restated Limited Liability Company Operating Agreement of Milagro Holdings, LLC, dated November 30, 2007, as amended from time to time (the "Milagro Holdings LLC Agreement"), in order to cause the dissolution and winding up of Milagro Holdings, LLC, and (2) after the receipt of such consent, cause Milagro Holdings, LLC to wind up its affairs and, upon the completion of the winding up of the affairs of Milagro Holdings, LLC, to file for Milagro Holdings, LLC a certificate of cancellation to effect the dissolution and termination of Milagro Holdings, LLC under and in accordance with the Milagro Holdings LLC Agreement and the LLC Act; and

(iii) take such other actions as the Reorganized Debtor may determine to be necessary or desirable to carry out the purposes of the Plan. From and after the Effective Date, except with respect to the Reorganized Debtor as set forth herein, the Debtors (i) for all purposes shall be deemed to have withdrawn their business operations from any state in which the Debtors were previously conducting, or are registered or licensed to conduct, their business operations, and shall not be required to file any document, pay any sum, or take any other action in order to effectuate such withdrawal, (ii) shall be deemed to have cancelled pursuant to the Plan and to the extent permitted or required under applicable law all Equity Interests, and (iii) shall not be liable in any manner to any taxing authority for franchise, business, license, or similar taxes accruing on or after the Effective Date. For the avoidance of doubt, except with respect to the Reorganized Debtor as set forth herein, notwithstanding the Debtors' dissolution, the Debtors shall be deemed to remain intact solely with respect to the preparation, filing, review, and resolution of applications for Professional Fee Claims.

The filing of the final monthly report (for the month in which the Effective Date occurs) and all subsequent quarterly reports shall be the responsibility of the Reorganized Debtor.

H. Cancellation of Instruments, Certificates, and Other Documents:

1. Cancellations

On the Effective Date, except to the extent otherwise provided herein, all instruments, certificates, and other documents evidencing debt or equity interests in the Debtors, including, without limitation, all Notes and the Second Lien Notes Indenture, shall be cancelled, and the obligations of the Debtors thereunder, or in any way related thereto, shall be discharged; provided, that, notwithstanding Confirmation or the occurrence of the Effective Date, any such agreement that governs the rights of the Holder of a Claim shall continue in effect solely for purposes of allowing such Holders to receive distributions under this Plan as provided herein; and provided, further, that the

Notes and the Second Lien Notes Indenture shall continue in effect solely for the purposes of (i) allowing the Noteholders to receive their distributions hereunder, (ii) allowing the Second Lien Notes Trustee to make the distributions, if any, to be made on account of the Notes, and (iii) permitting the Second Lien Notes Trustee to assert its Second Lien Notes Trustee Charging Lien against such distributions for payment of the Second Lien Notes Trustee Fees.

2. Letter of Transmittal to Holders of Notes Claims

As soon as practicable after the Effective Date, the Reorganized Debtor with the cooperation of the Second Lien Notes Trustee shall send a letter of transmittal to each Noteholder, advising such Noteholder of the effectiveness of this Plan and providing instructions to such Noteholder to deliver to the Second Lien Notes Trustee such Noteholder's Note(s) in exchange for the distributions to be made pursuant to this Plan. Delivery of any Note will be effected, and risk of loss and title thereto shall pass, only upon delivery of such Note to the Second Lien Notes Trustee in accordance with the terms and conditions of such letter of transmittal, such letter of transmittal to be in such form and have such other provisions as the Reorganized Debtor or its representatives may reasonably request.

3. Delivery and Surrender

Each Noteholder shall surrender its Note to the Second Lien Notes Trustee, or, at the option of the Second Lien Notes Trustee, be deemed to have surrendered such Note. No distribution hereunder shall be made to or on behalf of any such Noteholder unless and until such Note is received by the Second Lien Notes Trustee, if required by the first sentence of this Article IV.H.3, or the loss, theft or destruction of such Note is established to the satisfaction of the Second Lien Notes Trustee, including requiring such Noteholder to (i) submit a lost instrument affidavit and an indemnity bond, and (ii) hold the Debtors, the Reorganized Debtor and the Second Lien Notes Trustee harmless in respect of such Note and any distributions made in respect thereof. Upon compliance with this Article IV.H.3 by a Noteholder, such Noteholder shall, for all purposes under this Plan, be deemed to have surrendered such Note. Any such Noteholder that fails to surrender such Note or satisfactorily explain its non-availability to the Second Lien Notes Trustee within eighteen months of the Effective Date shall be deemed to have no further Claim against the Debtors, the Reorganized Debtor or their property or the Second Lien Notes Trustee in respect of such Claim and shall not participate in any distribution hereunder. If such unclaimed distributions are held by the Second Lien Notes Trustee after eighteen months, the distribution that would otherwise have been made to such Noteholder shall be distributed by the Second Lien Notes Trustee to all Noteholders who have surrendered such Notes to the Second Lien Notes Trustee or satisfactorily explained their non-availability to the Second Lien Notes Trustee by such date.

I. Offering and Issuance of Securities

To the maximum extent available, the issuance of any securities under this Plan, including the Reorganized Debtor Common Stock, New Holdings Units, the Rights, and the Rights Interests, shall be exempt from, among other things, the registration and prospectus delivery requirements of Section 5 of the Securities Act, and any other applicable law requiring registration and/or delivery of prospectuses prior to the offering, issuance, distribution, or sale of securities pursuant to section 1145 of the Bankruptcy Code. To the extent section 1145 is unavailable, such securities shall be exempt from registration under the Securities Act through a private placement pursuant to Section 4(a)(2) of the Securities Act, and/or the safe harbor of Regulation D promulgated thereunder, or such other exemption as may be available from any applicable registration requirements.

In addition, any and all Reorganized Debtor Common Stock, New Holdings Units, the Rights, and the Rights Interests issued as contemplated by this Plan will be freely tradable by the recipients thereof, subject to the provisions of section 1145(b)(1) of the Bankruptcy Code relating to the definition of an underwriter in section 2(a)(11) of the Securities Act, and compliance with any rules and regulations of the United States Securities and Exchange Commission, and state securities and "blue sky" laws, if any, applicable at the time of any future transfer of such securities or instruments.

The issuance of the Reorganized Debtor Common Stock and conversion of such common stock into New Holdings Units is authorized without the need for any further corporate action or without any further action by the

Debtors or the Reorganized Debtor, as applicable. The charter of the Reorganized Debtor, as applicable, shall authorize for issuance and distribution on the Effective Date all of such shares of Reorganized Debtor Common Stock in accord with the Rights Offering and the distribution of the shares of Reorganized Debtor Common Stock to Holders of Allowed Notes Claims. All such shares of Reorganized Debtor Common Stock, issued and distributed pursuant to this Plan and all New Holdings Units into which such shares are converted, shall be duly authorized, validly issued, fully paid, and non-assessable.

J. Vesting of Assets in the Reorganized Debtor

Except as otherwise provided herein or in any agreement, instrument, or other document incorporated in this Plan, on the Effective Date, the Estate Assets, all Causes of Action not transferred to White Oak pursuant to the Contribution Agreement, and any other property acquired by any of the Debtors under this Plan shall vest in the Reorganized Debtor, free and clear of all Liens, Claims, charges, or other encumbrances. On and after the Effective Date, except as otherwise provided in this Plan, the Reorganized Debtor may operate its business and use, acquire, or dispose of property and compromise or settle any Claims, Equity Interests, or retained Causes of Action without supervision or approval by the Bankruptcy Court and free of any restrictions of the Bankruptcy Code or Bankruptcy Rules.

K. Corporate Action

Upon the Effective Date, by virtue of entry of the Confirmation Order, all actions contemplated by this Plan (including any action to be undertaken by the Debtors prior to the Effective Date and the Reorganized Debtor after the Effective Date) shall be deemed authorized, approved, and, to the extent taken prior to the Effective Date, ratified without any requirement for further action by Holders of Claims or Equity Interests, the Debtors, or any other Entity or person. All matters provided for in this Plan involving the corporate structure of the Debtors, and any corporate action required by the Debtors in connection therewith, shall be deemed to have occurred and shall be in effect, without any requirement of further action by the Debtors or the Debtors' Estates.

L. New Holdings Units

Effective upon the conversion of Reorganized Debtor Common Stock to New Holdings Units, the New Holdings Operating Agreement shall authorize the issuance and distribution on the Effective Date of New Holdings Units to the holders of Reorganized Debtor Common Stock in exchange on a one for one basis for such shares of common stock. All New Holdings Units, which will be converted from shares of Reorganized Debtor Common Stock, issued and distributed pursuant to this Plan, shall be duly authorized, validly issued, fully paid, and non-assessable. The holders of New Holdings Units shall not be required to execute the New Holdings Operating Agreement before receiving their respective distributions of New Holdings Units under the Plan. Any such persons who do not execute the New Holdings Operating Agreement shall be automatically deemed to have accepted the terms of the New Holdings Operating Agreement (in their capacity as members of New Milagro LLC) and to be parties thereto without further action. The New Holdings Operating Agreement shall be adopted on the Effective Date and shall be deemed to be valid, binding and enforceable in accordance with its terms, and each holder of New Holdings Units shall be bound thereby.

M. New Holdings Operating Agreement

On the Effective Date, the New Holdings Operating Agreement shall become effective, a summary of which shall be set forth in the Plan Supplement. The New Holdings Operating Agreement, once adopted on the Effective Date, shall be deemed to be valid, binding, and enforceable in accordance with its terms, and each holder of New Holdings Units shall be bound thereby.

N. Boards of Managers

Upon the Effective Date, the existing boards of directors and managers, as applicable, of the Debtors shall be dissolved without any further action required on the part of the Debtors or the Debtors' officers, directors, shareholders, and members, and any and all remaining officers or directors of each Debtor other than the

Reorganized Debtor shall be dismissed without any further action required on the part of any such Debtor, the shareholders of such Debtor, or the officers and directors of such Debtor. All of the members of the new board of managers of the Reorganized Debtor, and the members of the board of managers of White Oak (the "White Oak Board") to be selected by the Reorganized Debtor shall be selected as provided in the Company Governance Documents. The Reorganized Debtor shall initially have the right to nominate and elect two (2) members of the White Oak Board, which pursuant to that certain Amended and Restated Voting and Transfer Restriction Agreement, to be dated as of the Effective Date, among White Oak and the other signatories thereto (the "Voting and Transfer Agreement"), may over time, depending on the level of the Reorganized Debtor's ownership interest in White Oak, be reduced to one (1) manager or a non-voting observer to attend meetings of the White Oak Board. The Requisite Consenting Noteholders have agreed that the second manager to be initially appointed to the White Oak Board shall be a person designated by ACON Funds Management, LLC ("ACON") or its designee or designees. During the two (2) year period following the Effective Date of the Plan, the Reorganized Debtor shall, and the Consenting Noteholders shall, and shall at all times cause the Reorganized Debtor to, take all actions necessary in order to cause the nomination and election of the person designated by ACON or its designee or designees as the Reorganized Debtor's second manager on the White Oak Board. On or as soon as practicable after the Effective Date of the Plan, ACON (or its designee or designees) shall receive $2.0 million from the Reorganized Debtor as an advance payment in respect of acting as a manager (or observer) on the White Oak Board, whether from proceeds of the Rights Offering or otherwise.

The directors, managers, and officers of the Debtors and the Reorganized Debtor, as applicable, shall be authorized to execute, deliver, File, or record such contracts, instruments, and other agreements or documents and take such other actions as they may deem necessary or appropriate in their sole discretion to implement the provisions of this Article. Additionally, in accordance with section 1129(a)(5) of the Bankruptcy Code, the identities and affiliations of the members of the new board of managers of the Reorganized Debtor and any Entity proposed to serve as an officer of the Reorganized Debtor shall be disclosed in the Plan Supplement.

The authorizations and approvals contemplated by this Article shall be effective notwithstanding any requirements under applicable nonbankruptcy law.

O. Restructuring Recognition Awards.

Confirmation of the Plan constitutes approval of a performance-driven restructuring recognition payment designed to reward key members of the Debtors' management for contributing to a successful and timely reorganization of the Debtors, by providing them with one-time cash Restructuring Recognition Awards in an aggregate amount of $800,000. The Restructuring Recognition Awards shall be payable to the Debtors' (i) President and Chief Operating Officer and (ii) Vice President of Business Development/Land, who are the two persons integral to ensuring that the Restructuring Recognition Events, and thus the restructuring proposed in the Plan, occur. Additionally, the Restructuring Recognition Awards are in recognition of the recipients' agreements to continue to provide reasonable services in connection with an orderly wind-down and transition of the Debtors' operations to White Oak and the Reorganized Debtor's transition to its post-Effective Date operations; provided that the Restructuring Recognition Awards will be in addition to, and not in lieu of, any ordinary course (or otherwise agreed to) compensation payable to the (either as an employee or as an independent contractor receiving net compensation comparable to what they would otherwise receive as an employee) recipients through their date of termination by Holdings and the Reorganized Debtor. Payment of the Restructuring Recognition Awards shall be conditioned upon the occurrence of each and every one of the Restructuring Recognition Events, and the Restructuring Recognition Awards shall be earned and payable upon the last to occur of the Restructuring Recognition Events, as well as the delivery of a release and waiver of any amounts owed to the participant by any of the Debtors for severance, whether contractual or otherwise, and the Reorganized Debtor shall pay the Restructuring Recognition Awards from the Rights Offering Proceeds at such time.

P. Effectuating Documents; Further Transactions

Prior to the Effective Date, the Debtors are, and on and after the Effective Date, the Reorganized Debtor, and the officers and members of the boards of directors and managers thereof, 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, the Rights Offering, the New Holdings Operating Agreement, the Reorganized Debtor Common Stock issued pursuant to the Plan and the conversion of the Reorganized Debtor Common Stock into the New Holdings Units, in the name of and on behalf of the Reorganized Debtor, without the need for any approvals, authorizations, or consents except for those expressly required under the Plan.

Q. Exemption from Certain Taxes and Fees

To the maximum extent provided by section 1146(a) of the Bankruptcy Code, any post-Confirmation transfer from any Entity pursuant to, in contemplation of, or in connection with this Plan or pursuant to: (i) the issuance, distribution, transfer, or exchange of any debt, equity security, or other interest in the Debtors or (ii) the making, delivery, or recording of any deed or other instrument of transfer under, in furtherance of, or in connection with, this Plan, including any deeds, bills of sale, assignments, or other instruments of transfer executed in connection with any transaction arising out of, contemplated by, or in any way related to this Plan, shall not be subject to any document recording tax, stamp tax, conveyance fee, intangibles or similar tax, mortgage tax, real estate transfer tax, mortgage recording tax, Uniform Commercial Code filing or recording fee, or other similar tax or governmental assessment, in each case to the extent permitted by applicable bankruptcy law, and the appropriate state or local government officials or agents shall forego collection of any such tax or governmental assessment and accept for filing and recordation any of the foregoing instruments or other documents without the payment of any such tax or governmental assessment.

R. Causes of Action

Other than Causes of Action against an Entity that are transferred to White Oak as part of the Contribution Agreement Transaction or otherwise waived, relinquished, exculpated, released, compromised, or settled under this Plan or any Final Order (including, for the avoidance of doubt, any claims or Causes of Action released pursuant to Article VIII.D hereof), the Debtors reserve and, as of the Effective Date, assign to the Reorganized Debtor the Reorganized Debtor Causes of Action, which shall include, for the avoidance of doubt, those Causes of Action identified as being retained in the Plan Supplement. On and after the Effective Date, the Reorganized Debtor may pursue the Reorganized Debtor Causes of Action on behalf of and for the benefit of the applicable beneficiaries.

No Entity may rely on the absence of a specific reference in this Plan, the Plan Supplement, or the Disclosure Statement to any such Cause of Action against them as any indication that the Debtors or the Reorganized Debtor will not pursue any and all available Causes of Actions against them. No preclusion doctrine, including the doctrines of *res judicata*, collateral estoppel, issue preclusion, claim preclusion (judicial, equitable, or otherwise), or laches, shall apply to such Causes of Action upon, after, or as a consequence of the Confirmation or Consummation.

The Debtors reserve such Causes of Action notwithstanding the rejection of any Executory Contract or Unexpired Lease during the Chapter 11 Cases or pursuant to this Plan. In accordance with sections 1123(b)(3) and 1141(b) of the Bankruptcy Code, any Causes of Action that a Debtor may hold against any Entity shall vest in the Reorganized Debtor. Prior to the Effective Date, the Debtors, and on and after the Effective Date, the Reorganized Debtor, shall retain and shall have, including through their authorized agents or representatives, the exclusive right, authority, and discretion to determine and to initiate, file, prosecute, enforce, abandon, settle, compromise, release, withdraw, or litigate to judgment any such Causes of Action and to decline to do any of the foregoing without the consent or approval of any third party or further notice to or action, order, or approval of the Bankruptcy Court.

S. Closing the Chapter 11 Cases

Upon the occurrence of the Effective Date, the Reorganized Debtor shall be permitted to close all of the Chapter 11 Cases except for the Chapter 11 Case of the Reorganized Debtor, and all contested matters relating to each of the Debtors, including objections to Claims, shall be administered and heard in the Chapter 11 Case of the Reorganized Debtor. The Reorganized Debtor shall make payments of U.S. Trustee Fees payable pursuant to 28 U.S.C. § 1930 for each Debtor whose case is closed for all amounts accruing prior to the Effective Date.

When all Disputed Claims have become Allowed or disallowed and all pending contested matters have been adjudicated to Final Order or dismissed, the Reorganized Debtor shall seek authority from the Bankruptcy Court to close its Chapter 11 Case in accordance with the Bankruptcy Code and the Bankruptcy Rules.

ARTICLE V

TREATMENT OF EXECUTORY CONTRACTS AND UNEXPIRED LEASES

A. Assumption and Assignment of Executory Contracts and Unexpired Leases

Subject to and in accord with section 5.5 of the Contribution Agreement, all executory contracts and unexpired leases to which the Debtors are a party shall be rejected under this Plan on the Effective Date pursuant to sections 365 and 1123 of the Bankruptcy Code unless a particular executory contract or unexpired leases (i) is designated as a Desired 365 Contract by White Oak at any time prior to five (5) calendar days before the commencement of the Confirmation Hearing (or, if any contract to be assumed by Milagro is first identified to White Oak by Milagro or first identified to Milagro by White Oak between the beginning of such five (5) calendar days and the commencement of the Confirmation Hearing, within one (1) Business Day of such identification); provided, however, that White Oak may not subtract from Schedule 5.5(b) of the Contribution Agreement any Desired 365 Contract that is identified as an "Operating Agreement" on the 365 Schedule of the Contribution Agreement, (ii) is the Restructuring Support Agreement, (iii) is the Contribution Agreement, (iv) is another contract, instrument, release, indenture, or other agreement or document entered into in connection with this Plan, or (v), if not designated as a Desired 365 Contract, is subject to a pending motion to assume or assume and assign. Entry of the Confirmation Order by the Bankruptcy Court shall constitute approval of such assumptions, assignments, and rejections pursuant to sections 365(a) and 1123 of the Bankruptcy Code.

B. Cure of Defaults for Assumed Executory Contracts and Unexpired Leases

Any Cure Costs under each Executory Contract and Unexpired Lease to be assumed pursuant to this Plan shall be satisfied, pursuant to section 365(b)(1) of the Bankruptcy Code, by payment of the Cure Costs in Cash on the Effective Date or as soon as reasonably practicable thereafter, subject to the limitation described below, by the Debtors or by White Oak in accordance with the Contribution Agreement, as applicable, or on such other terms as the parties to such Executory Contracts or Unexpired Leases may otherwise agree. In the event of a dispute regarding (i) the amount of the Cure Cost, (ii) the ability of the Debtors' Estates or any assignee to provide "adequate assurance of future performance" (within the meaning of section 365 of the Bankruptcy Code) under the Executory Contract or Unexpired Lease to be assumed, or (iii) any other matter pertaining to assumption, the Cure Costs required by section 365(b)(1) of the Bankruptcy Code shall be satisfied following the entry of a Final Order or orders resolving the dispute and approving the assumption (and assignment, if applicable); provided, that prior to the Effective Date, the Debtors, and on and after the Effective Date, the Reorganized Debtor or White Oak (to the extent that the relevant contract or lease has been assigned to White Oak), as applicable, may settle any dispute regarding the amount of any Cure Cost without any further notice to any party or any action, order, or approval of the Bankruptcy Court.

Unless otherwise provided by an order of the Bankruptcy Court, at least twenty-one (21) days before the Confirmation Hearing, the Debtors shall cause notice of proposed assumption and proposed Cure Costs to be sent to applicable counterparties. Any objection by such counterparty must be Filed, served, and actually received by the Debtors within fourteen (14) days after service of notice of the Debtors' proposed assumption and assignment to White Oak, assumption by the Reorganized Debtor, and associated Cure Costs. Any counterparty to an Executory Contract or Unexpired Lease that fails to object timely to the proposed assumption or Cure Cost will be deemed to have assented to such assumption or Cure Cost.

Assumption of any Executory Contract or Unexpired Lease pursuant to this Plan, or otherwise, shall result in the full release and satisfaction of any Claims or defaults, subject to satisfaction of the Cure Costs, 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 Executory Contract or Unexpired Lease at any time before the effective date of assumption and/or assignment. **Anything in the Schedules and any Proofs of Claim Filed with respect to amounts arising under an Executory Contract or Unexpired Lease that**

has been assumed shall be deemed satisfied, without further notice to or action, order, or approval of the Bankruptcy Court or any other Entity.

C. Pre-existing Payment and Other Obligations

Rejection of any Executory Contract or Unexpired Lease pursuant to this Plan or otherwise shall not constitute a termination of pre-existing obligations owed to the Debtors or Reorganized Debtor, as applicable, under such contract or lease. In particular, to the extent permissible under applicable nonbankruptcy law, the Debtors and the Reorganized Debtor expressly reserve and do not waive any right to receive, or any continuing obligation of a counterparty to provide (i) payment to the contracting Debtors or Reorganized Debtor, as applicable, of outstanding and future amounts owing under or in connection with rejected Executory Contracts or Unexpired Leases or (ii) maintenance of, or to repair or replace, goods previously purchased by the contracting Debtors or Reorganized Debtor, as applicable.

D. Claims Based on Rejection of Executory Contracts and Unexpired Leases

Unless otherwise provided by an order of the Bankruptcy Court, any Proofs of Claim based on the rejection of the Debtors' Executory Contracts or Unexpired Leases pursuant to this Plan or otherwise, must be Filed with Bankruptcy Court and served on the Debtors or, after the Effective Date, the Reorganized Debtor, as applicable, no later than thirty (30) days after the earlier of the Confirmation Date or the effective date of rejection of such Executory Contract or Unexpired Lease.

Any Holders of Claims arising from the rejection of an Executory Contract or Unexpired Lease for which Proofs of Claims were not timely Filed as set forth in the paragraph above shall not (i) be treated as a creditor with respect to such Claim, (ii) be permitted to vote to accept or reject this Plan on account of any Claim arising from such rejection, or (iii) elect to receive a GUC Settlement Payment on account of such Claim, and any Claims arising from the rejection of an Executory Contract or Unexpired Lease not Filed with the Bankruptcy Court within such time will be automatically disallowed, forever barred from assertion, and shall not be enforceable against the Debtors, the Reorganized Debtor, the Debtors' Estates, or the property of any of the foregoing without the need for any objection by the Debtors or the Reorganized Debtor, as applicable, or further notice to, or action, order, or approval of the Bankruptcy Court or any other Entity, and any Claim arising out of the rejection of the Executory Contract or Unexpired Lease shall be deemed fully compromised, settled, and released, notwithstanding anything in the Schedules or a Proof of Claim to the contrary. All Allowed Claims arising from the rejection of the Debtors' prepetition Executory Contracts or prepetition Unexpired Leases shall be classified as General Unsecured Claims, except as otherwise provided by order of the Bankruptcy Court.

E. Contribution Agreement; Assumed Contracts

The Debtors' assumption or rejection of any Executory Contract or Unexpired Lease pursuant to this Plan shall be subject in all respects to White Oak's rights and obligations, including any Cure Costs assumed by White Oak in accordance with the Contribution Agreement, with respect to any such Executory Contracts or Unexpired Leases that constitute contracts to be assumed by Milagro and transferred and conveyed to White Oak as an assumed and assigned contract, as set forth in the Contribution Agreement, including Schedule 5.5(b) thereof.

F. Modifications, Amendments, Supplements, Restatements, or Other Agreements

Except as otherwise provided herein or agreed to by the Debtors and the applicable counterparty, each assumed Executory Contract or Unexpired Lease shall include all modifications, amendments, supplements, restatements, or other agreements that in any manner affect such Executory Contract or Unexpired Lease, and all Executory Contracts and Unexpired Leases related thereto, if any, including all easements, licenses, permits, rights, privileges, immunities, options, rights of first refusal, and any other interests, unless any of the foregoing agreements has been previously rejected or repudiated or is rejected or repudiated hereunder.

Modifications, amendments, supplements, and restatements to prepetition 365 Contracts that have been executed by the Debtors during the Chapter 11 Cases shall not be deemed to alter the prepetition nature of the 365 Contract or the validity, priority, or amount of any Claims that may arise in connection therewith.

G. D&O Policies

The D&O Policies shall be assumed by the Debtors on behalf of the applicable Debtor and assigned to the Reorganized Debtor effective as of the Effective Date, pursuant to sections 365 and 1123 of the Bankruptcy Code, unless such insurance policy previously was rejected by the Debtors or the Debtors' Estates pursuant to a Bankruptcy Court order or is the subject of a motion to reject pending on the Effective Date, and coverage for defense and indemnity under any of the D&O Policies shall remain available to all individuals within the definition of "Insured" in any of the D&O Policies.

H. Indemnification Obligations

Subject to the occurrence of the Effective Date, the obligations of the Debtors as of the Effective Date to indemnify, defend, reimburse, or limit the liability of the current and former directors, officers, employees, attorneys, other professionals, and agents of the Debtors, respectively, against any Claims or Causes of Action under the Indemnification Provisions or applicable law, shall survive Confirmation, shall be assumed by the Debtors on behalf of the applicable Debtor and assigned to the Reorganized Debtor, and will remain in effect after the Effective Date if such indemnification, defense, reimbursement, or limitation is owed in connection with an event occurring before the Effective Date; provided, however, that, notwithstanding anything herein to the contrary, the Reorganized Debtor's obligation to fund such Indemnification Provisions shall be limited to the extent of coverage available under any insurance policy assumed by the Debtors and assigned to the Reorganized Debtor, including the D&O Policies.

I. Reservation of Rights

Neither the exclusion nor inclusion of any contract or lease in the Plan Supplement, nor anything contained in this Plan, shall constitute an admission by the Debtors that any such contract or lease is in fact an Executory Contract or Unexpired Lease or that the Debtors' Estates have any liability thereunder. In the event of a dispute regarding whether a contract or lease is or was executory or unexpired at the time of assumption or rejection, the Debtors or the Reorganized Debtor, as applicable, shall have ninety (90) days following entry of a Final Order resolving such dispute to alter the treatment of such contract or lease as otherwise provided in this Plan.

ARTICLE VI

PROVISIONS GOVERNING DISTRIBUTIONS

A. Allowance of Claims and Administrative Expenses for Purposes of this Plan

For purposes of making distributions under this Plan, but without in any way limiting the definition of "Allowed," a claim or administrative expense shall not be considered "Allowed" if the underlying obligation has been assumed by White Oak under the Contribution Agreement; instead, such claim or administrative expense shall be deemed satisfied.

B. Calculation of Amounts to Be Distributed

Each Holder of an Allowed Claim against the Debtors shall receive the full amount of the distributions that this Plan provides for Allowed Claims in the applicable Class from the Debtors or the Reorganized Debtor on behalf of the Debtors. In the event that any payment or act under this Plan is required to be made or performed on a date that is not a Business Day, then the making of such payment or the performance of such act may be completed on the next succeeding Business Day, in which case such payment shall be deemed to have occurred when due. If and to the extent that there are Disputed Claims, distributions on account of any such Disputed Claims shall be made pursuant to the provisions set forth in Article VII hereof. Notwithstanding anything to the contrary in this Plan, no

Holder of an Allowed Claim shall, on account of such Allowed Claim, receive a distribution in excess of the Allowed amount of such Claim plus any interest accruing on such Claim that is actually payable in accordance with the Bankruptcy Code.

C. Rights and Powers of the Debtors and the Reorganized Debtor

1. Powers of the Debtors and the Reorganized Debtor

Except as otherwise set forth herein, all distributions under this Plan shall be made on the Effective Date or as soon as reasonably practicable thereafter by the Debtors or the Reorganized Debtor (or its designee(s)), the timing of which shall, as long as in accord with the Contribution Agreement, be subject to the reasonable discretion of the Debtors or the Reorganized Debtor, as applicable.

After the Effective Date, the Reorganized Debtor or representatives shall have the right to object to, Allow, or otherwise resolve any Disputed Claims, subject to the terms hereof.

D. Delivery of Distributions and Undeliverable or Unclaimed Distributions

1. Record Date for Distribution

As of the close of business on the Distribution Record Date, (i) the Claims Register shall be closed and the Debtors, the Reorganized Debtor, or any other party responsible for making distributions shall instead be authorized and entitled to recognize only those record Holders listed on the Claims Register as of the close of business on the Distribution Record Date, (ii) the transfer books and records of the Notes as maintained by the Second Lien Notes Trustee or its agent shall be closed and (iii) any transfer of any Notes Claim or any interest therein shall be prohibited. The Debtors, the Reorganized Debtor, and the Second Lien Notes Trustee shall have no obligation to recognize any transfer of any Notes Claims occurring after the close of business on the Distribution Record Date, and shall instead be entitled to recognize and deal for all purposes under this Plan with only those holders of record as of the close of business on the Distribution Record Date.

2. Delivery of Distributions in General

(a) Payments and Distributions on Disputed Claims

Except as otherwise provided in this Plan, a Final Order or as otherwise agreed to by the Debtors or the Reorganized Debtor (as the case may be) and the Holder of the applicable Claim or Interest, on the Effective Date or as soon as practicable thereafter, the Reorganized Debtor shall make initial distributions under this Plan on account of Claims Allowed on or before the Effective Date, subject to the Reorganized Debtor's right to object to Claims; provided, however, that Claims based on liabilities not yet due shall be paid as they become due in the ordinary course of business.

Distributions made after the Effective Date to Holders of Disputed Claims that are not Allowed Claims as of the Effective Date but which later become Allowed Claims shall, in the reasonable discretion of the Reorganized Debtor, be deemed to have been made by the Reorganized Debtor on the Effective Date unless the Reorganized Debtor and the Holder of such Claim agree otherwise.

(b) Special Rules for Distributions to Holders of Disputed Claims

Notwithstanding any provision otherwise in this Plan and except as may be agreed to by, as applicable, the Debtors or the Reorganized Debtor, as applicable, on the one hand, and the Holder of a Disputed Claim, on the other hand, no partial payments and no partial distributions shall be made with respect to any Disputed Claim, other than with respect to Professional Claims, until all Disputed Claims held by the Holder of such Disputed Claim have become Allowed Claims or have otherwise been resolved by settlement or Final Order.

(c) Distributions

On and after the Effective Date, the Debtors and the Reorganized Debtor, as applicable, shall make the distributions required to be made on account of Allowed Claims under this Plan.

Distributions on account of DIP Claims shall be deposited with the DIP Agent for the benefit of the DIP Lenders, at which time such distributions shall be deemed complete and the DIP Agent shall deliver such distributions in accordance with this Plan, the Interim DIP Order, the Final DIP Order and the terms of the DIP Facility. Distributions on account of Allowed Class 1 Claims, if any, shall be deposited with the Administrative Agent for the benefit of the Secured Lenders, at which time such distributions shall be deemed complete and the Administrative Agent shall deliver such distributions in accordance with this Plan and the terms of the Credit Agreement.

The distributions to be made under the Plan to Holders of Allowed Notes Claims shall be made to the Second Lien Notes Trustee, which, subject to the right of the Second Lien Notes Trustee to assert its Second Lien Notes Trustee Charging Lien against the distributions to be made under the Plan, shall transmit such distributions to the Holders of such Allowed Notes Claims. All payments to Holders of Allowed Notes Claims shall only be made to such Holders after the surrender by each such Holder of the Note certificates representing such Notes Claim, or in the event that such certificate is lost, stolen, mutilated or destroyed, upon the Holder's compliance with the requirements set forth in Article IV.H.3 above. Upon surrender of such Note certificates, the Second Lien Notes Trustee shall cancel and destroy such Notes. As soon as practicable after surrender of Note certificates evidencing Allowed Notes Claims, the Second Lien Notes Trustee shall distribute to the Holder thereof such Holder's pro rata share of the distribution, but subject to the rights of the Second Lien Notes Trustee to assert its Second Lien Notes Trustee Charging Lien against such distribution. Any distribution that is not made on the Initial Distribution Date or on any other date specified in this Plan because the Claim that would have been entitled to receive that distribution is not an Allowed Claim on such date, shall be held by the Reorganized Debtor in the applicable Escrow Account and distributed on the next Subsequent Distribution Date that occurs after such Claim is Allowed. In accordance with Article VII.D hereof, no interest shall accrue or be paid on the unpaid amount of any distribution paid pursuant to this Plan.

The Second Lien Notes Trustee shall not be required to give any bond or surety or other security for making any distributions hereunder. To the extent that the Second Lien Notes Trustee provides services related to distributions pursuant to the Plan, the Second Lien Notes Trustee will receive from the Reorganized Debtor, without further court approval, reasonable compensation for such services and reimbursement of reasonable expenses incurred in connection with such services. These payments will be made on terms agreed to between the Second Lien Notes Trustee and the Debtor or the Reorganized Debtor.

Notwithstanding any provision contained in this Plan to the contrary, the distribution provisions contained in the Second Lien Notes Indenture shall continue in effect to the extent necessary to authorize the Second Lien Notes Trustee to receive and distribute to the Holders of Allowed Notes Claims distributions pursuant to this Plan on account of Allowed Notes Claims and shall terminate completely upon completion of all such distributions.

3. Accrual of Dividends and Other Rights

For purposes of determining the accrual of dividends or other rights after the Effective Date, the Reorganized Debtor Common Stock issued under this Plan, and the New Holdings Units into which such Reorganized Debtor Common Stock shall be converted, shall be deemed distributed as of the Effective Date regardless of the date on which it is actually issued, dated, authenticated, or distributed.

4. Minimum; De Minimis Distributions

No Cash payment of less than $100.00, in the reasonable discretion of the Debtors or the Reorganized Debtor, as applicable, shall be made to a Holder of an Allowed Claim on account of such Allowed Claim.

5. Undeliverable Distributions and Unclaimed Property

In the event that any distribution to any Holder is returned as undeliverable, no distribution to such Holder shall be made unless and until the Debtors or the Reorganized Debtor, as applicable, has determined the then current address of such Holder, at which time such distribution shall be made to such Holder without interest; provided, however, that such distributions shall be deemed unclaimed property under section 347(b) of the Bankruptcy Code at the expiration of three months from the date the initial distribution is made. After such date, all unclaimed property or interests in property shall revert (notwithstanding any applicable federal or state escheat, abandoned, or unclaimed property laws to the contrary) to the Reorganized Debtor automatically and without need for a further order by the Bankruptcy Court for distribution in accordance with this Plan, and the Claim of any Holder to such property or interest in property shall be released, settled, compromised, and forever barred.

6. Manner of Payment Pursuant to this Plan

Any payment in Cash to be made pursuant to this Plan shall be made at the election of the Debtors or the Reorganized Debtor, as applicable, by check or by wire transfer; provided, that all payments in Cash made to the DIP Agent or the Administrative Agent in satisfaction of the DIP Claims or Senior Debt Claims under this Plan, as applicable, shall be made by wire transfer of immediately available funds.

E. Compliance with Tax Requirements/Allocations

In connection with this Plan and all distributions hereunder, to the extent applicable, the Debtors or the Reorganized Debtor, as applicable, are authorized to take any and all actions that may be necessary or appropriate to comply with all tax withholding and reporting requirements imposed on it by any Governmental Unit, and all distributions pursuant hereto shall be subject to such withholding and reporting requirements. The Reorganized Debtor is authorized to require that any Holder of an Allowed Claim provide it with all forms and information required to comply with all tax withholding and reporting requirements imposed on it by any Governmental Unit (the "Required Tax Documents") as a condition precedent to being sent a distribution. In the event that a Holder fails to return Required Tax Documents within forty-five (45) days after a written request by the Reorganized Debtor, such Holder, its Claim, and all distributions on account of such Holder's Claim shall be treated as an undeliverable distributions and unclaimed property in accordance with Article VI.D.5 hereof.

Distributions in respect of Allowed Claims shall be allocated first to the principal amount of such Claims (as determined for 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.

F. Claims Paid or Payable by Third Parties

1. Claims Paid by Third Parties; Recourse to Collateral

The Debtors or the Reorganized Debtor, as applicable, shall be authorized to reduce in full a Claim, and such Claim shall be disallowed without a Claims objection having to be Filed and without any further notice to or action, order, or approval of the Bankruptcy Court, to the extent that the Holder of such Claim receives payment in full on account of such Claim from a party that is not a Debtor or the Reorganized Debtor, as applicable, including on account of recourse to collateral held by third parties that secure such Claim. 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 a Debtor on account of such Claim, such Holder shall, within fourteen (14) days of receipt thereof, repay or return the distribution to the applicable Debtor prior to the Effective Date and the Reorganized Debtor after the Effective Date, to the extent the Holder's total recovery on account of such Claim from the third party and under this Plan exceeds the amount of such Claim as of the date of any such distribution under this Plan. The failure of such Holder to timely repay or

return such distribution shall result in the Holder owing the applicable Debtor annualized interest at the Federal Judgment Rate on such amount owed for each Business Day after the 14-day grace period specified above until the amount is repaid.

2. Claims Payable by Insurance, Third Parties; Recourse to Collateral

No distributions under this Plan shall be made on account of an Allowed Claim that is payable pursuant to one of the Debtors' insurance policies, surety agreements, other non-Debtor payment agreements, or collateral held by a third party, until the Holder of such Allowed Claim has exhausted all remedies with respect to such insurance policy, surety agreement, other non-Debtor payment agreement, or collateral, as applicable. To the extent that one or more of the Debtors' insurers, sureties, or non-Debtor payors pays or satisfies in full or in part a Claim (if and to the extent adjudicated by a court of competent jurisdiction), or such collateral or proceeds from such collateral is used to satisfy such Claim, then immediately upon such payment, the applicable portion of such Claim shall 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.

3. Applicability of Insurance Policies

Notwithstanding anything to the contrary in this Plan or Confirmation Order, Confirmation and Consummation of this Plan shall not limit or affect the rights of any third-party beneficiary or other covered party of any of the Debtor's insurance policies with respect to such policies, including the D&O Policies.

ARTICLE VII

PROCEDURES FOR RESOLVING CONTINGENT, UNLIQUIDATED, AND DISPUTED CLAIMS

A. Resolution of Disputed Claims

1. Allowance of Claims

Prior to the Effective Date, the Debtors, and on and after the Effective Date, the Reorganized Debtor, shall have and shall retain any and all rights and defenses that the Debtors had with respect to any Claim, except with respect to any Claim deemed Allowed as of the Effective Date. Except as expressly provided in this Plan or in any order entered in the Chapter 11 Cases prior to the Effective Date (including the Confirmation Order), no Claim shall become an Allowed Claim unless and until such Claim is deemed Allowed under this Plan or the Bankruptcy Code or the Bankruptcy Court has entered a Final Order, including the Confirmation Order, in the Chapter 11 Cases allowing such Claim.

2. Prosecution of Objections to Claims

Other than with respect to Professional Fee Claims, prior to the Effective Date, the Debtors, and, on or after the Effective Date, the Reorganized Debtor shall have the authority to File objections to such Claims, and the exclusive authority to settle, compromise, withdraw, or litigate to judgment objections on behalf of the Debtors' Estates to any and all such Claims, regardless of whether such Claims are in a Class or otherwise, subject to the terms hereof (including Articles IV.G.3 and VI.C hereof). From and after the Effective Date, the Reorganized Debtor shall have the sole authority to administer and adjust the Claims Register to reflect any such settlements or compromises and no further notice to or action, order, or approval of the Bankruptcy Court with respect to such settlements or compromises shall be required.

3. Claims Estimation

On and after the Effective Date, the Reorganized Debtor, may, at any time, request that the Bankruptcy Court estimate any Claim that is contingent or unliquidated pursuant to applicable law, including, without limitation, section 502(c) of the Bankruptcy Code, regardless of whether the Debtors or the Reorganized Debtor have

previously objected to such Claim or whether the Bankruptcy Court has ruled on any such objection, and the Bankruptcy Court shall retain jurisdiction under 28 U.S.C. §§ 157 and 1334 to the maximum extent permitted by law as determined by the Bankruptcy Court to estimate any contingent or unliquidated Claim, including during the litigation concerning any objection to any Claim or during the pendency of any appeal relating to any such objection.

Notwithstanding any provision herein to the contrary, a Claim that has been expunged from the Claims Register but that is subject to appeal or has not been the subject of a Final Order, shall be deemed to be estimated at zero dollars, unless otherwise ordered by the Bankruptcy Court. In the event that the Bankruptcy Court estimates any contingent Claim or unliquidated Claim, that estimated amount shall constitute either the Allowed amount of such Claim or a maximum limitation on such Claim for all purposes under this Plan, including for purposes of distributions, and the Debtors or the Reorganized Debtor as applicable, may elect to pursue additional objections to the ultimate distribution on such Claim. If the estimated amount constitutes a maximum limitation on such Claim, the Debtors or the Reorganized Debtor, as applicable, may elect to pursue any supplemental proceedings to object to any ultimate distribution on account of such Claim. Notwithstanding section 502(j) of the Bankruptcy Code, in no event shall any Holder of a Claim that has been estimated pursuant to section 502(c) of the Bankruptcy Code or otherwise be entitled to seek reconsideration of such estimation unless such Holder has Filed a motion requesting the right to seek such reconsideration on or before twenty-one (21) days after the date on which such Claim is estimated. All of the aforementioned Claims and 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.

4. Expungement or Adjustment to Claims Without Objection

Any Claim that has been paid, satisfied, or superseded may be expunged on the Claims Register by, as applicable, the Debtors or the Reorganized Debtor (or the Claims Agent at, as applicable, the Debtors' or the Reorganized Debtor's direction), and any Claim that has been amended may be adjusted thereon by, as applicable, the Debtors or the Reorganized Debtor without a Claims objection having to be Filed and without any further notice to or action, order, or approval of the Bankruptcy Court.

5. Deadline to File Objections to Claims

Any objections to Claims shall be Filed no later than the Claims Objection Deadline.

B. Disallowance of Claims

To the maximum extent provided by section 502(d) of the Bankruptcy Code, all Claims of any Entity from which property is recoverable by the Debtors or the Reorganized Debtor, as applicable, under sections 542, 543, 550, or 553 of the Bankruptcy Code or that the Debtors or the Reorganized Debtor, as applicable, alleges is a transferee of a transfer that is avoidable under section 522(f), 522(h), 544, 545, 547, 548, 549, or 724(a) of the Bankruptcy Code shall be disallowed if (i) the Entity, on the one hand, and the Debtors or the Reorganized Debtor, as applicable, on the other hand, agree or the Bankruptcy Court has determined by Final Order that such Entity or transferee is liable to turnover any property or monies under any of the aforementioned sections of the Bankruptcy Code and (ii) such Entity or transferee has failed to turnover such property by the date set forth in such agreement or Final Order.

C. Amendments to Claims

After the Confirmation Date, a Proof of Claim may not be filed or amended without the authorization of the Bankruptcy Court and the Claim represented by any such new or amended Proof of Claim Filed shall be deemed disallowed and expunged without any further notice to or action, order, or approval of the Bankruptcy Court; provided, that such Holder may amend the Proof of Claim Filed solely to decrease, but not to increase, the amount, number, or priority of the represented Claim, unless otherwise provided by the Bankruptcy Court.

D. No Interest

Unless otherwise specifically provided for in this Plan (including Article III hereof), by applicable law (including, without limitation, section 506(b) of the Bankruptcy Code), or agreed-to by, as applicable, the Debtors or the Reorganized Debtor, interest shall not accrue or be paid on any Claim, and no Holder of any Claim shall be entitled to interest accruing on and after the Petition Date on account of any Claim. Without limiting the foregoing, interest shall not accrue or be paid on any Claim after the Effective Date to the extent the final distribution paid on account of such Claim occurs after the Effective Date.

E. Second Lien Notes Trustee as Claim Holder

Consistent with Bankruptcy Rule 3003(c), the Reorganized Debtor shall recognize a Proof of Claim filed by the Second Lien Notes Trustee in respect of the Notes Claims. Accordingly, any Claim, proof of which is filed by the registered or beneficial Holder of a Claim, may be disallowed as duplicative of the Claim of the Second Lien Notes Trustee, without need for any further action or Bankruptcy Court order.

ARTICLE VIII

SETTLEMENT, RELEASE, INJUNCTION, AND RELATED PROVISIONS

A. Compromise and Settlement of Claims, Equity Interests, and Controversies

Pursuant to Bankruptcy Rule 9019 and in consideration for the distributions and other benefits provided pursuant to this Plan, and except as otherwise specifically provided in this Plan or in any contract, instrument, or other agreement or document created pursuant to this Plan, the distributions, rights, and treatment that are provided in this Plan shall be in complete settlement, compromise, and release, effective as of the Effective Date, of Claims, Equity Interests, and Causes of Action of any nature whatsoever, including any interest accrued on Claims or Equity Interests from and after the Petition Date, whether known or unknown, against, liabilities of, Liens on, obligations of, rights against, and Equity Interests in, the Debtors or any of their assets or properties, regardless of whether any property shall have been distributed or retained pursuant to this Plan on account of such Claims and Equity Interests, including demands, liabilities, and Causes of Action that arose before the Effective Date, any liability to the extent such Claims or Equity Interests relate to services performed by employees of the Debtors before the Effective Date and that arise from a termination of employment, any contingent or non-contingent liability on account of representations or warranties issued on or before the Effective Date, and all debts of the kind specified in sections 502(g), 502(h), or 502(i) of the Bankruptcy Code, in each case whether or not: (i) a Proof of Claim or proof of Equity Interest based upon such debt, right, or Equity Interest is Filed or deemed Filed pursuant to section 501 of the Bankruptcy Code; (ii) a Claim or Equity Interest based upon such debt, right, or Equity Interest is Allowed pursuant to section 502 of the Bankruptcy Code; or (iii) the Holder of such a Claim or Equity Interest has accepted this Plan. The Confirmation Order shall be a judicial determination of the settlement, compromise, and release of all Claims and Equity Interests, subject to the Effective Date occurring.

B. Release of Liens

Except as otherwise provided in this Plan or in any contract, instrument, release, or other agreement or document created pursuant to this Plan, on the Effective Date, and concurrently with the applicable distributions made pursuant to this Plan, all mortgages, deeds of trust, Liens, pledges, or other security interests against any property of the Estates shall be fully released, settled, and compromised and all rights, titles, and interests of any Holder of such mortgages, deeds of trust, Liens, pledges, or other security interests against any property of the Estates shall revert to the Debtors and immediately vest in the Reorganized Debtor upon the Debtors dissolution.

C. Subordinated Claims

The allowance, classification, and treatment of all Allowed Claims and Equity Interests and the respective distributions and treatments under this Plan take into account and conform to the relative priority and rights of the Claims and Equity Interests in each Class in connection with any contractual, legal, and equitable subordination

rights relating thereto, whether arising under general principles of equitable subordination, section 510(b) of the Bankruptcy Code, or otherwise. Pursuant to section 510 of the Bankruptcy Code, the Debtors reserve the right for the Debtors or the Reorganized Debtor, as applicable, to re-classify any Allowed Claim or Equity Interest in accordance with any contractual, legal, or equitable subordination relating thereto.

D. Debtor Release

AS OF THE EFFECTIVE DATE, THE DEBTORS AND THE REORGANIZED DEBTOR, IN THEIR INDIVIDUAL CAPACITIES AND AS DEBTORS IN POSSESSION, AND THE ESTATES SHALL BE DEEMED TO FOREVER RELEASE AND WAIVE ALL CLAIMS, OBLIGATIONS, SUITS, JUDGMENTS, DAMAGES, DEMANDS, DEBTS, RIGHTS, CAUSES OF ACTION AND LIABILITIES, 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, WHICH ARE BASED IN WHOLE OR IN PART ON ANY ACT, OMISSION, TRANSACTION, EVENT OR OTHER OCCURRENCE TAKING PLACE THROUGH AND INCLUDING THE EFFECTIVE DATE IN ANY WAY RELATING TO THE DEBTORS, THE REORGANIZED DEBTOR, THE ESTATES, THE CHAPTER 11 CASES, THE CONTRIBUTION AGREEMENT, THIS PLAN, OR THE DISCLOSURE STATEMENT, AND THAT COULD HAVE BEEN ASSERTED BY OR ON BEHALF OF THE DEBTORS, OR THE REORGANIZED DEBTOR, WHETHER DIRECTLY, INDIRECTLY, DERIVATIVELY, OR IN ANY REPRESENTATIVE OR ANY OTHER CAPACITY AGAINST THE RELEASED PARTIES IN THEIR RESPECTIVE CAPACITIES AS SUCH; PROVIDED, HOWEVER, THAT IN NO EVENT SHALL ANYTHING IN THIS PLAN BE CONSTRUED AS A RELEASE OF ANY ENTITY'S FRAUD, WILLFUL MISCONDUCT OR GROSS NEGLIGENCE OR A RELEASE OR WAIVER OF THE DEBTORS' OR REORGANIZED DEBTOR'S RIGHT OR ABILITY TO ASSERT OR RAISE CERTAIN CLAIMS AGAINST ANY RELEASED PARTY AS A DEFENSE TO A CLAIM OR SUIT BROUGHT AGAINST THEM OR THEIR ASSETS BY ANY RELEASED PARTY; PROVIDED, FURTHER, THAT THIS RELEASE SHALL NOT APPLY TO OBLIGATIONS ARISING UNDER THIS PLAN, THE CONTRIBUTION AGREEMENT, THE BACKSTOP COMMITMENT LETTER, OR THE RESTRUCTURING SUPPORT AGREEMENT.

ENTRY OF THE CONFIRMATION ORDER SHALL CONSTITUTE THE BANKRUPTCY COURT'S APPROVAL, PURSUANT TO BANKRUPTCY RULE 9019, OF THE DEBTOR RELEASE, WHICH INCLUDES BY REFERENCE EACH OF THE RELATED PROVISIONS AND DEFINITIONS CONTAINED IN THE PLAN, AND, FURTHER, SHALL CONSTITUTE THE BANKRUPTCY COURT'S FINDING THAT THE DEBTOR RELEASE IS: (I) IN EXCHANGE FOR THE GOOD AND VALUABLE CONSIDERATION PROVIDED BY THE RELEASED PARTIES; (II) A GOOD-FAITH SETTLEMENT AND COMPROMISE OF THE CLAIMS RELEASED BY THE DEBTOR RELEASE; (III) IN THE BEST INTERESTS OF THE DEBTORS' ESTATES AND ALL HOLDERS OF CLAIMS AND INTERESTS; (IV) FAIR, EQUITABLE, AND REASONABLE; (V) GIVEN AND MADE AFTER DUE NOTICE AND OPPORTUNITY FOR HEARING; AND (VI) A BAR TO ANY OF THE DEBTORS' ESTATES ASSERTING ANY CLAIM OR CAUSE OF ACTION RELEASED PURSUANT TO THE DEBTOR RELEASE.

E. Third Party Release

ON THE EFFECTIVE DATE, TO THE FULLEST EXTENT PERMISSIBLE UNDER APPLICABLE LAW AS DETERMINED BY THE BANKRUPTCY COURT, AS SUCH LAW MAY BE EXTENDED OR INTERPRETED SUBSEQUENT TO THE EFFECTIVE DATE, ALL RELEASING PARTIES, IN CONSIDERATION FOR THE OBLIGATIONS OF THE DEBTORS AND THE REORGANIZED DEBTOR UNDER THIS PLAN AND CONTRIBUTION AGREEMENT, AND OTHER CONTRACTS, INSTRUMENTS, RELEASES, AGREEMENTS, OR DOCUMENTS EXECUTED AND DELIVERED IN CONNECTION WITH THIS PLAN AND CONTRIBUTION AGREEMENT, WILL BE DEEMED TO FOREVER RELEASE AND WAIVE ALL CLAIMS, DEMANDS, DEBTS, RIGHTS, CAUSES OF ACTION, OR LIABILITIES (OTHER THAN THE RIGHT TO ENFORCE THE OBLIGATIONS OF ANY PARTY UNDER THIS PLAN OR THE CONTRIBUTION AGREEMENT, AND THE CONTRACTS, INSTRUMENTS, RELEASES, AGREEMENTS, AND DOCUMENTS DELIVERED UNDER OR IN CONNECTION WITH THIS PLAN OR THE CONTRIBUTION AGREEMENT), INCLUDING, WITHOUT LIMITATION, ANY CLAIM FOR ANY SUCH LOSS SUCH RELEASING PARTY MAY SUFFER, HAVE SUFFERED, OR BE ALLEGED TO SUFFER AS A

RESULT OF THE DEBTORS COMMENCING THE CHAPTER 11 CASES OR AS A RESULT OF THIS PLAN OR THE CONTRIBUTION AGREEMENT TRANSACTION BEING CONSUMMATED, 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 THAT ARE BASED IN WHOLE OR IN PART ON ANY ACT OR OMISSION, TRANSACTION, EVENT, OR OTHER OCCURRENCE FROM THE BEGINNING OF TIME THROUGH AND INCLUDING THE EFFECTIVE DATE IN ANY WAY RELATING TO THE DEBTORS, THE REORGANIZED DEBTOR, THE CHAPTER 11 CASES, THIS PLAN, OR THE DISCLOSURE STATEMENT AGAINST THE RELEASED PARTIES IN THEIR RESPECTIVE CAPACITIES AS SUCH. NOTWITHSTANDING THE FOREGOING, IN NO EVENT SHALL ANYTHING IN THIS PLAN BE CONSTRUED AS A RELEASE OF ANY ENTITY'S (OTHER THAN A DEBTOR'S) FRAUD, WILLFUL MISCONDUCT OR GROSS NEGLIGENCE. FURTHER, THIS RELEASE SHALL NOT APPLY TO OBLIGATIONS ARISING UNDER THE PLAN, THE CONTRIBUTION AGREEMENT, THE BACKSTOP COMMITMENT LETTER, OR THE RESTRUCTURING SUPPORT AGREEMENT.

ENTRY OF THE CONFIRMATION ORDER SHALL CONSTITUTE THE BANKRUPTCY COURT'S APPROVAL, PURSUANT TO BANKRUPTCY RULE 9019, OF THIS THIRD PARTY RELEASE BY RELEASING PARTIES, WHICH INCLUDES BY REFERENCE EACH OF THE RELATED PROVISIONS AND DEFINITIONS CONTAINED IN THE PLAN, AND, FURTHER, SHALL CONSTITUTE THE BANKRUPTCY COURT'S FINDING THAT THIS THIRD PARTY RELEASE IS: (I) IN EXCHANGE FOR THE GOOD AND VALUABLE CONSIDERATION PROVIDED BY THE RELEASING PARTIES; (II) IN THE BEST INTERESTS OF THE DEBTORS AND ALL HOLDERS OF CLAIMS AND INTERESTS; (III) FAIR, EQUITABLE, AND REASONABLE; (IV) GIVEN AND MADE AFTER DUE NOTICE AND OPPORTUNITY FOR HEARING; AND (V) A BAR TO ANY RELEASING PARTY ASSERTING ANY CLAIM RELEASED PURSUANT TO THIS THIRD PARTY RELEASE.

F. Exculpation

THE EXCULPATED PARTIES SHALL NEITHER HAVE, NOR INCUR ANY LIABILITY TO ANY ENTITY FOR ANY PREPETITION OR POST-PETITION ACT TAKEN OR OMITTED TO BE TAKEN IN CONNECTION WITH THE CHAPTER 11 CASES, OR RELATED TO FORMULATING, NEGOTIATING, SOLICITING, PREPARING, DISSEMINATING, CONFIRMING, OR IMPLEMENTING THIS PLAN OR CONSUMMATING THIS PLAN, THE DISCLOSURE STATEMENT, OR ANY CONTRACT, INSTRUMENT, RELEASE, OR OTHER AGREEMENT OR DOCUMENT CREATED OR ENTERED INTO IN CONNECTION WITH THIS PLAN OR ANY OTHER PREPETITION OR POST-PETITION ACT TAKEN OR OMITTED TO BE TAKEN IN CONNECTION WITH OR IN CONTEMPLATION OF THE RESTRUCTURING OR LIQUIDATION OF THE DEBTORS; PROVIDED, THAT EACH EXCULPATED PARTY SHALL BE ENTITLED TO RELY UPON THE ADVICE OF COUNSEL CONCERNING HIS, HER, OR ITS DUTIES PURSUANT TO, OR IN CONNECTION WITH, THE PLAN OR ANY OTHER RELATED DOCUMENT, INSTRUMENT, OR AGREEMENT. WITHOUT LIMITING THE FOREGOING "EXCULPATION" PROVIDED UNDER THIS ARTICLE, THE RIGHTS OF ANY HOLDER OF A CLAIM OR EQUITY INTEREST TO ENFORCE RIGHTS ARISING UNDER THIS PLAN SHALL BE PRESERVED, INCLUDING THE RIGHT TO COMPEL PAYMENT OF DISTRIBUTIONS IN ACCORDANCE WITH THIS PLAN.

G. Injunction

EXCEPT AS OTHERWISE PROVIDED IN THE PLAN OR THE CONFIRMATION ORDER, ALL ENTITIES WHO HAVE HELD, HOLD, OR MAY HOLD CLAIMS, EQUITY INTERESTS, CAUSES OF ACTION, OR LIABILITIES THAT: (I) ARE SUBJECT TO COMPROMISE AND SETTLEMENT PURSUANT TO THE TERMS OF THE PLAN; (II) HAVE BEEN RELEASED PURSUANT TO ARTICLE VIII.D HEREOF; (III) HAVE BEEN RELEASED PURSUANT TO ARTICLE VIII.E HEREOF; (IV) ARE SUBJECT TO EXCULPATION PURSUANT TO ARTICLE VIII.F HEREOF; OR (V) ARE OTHERWISE STAYED OR TERMINATED PURSUANT TO THE TERMS OF THE PLAN, ARE PERMANENTLY ENJOINED AND PRECLUDED, FROM AND AFTER THE EFFECTIVE DATE, FROM: (A) COMMENCING OR CONTINUING IN ANY MANNER ANY ACTION OR OTHER PROCEEDING OF ANY KIND, INCLUDING ON ACCOUNT OF ANY CLAIMS, INTERESTS, CAUSES OF ACTIONS, OR LIABILITIES THAT HAVE BEEN

COMPROMISED OR SETTLED AGAINST THE DEBTORS, THE REORGANIZED DEBTOR, OR ANY ENTITY SO RELEASED OR EXCULPATED (OR THE PROPERTY OR ESTATE OF ANY ENTITY, DIRECTLY OR INDIRECTLY, SO RELEASED OR EXCULPATED) ON ACCOUNT OF OR IN CONNECTION WITH OR WITH RESPECT TO ANY RELEASED, SETTLED, COMPROMISED, OR EXCULPATED CLAIMS, EQUITY INTERESTS, CAUSES OF ACTION, OR LIABILITIES; (B) ENFORCING, ATTACHING, COLLECTING, OR RECOVERING BY ANY MANNER OR MEANS ANY JUDGMENT, AWARD, DECREE, OR ORDER AGAINST THE DEBTORS, THE REORGANIZED DEBTOR, OR ANY ENTITY SO RELEASED OR EXCULPATED (OR THE PROPERTY OR ESTATE OF THE DEBTORS OR ANY ENTITY SO RELEASED OR EXCULPATED) ON ACCOUNT OF OR IN CONNECTION WITH OR WITH RESPECT TO ANY SUCH RELEASED, SETTLED, COMPROMISED, OR EXCULPATED CLAIMS, EQUITY INTERESTS, CAUSES OF ACTION, OR LIABILITIES; (C) CREATING, PERFECTING, OR ENFORCING ANY LIEN, CLAIM, OR ENCUMBRANCE OF ANY KIND AGAINST THE DEBTORS, THE REORGANIZED DEBTOR, OR ANY ENTITY SO RELEASED OR EXCULPATED (OR THE PROPERTY OR ESTATE OF THE DEBTORS OR ANY ENTITY SO RELEASED OR EXCULPATED) ON ACCOUNT OF OR IN CONNECTION WITH OR WITH RESPECT TO ANY SUCH RELEASED, SETTLED, COMPROMISED, OR EXCULPATED CLAIMS, EQUITY INTERESTS, CAUSES OF ACTION, OR LIABILITIES; (D) ASSERTING ANY RIGHT OF SETOFF OR SUBROGATION OF ANY KIND AGAINST ANY OBLIGATION DUE FROM THE DEBTORS OR ANY ENTITY SO RELEASED OR EXCULPATED (OR THE PROPERTY OR ESTATE OF THE DEBTORS OR ANY ENTITY SO RELEASED OR EXCULPATED) ON ACCOUNT OF OR IN CONNECTION WITH OR WITH RESPECT TO ANY SUCH RELEASED, SETTLED, COMPROMISED, OR EXCULPATED CLAIMS, EQUITY INTERESTS, CAUSES OF ACTION, OR LIABILITIES UNLESS SUCH ENTITY HAS TIMELY ASSERTED SUCH SETOFF OR SUBROGATION RIGHT PRIOR TO CONFIRMATION IN A DOCUMENT FILED WITH THE BANKRUPTCY COURT EXPLICITLY PRESERVING SUCH SETOFF OR SUBROGATION; AND (E) COMMENCING OR CONTINUING IN ANY MANNER ANY ACTION OR OTHER PROCEEDING OF ANY KIND AGAINST THE DEBTORS, THE REORGANIZED DEBTOR, OR ANY ENTITY SO RELEASED OR EXCULPATED (OR THE PROPERTY OR ESTATE OF THE DEBTORS OR ANY ENTITY SO RELEASED OR EXCULPATED) ON ACCOUNT OF OR IN CONNECTION WITH OR WITH RESPECT TO ANY SUCH RELEASED, SETTLED, COMPROMISED, OR EXCULPATED CLAIMS, EQUITY INTERESTS, CAUSES OF ACTION, OR LIABILITIES RELEASED, SETTLED, OR COMPROMISED PURSUANT TO THIS PLAN; PROVIDED, THAT NOTHING CONTAINED IN THE PLAN SHALL PRECLUDE AN ENTITY FROM OBTAINING BENEFITS DIRECTLY AND EXPRESSLY PROVIDED TO SUCH ENTITY PURSUANT TO THE TERMS OF THE PLAN; PROVIDED, FURTHER, THAT NOTHING CONTAINED IN THE PLAN SHALL BE CONSTRUED TO PREVENT ANY ENTITY FROM DEFENDING AGAINST CLAIMS OBJECTIONS OR COLLECTION ACTIONS WHETHER BY ASSERTING A RIGHT OF SETOFF OR OTHERWISE TO THE EXTENT PERMITTED BY LAW.

H. Waiver of Statutory Limitations on Releases

EACH RELEASING PARTY IN EACH OF THE RELEASES CONTAINED IN THE PLAN (INCLUDING UNDER THIS ARTICLE) EXPRESSLY ACKNOWLEDGES THAT, ALTHOUGH ORDINARILY A GENERAL RELEASE MAY NOT EXTEND TO CLAIMS WHICH THE RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS FAVOR, WHICH IF KNOWN BY IT MAY HAVE MATERIALLY AFFECTED ITS SETTLEMENT WITH THE PARTY RELEASED, THEY HAVE CAREFULLY CONSIDERED AND TAKEN INTO ACCOUNT IN DETERMINING TO ENTER INTO THE ABOVE RELEASES THE POSSIBLE EXISTENCE OF SUCH UNKNOWN LOSSES OR CLAIMS. WITHOUT LIMITING THE GENERALITY OF THE FOREGOING, EACH RELEASING PARTY EXPRESSLY WAIVES ANY AND ALL RIGHTS CONFERRED UPON IT BY ANY STATUTE OR RULE OF LAW WHICH PROVIDES THAT A RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CLAIMANT DOES NOT KNOW OR SUSPECT TO EXIST IN ITS FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY IT MAY HAVE MATERIALLY AFFECTED ITS SETTLEMENT WITH THE RELEASED PARTY, INCLUDING THE PROVISIONS OF CALIFORNIA CIVIL CODE SECTION 1542. THE RELEASES CONTAINED IN THIS ARTICLE ARE EFFECTIVE REGARDLESS OF WHETHER THOSE RELEASED MATTERS ARE PRESENTLY KNOWN, UNKNOWN, SUSPECTED OR UNSUSPECTED, FORESEEN OR UNFORESEEN. FOR THE AVOIDANCE OF DOUBT, THE DEBTORS, HOLDERS OF CLAIMS OR EQUITY INTERESTS, AND RELEASING PARTIES, BEING MADE AWARE OF SECTION 1542 AND SIMILAR LAWS AND COMMON LAW PRINCIPLES, HEREBY ARE DEEMED TO HAVE EXPRESSLY WAIVED ANY RIGHTS

THAT ANY OF THEM MIGHT HAVE OR ASSERT THEREUNDER, TO THE EXTENT THAT SUCH SECTION RELATES TO ANY OF THE CLAIMS RELEASED PURSUANT TO THIS ARTICLE.

I. Setoffs

Except as otherwise provided in this Plan, prior to the Effective Date, the Debtors, and on and after the Effective Date, the Reorganized Debtor, pursuant to the Bankruptcy Code (including sections 553 and 558 of the Bankruptcy Code), applicable nonbankruptcy law, or as may be agreed to by the Holder of a Claim, may set off against any Allowed Claim on account of any Proof of Claim or other pleading Filed with respect thereto prior to the Confirmation Hearing and the distributions to be made pursuant to this Plan on account of such Allowed Claim (before any distribution is made on account of such Allowed Claim), any claims, rights, and Causes of Action of any nature that the Debtors' Estates may hold against the Holder of such Allowed Claim, to the extent such claims, rights, or Causes of Action against such Holder have not been otherwise compromised or settled on or prior to the Effective Date (whether pursuant to this Plan or otherwise); provided, that neither the failure to effect such a setoff nor the allowance of any Claim pursuant to this Plan shall constitute a waiver or release by the Debtors or the Reorganized Debtor, as applicable, of any such claims, rights, and Causes of Action that the Debtors' Estates may possess against such Holder. In no event shall any Holder of Claims be entitled to set off any Claim against any claim, right, or Cause of Action of the Debtors' Estates unless such Holder has timely Filed a Proof of Claim with the Bankruptcy Court expressly preserving such setoff; provided, that nothing in this Plan shall prejudice or be deemed to have prejudiced the Debtors' or the Reorganized Debtor's right to assert that any Holder's setoff rights were required to have been asserted by motion or pleading filed with the Bankruptcy Court prior to the Effective Date.

J. Discharge of the Debtors

Pursuant to section 1141(d) of the Bankruptcy Code and effective as of the Effective Date, and except as otherwise specifically provided in the Plan: (a) the distributions, rights and treatment that are provided in the Plan shall be in complete satisfaction, discharge and release of all Claims and Equity Interests of any nature whatsoever, including any interest accrued on Claims or Equity Interests from and after the Petition Date, whether known or unknown, against, liabilities of, Liens on, obligations of, rights against and Equity Interests in, the Debtors, the Reorganized Debtor or any of their assets, properties or Estates, regardless of whether any property shall have been distributed or retained pursuant to the Plan on account of such Claims and Equity Interests, including demands, liabilities and Causes of Action that arose before the Effective Date; (b) the Plan shall bind all holders of Claims and Equity Interests, notwithstanding whether any such holders failed to vote to accept or reject the Plan or voted to reject the Plan; (c) all Claims and Equity Interests shall be satisfied, discharged, and released in full, and the Debtors' liability with respect thereto shall be extinguished completely, including all debts of the kind specified in sections 502(g), 502(h) or 502(i) of the Bankruptcy Code, in each case whether or not (i) a Proof of Claim based upon such debt, right or Equity Interest is Filed or deemed Filed pursuant to section 501 of the Bankruptcy Code; (ii) a Claim or Equity Interest based upon such debt, right or Equity Interest is Allowed; or (iii) the holder of such a Claim or Equity Interest has accepted the Plan or is entitled to receive a distribution hereunder; and (d) all Entities shall be precluded from ever asserting against the Debtors, the Debtors' Estates, the Reorganized Debtor, their successors and assigns, and their assets and properties any Claims and Equity Interests based upon any documents, instruments, or any act or omission, transaction, or other activity of any kind or nature that occurred prior to the Effective Date. The Confirmation Order shall be a judicial determination of the discharge of all Claims and Equity Interests subject to the Effective Date occurring.

ARTICLE IX

CONFIRMATION AND SUBSTANTIAL CONSUMMATION OF THE PLAN

A. Conditions Precedent to Consummation of this Plan

It shall be a condition to Consummation of this Plan that the following conditions have been satisfied or waived pursuant to the provisions of Article IX.B hereof:

1. The Bankruptcy Court shall have entered the Disclosure Statement Order;

2. The Bankruptcy Court shall have entered the Confirmation Order in form and substance materially consistent with this Plan (without any material modification that would require re-solicitation), the Restructuring Support Agreement, and the Contribution Agreement;

3. The Confirmation Order shall have become a Final Order;

4. All conditions precedent to the closing of the Contribution Agreement Transaction shall have been satisfied and there shall be a simultaneous closing of the Contribution Agreement Transaction with the Consummation of the Plan;

5. All documents and agreements necessary to implement this Plan, including the Restructuring Support Agreement: (i) shall have material compliance with the covenants in, and all conditions precedent to such documents and agreements satisfied or waived pursuant to the terms of such documents or agreements; (ii) shall have been tendered for delivery to the required parties and, to the extent required, filed with and approved by any applicable Governmental Units in accordance with applicable laws; and (iii) shall have been effected or executed;

6. The Escrow Accounts shall have been established and funded;

7. The Definitive Documents shall have been executed and delivered consistent with this Plan;

8. There shall be no material litigation restraining or materially altering the Contribution Agreement Transaction;

9. The Rights Offering shall have closed and been funded; and

10. All other actions necessary for the occurrence of the Effective Date shall have been taken.

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

B. Waiver of Conditions

The Debtors may, subject to obtaining any consents required under the Restructuring Support Agreement or the Contribution Agreement, waive any of the conditions to the Effective Date set forth in Article IX.A hereof without any notice to any other parties in interest and without any further notice to, or action, order or approval of, the Bankruptcy Court, and without any formal action other than proceeding to confirm or consummate this Plan.

C. Effect of Non-Occurrence of Conditions to the Effective Date

If the Effective Date does not occur, this Plan shall be null and void in all respects and nothing contained in this Plan or the Disclosure Statement shall: (i) constitute a waiver or release of any claims by or Claims against or Equity Interests in the Debtors; (ii) prejudice in any manner the rights of the Debtors, the Debtors' Estates, any Holders, or any other Entity; or (iii) constitute an admission, acknowledgment, offer, or undertaking by the Debtors, the Debtors' Estates, any Holders, or any other Entity in any respect.

ARTICLE X

MODIFICATION, REVOCATION, OR WITHDRAWAL OF THE PLAN

A. Modification and Amendments

Effective as of the date hereof, (i) the Debtors reserve the right, in accordance with the Bankruptcy Code and the Bankruptcy Rules, to amend or modify this Plan before the entry of the Confirmation Order, subject to the limitations set forth herein and the Restructuring Support Agreement; and (ii) after the entry of the Confirmation

Order, the Debtors or the Reorganized Debtor, as applicable, may amend or modify this Plan, in accordance with section 1127(b) of the Bankruptcy Code, remedy any defect or omission or reconcile any inconsistency in this Plan in such manner as may be necessary to carry out the purpose and intent of this Plan, this clause (b) being subject in all cases to the limitations set forth herein and in the Restructuring Support Agreement; provided, however, that neither the Debtors nor the Reorganized Debtor shall modify the Plan as to material terms that adversely affect the rights or duties of the Second Lien Notes Trustee without the prior written consent of the Second Lien Notes Trustee, which consent shall not be unreasonably withheld.

B. Effect of Confirmation on Modifications

Entry of a Confirmation Order shall mean that all modifications or amendments to this Plan occurring after the solicitation thereof are approved pursuant to section 1127(a) of the Bankruptcy Code and do not require additional disclosure or resolicitation under Bankruptcy Rule 3019.

C. Revocation or Withdrawal of this Plan

The Debtors reserve the right to revoke or withdraw this Plan, including the right to revoke or withdraw this Plan for any Debtor or all Debtors, prior to the Confirmation Date. If the Debtors revoke or withdraw this Plan with respect to any Debtor, or if Confirmation or Consummation does not occur with respect to any Debtor, then: (i) this Plan with respect to such Debtor shall be null and void in all respects; (ii) any settlement or compromise embodied in this Plan with respect to such Debtor (including the fixing or limiting to an amount certain of any Claim or Equity Interest or Class of Claims or Equity Interests), assumption or rejection of Executory Contracts or Unexpired Leases effected by this Plan with respect to such Debtor, and any document or agreement executed pursuant to this Plan with respect to such Debtor, shall be deemed null and void; and (iii) nothing contained in this Plan with respect to such Debtor shall: (a) constitute a waiver or release of any Claims or Equity Interests; (b) prejudice in any manner the rights of the Debtors, the Debtors' Estates, or any other Entity; or (c) constitute an admission, acknowledgement, offer, or undertaking of any sort by the Debtors, the Debtors' Estates, or any other Entity.

D. Confirmation of this Plan

The Debtors request Confirmation of this Plan under section 1129(b) of the Bankruptcy Code with respect to any Impaired Class that does not accept this Plan pursuant to section 1126 of the Bankruptcy Code. Subject to the terms of the Restructuring Support Agreement, the Debtors reserve the right to amend this Plan to the extent, if any, that Confirmation pursuant to section 1129(b) of the Bankruptcy Code requires modification.

ARTICLE XI

RETENTION OF JURISDICTION

Notwithstanding the entry of the Confirmation Order and the occurrence of the Effective Date, on and after the Effective Date, the Bankruptcy Court shall retain jurisdiction over the Chapter 11 Cases and all matters arising out of, or related to, the Chapter 11 Cases and this Plan, including jurisdiction to:

1. Allow, disallow, determine, liquidate, classify, estimate, or establish the priority, secured or unsecured status, or amount of any Claim or Equity Interest, including the resolution of any request for payment of any Administrative Claim and the resolution of any and all objections to the secured or unsecured status, priority, amount, or allowance of Claims or Equity Interests;

2. Decide and resolve all matters related to the granting and denying, in whole or in part, any applications for allowance of compensation or reimbursement of expenses to Professionals authorized pursuant to the Bankruptcy Code or this Plan;

3. Resolve any matters related to: (i) the assumption and assignment or rejection of any Executory Contract or Unexpired Lease to which a Debtor is party or with respect to which a Debtor may be

liable in any manner and to hear, determine, and, if necessary, liquidate, any Claims arising therefrom, including Claims related to the rejection of an Executory Contract or Unexpired Lease, Cure Costs pursuant to section 365 of the Bankruptcy Code, or any other matter related to such Executory Contract or Unexpired Lease; (ii) any potential contractual obligation under any Executory Contract or Unexpired Lease that is assumed; (iii) the Debtors or the Reorganized Debtor amending, modifying, or supplementing, after the Effective Date, pursuant to Article V hereof, any Executory Contracts or Unexpired Leases set forth on the list of Executory Contracts and Unexpired Leases to be assumed and assigned or rejected or otherwise; and (iv) any dispute regarding whether a contract or lease is or was executory or expired;

4. Ensure that distributions to Holders of Allowed Claims are accomplished pursuant to the provisions of this Plan;

5. Adjudicate, decide, or resolve any motions, adversary proceedings, contested or litigated matters, and any other matters, and grant or deny any applications involving a Debtor that may be pending on the Effective Date;

6. Adjudicate, decide, or resolve any and all matters related to Causes of Action;

7. Enter and implement such orders as may be necessary or appropriate to execute, implement, or consummate the provisions of this Plan and all contracts, instruments, releases, indentures, and other agreements or documents created in connection with this Plan or the Disclosure Statement;

8. Enter and enforce any order for the sale of property pursuant to sections 363, 1123, or 1146(a) of the Bankruptcy Code;

9. Resolve any cases, controversies, suits, disputes, or Causes of Action that may arise in connection with the Consummation, interpretation, or enforcement of this Plan or any Entity's obligations incurred in connection with this Plan;

10. 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 Consummation or enforcement of this Plan;

11. Resolve any cases, controversies, suits, disputes, or Causes of Action with respect to the settlements, compromises, releases, injunctions, exculpations, and other provisions contained in Article VIII hereof and enter such orders as may be necessary or appropriate to implement such releases, injunctions, and other provisions;

12. Resolve any cases, controversies, suits, disputes, or Causes of Action with respect to the repayment or return of distributions and the recovery of additional amounts owed by the Holder of a Claim or Equity Interest for amounts not timely repaid pursuant to Article VI.F.1 hereof;

13. Enter and implement such orders as are necessary or appropriate if the Confirmation Order is for any reason modified, stayed, reversed, revoked, or vacated;

14. Determine any other matters that may arise in connection with or relate to this Plan, the Disclosure Statement, the Confirmation Order, or any contract, instrument, release, indenture, or other agreement or document created in connection with this Plan or the Disclosure Statement;

15. Adjudicate any and all disputes arising from or relating to distributions under this Plan or any transactions contemplated therein;

16. Consider any modifications of this Plan, to cure any defect or omission, or to reconcile any inconsistency in any Bankruptcy Court order, including the Confirmation Order;

17. Determine requests for the payment of Claims entitled to priority pursuant to section 507 of the Bankruptcy Code;

18. Hear and determine disputes arising in connection with the interpretation, implementation, or enforcement of this Plan, or the Confirmation Order, including disputes arising under agreements, documents, or instruments executed in connection with this Plan;

19. Hear and determine matters concerning state, local, and federal taxes in accordance with sections 346, 505, and 1146 of the Bankruptcy Code;

20. Hear and determine all disputes involving the existence, nature, or scope of the Debtors' Release or Third Party Release, including any dispute relating to any liability arising out of the termination of employment or the termination of any employee or retiree benefit program, regardless of whether such termination occurred prior to or after the Effective Date;

21. Enforce all orders previously entered by the Bankruptcy Court;

22. Hear any other matter not inconsistent with the Bankruptcy Code;

23. Enter an order concluding or closing the Chapter 11 Cases; and

24. Enforce the injunction, release, and exculpation provisions set forth in Article VIII hereof.

ARTICLE XII

MISCELLANEOUS PROVISIONS

A. *Immediate Binding Effect*

Subject to the terms hereof and notwithstanding Bankruptcy Rules 3020(e), 6004(h), or 7062 or otherwise, upon the occurrence of the Effective Date, the terms of this Plan, the Plan Supplement, and the Confirmation Order shall be immediately effective and enforceable and deemed binding upon the Debtors, the Debtors' Estates, the Reorganized Debtor, and any and all Holders of Claims or Equity Interests (regardless of whether such Claims or Equity Interests are deemed to have accepted or rejected this Plan), all Entities that are parties to or are subject to the settlements, compromises, releases, and injunctions described in this Plan, each Entity acquiring property under this Plan or the Confirmation Order, and any and all non-Debtor parties to Executory Contracts and Unexpired Leases with the Debtors. All Claims and debts shall be as fixed, adjusted, or compromised, as applicable, pursuant to this Plan regardless of whether any Holder of a Claim or debt has voted on this Plan.

B. *Additional Documents*

On or before the Effective Date, the Debtors may File with the Bankruptcy Court such agreements and other documents as may be necessary or appropriate to effectuate and further evidence the terms and conditions of this Plan. The Debtors and all Holders of Claims or Equity Interests receiving distributions pursuant to this Plan and all other parties in interest shall, prepare, execute, and deliver any agreements or documents and take any other actions as may be necessary or advisable to effectuate the provisions and intent of this Plan.

C. *Dissolution of Committee*

On the Effective Date, the Committee, to the extent one has been appointed in the Chapter 11 Cases, shall dissolve and the members thereof shall be compromised, settled, and released from all rights and duties from or related to the Chapter 11 Cases, except the Committee will remain intact solely with respect to the preparation, filing, review, and resolution of applications for Professional Fee Claims. The Debtors and the Reorganized Debtor shall have no obligation to pay any fees or expenses incurred after the Effective Date by the Committee or the Committee Members.

D. Reservation of Rights

Except as expressly set forth in this Plan, this Plan shall have no force or effect unless the Bankruptcy Court shall enter the Confirmation Order. Neither this Plan, any statement or provision contained in this Plan, nor any action taken or not taken by the Debtors or any Debtor with respect to this Plan, the Disclosure Statement, the Confirmation Order, or the Plan Supplement shall be or shall be deemed to be an admission or waiver of any rights of the Debtors or any Debtor with respect to the Holders of Claims or Equity Interests prior to the Effective Date.

E. Successors and Assigns

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

F. Service of Documents

Any pleading, notice, or other document required by this Plan to be served on or delivered to the following entities and shall be served via first class mail, overnight delivery, or messenger on.

(i) If to the Debtors, to:

Milagro Oil & Gas, Inc.
1301 McKinney, Suite 500
Houston, TX 77010
Attention: Gary Mabie
Email: gmabie@milagroexploration.com

With a copy to:

Young Conaway Stargatt & Taylor, LLP
Rodney Square
1000 N. King Street
Wilmington, DE 19801
Attention: M. Blake Cleary
Email: mbcleary@ycst.com

and

Porter Hedges LLP
1000 Main Street, 36th Floor
Houston, TX 77002
Attention: Robert G. Reedy; John F. Higgins; Kevin J. Poli
Email: rreedy@porterhedges.com; jhiggins@porterhedges.com; kpoli@porterhedges.com

(ii) If to an Initial Consenting Noteholder or a transferee or assignee thereof, to the electronic mail addresses set forth below the Consenting Noteholder's signature (or as directed by any transferee thereof), as the case may be, with copies to:

Akin Gump Strauss Hauer & Feld LLP
One Bryant Park
New York, NY 10036
Attention: Daniel I. Fisher and Charles R. Gibbs
Email: dfisher@akingump.com and cgibbs@akingump.com

(iii) If to an Initial Secured Lender or a transferee or assignee thereof, to the electronic mail addresses set forth below the Secured Lender's signature (or as directed by any transferee

thereof), as the case may be, with copies to:

Schulte Roth & Zabel LLP
919 Third Avenue
New York, NY 10022
Attention: Frederic Ragucci
Email: frederic.ragucci@srz.com

(iv) If to an Initial Equity Holder or a transferee or assignee thereof, to the electronic mail addresses set forth below the Equity Holder's signature (or as directed by any transferee thereof), as the case may be, with copies to:

Hogan Lovells US LLP, if to Acon
875 Third Avenue
New York, NY 10022
Attention: Christopher R. Donoho III
Email: chris.donoho@hoganlovells.com

(v) If to White Oak, to:
White Oak Resources VI, LLC
12941 North Freeway, Suite 500
Houston, TX 77060
Attention: Thomas F. Isler
Email: tisler@whiteoakenergy.com

With a copy to:

Locke Lord LLP
600 Travis, Suite 2800
Houston, Texas 77002
Attn: Mitchell A. Tiras
Fax Number: (713) 229-2674
Telephone: (713) 226-1144

G. Term of Injunctions or Stays

Unless otherwise provided in this Plan or in the Confirmation Order, all injunctions or stays in effect in the Chapter 11 Cases pursuant to sections 105 or 362 of the Bankruptcy Code or any order of the Bankruptcy Court, and extant on the Confirmation Date (excluding any injunctions or stays contained in this Plan or the Confirmation Order) shall remain in full force and effect until the later of the maximum extent permitted by law or the closing of the Chapter 11 Cases. All injunctions or stays contained in this Plan or the Confirmation Order shall remain in full force and effect in accordance with their terms.

H. Entire Agreement

Except as otherwise indicated, this Plan, the Confirmation Order, and the Plan Supplement supersede all previous and contemporaneous negotiations, promises, covenants, agreements, understandings, and representations on such subjects, all of which have become merged and integrated into this Plan.

I. Plan Supplement Exhibits

All exhibits and documents included in the Plan Supplement are incorporated into and are a part of this Plan as if set forth in full in this Plan. The final forms of the Plan Supplement documents shall be materially consistent with those set forth in the Plan Supplement. After the exhibits and documents are filed, copies of such exhibits and documents shall be made available upon written request to the Debtors' counsels at the address above or by downloading such exhibits and documents from https://cases.primeclerk.com/milagro or the Bankruptcy

Court's website at www.deb.uscourts.gov. Unless otherwise ordered by the Bankruptcy Court, to the extent any exhibit or document in the Plan Supplement is inconsistent with the terms of any part of this Plan that does not constitute the Plan Supplement, such part of this Plan that does not constitute the Plan Supplement shall control.

J. Nonseverability of Plan Provisions

If, prior to Confirmation, any term or provision of this Plan is held by the Bankruptcy Court to be invalid, void, or unenforceable, the Bankruptcy Court shall have the power to alter and interpret such term or provision to make it valid or enforceable to the maximum extent practicable, consistent with the original purpose of the term or provision held to be invalid, void, or unenforceable, and such term or provision shall then be applicable as altered or interpreted. Notwithstanding any such holding, alteration, or interpretation, the remainder of the terms and provisions of this Plan will remain in full force and effect and will in no way be affected, impaired, or invalidated by such holding, alteration, or interpretation. The Confirmation Order shall constitute a judicial determination and shall provide that each term and provision of this Plan, as it may have been altered or interpreted in accordance with the foregoing, is: (i) valid and enforceable pursuant to its terms; (ii) integral to this Plan and may not be deleted or modified without the consent of the Debtors; and (iii) nonseverable and mutually dependent.

K. Waiver or Estoppel

Each Holder of a Claim or an Equity Interest shall be deemed to have waived any right to assert any argument, including the right to argue that its Claim or Equity Interest should be Allowed in a certain amount, in a certain priority, Secured or not subordinated by virtue of an agreement made with the Debtors or their counsel, or any other Entity, if such agreement was not disclosed in this Plan, the Disclosure Statement, or papers Filed with the Bankruptcy Court before the Confirmation Date.

[Signature Page Follows]

Respectfully submitted, as of the date first set forth above,

MILAGRO HOLDINGS, LLC
on behalf of itself and all other Debtors

By: ______________________
Name: Gary J. Mabie
Title: President & Chief Operating Officer

EXHIBIT B

Financial Projections

[*to be provided*]

EXHIBIT C

Restructuring Support Agreement

Execution Version

RESTRUCTURING SUPPORT AGREEMENT

This RESTRUCTURING SUPPORT AGREEMENT (together with all exhibits and attachments hereto, as amended, supplemented or otherwise modified from time to time in accordance with the terms hereof, this "Agreement"), dated as of July 15, 2015, is entered into by and among:

(a)(i) Milagro Oil & Gas, Inc., a Delaware corporation ("Milagro Oil & Gas"), on behalf of itself and its direct and indirect subsidiaries and (ii) Milagro Holdings, LLC, a Delaware limited liability company (the "Parent" and, together with Milagro Oil & Gas and its direct and indirect subsidiaries, collectively, the "Company");

(b)(i) each of the beneficial owners (or investment managers or advisors for the beneficial owners) of the Second Lien Notes (as defined below) identified on the signature pages hereto (such persons and entities described in this clause (b)(i), together with any of their respective successors and permitted assigns under this Agreement, each, an "Initial Consenting Noteholder" and, collectively, the "Initial Consenting Noteholders") and (ii) each of the other beneficial owners (or investment managers or advisors for the beneficial owners) of the Second Lien Notes that becomes a party to this Agreement after the Restructuring Support Effective Date (as defined below) in accordance with the terms hereof by executing and delivering a Joinder Agreement (as defined below) (such persons and entities described in this clause (b)(ii), together with any of their respective successors and permitted assigns under this Agreement, each, an "Additional Consenting Noteholder" and collectively, the "Additional Consenting Noteholders" and, together with the Initial Consenting Noteholders, the "Consenting Noteholders");

(c)(i) each of the lenders under the Credit Agreement (as defined below) identified on the signature pages hereto (such persons and entities described in this clause (c)(i), together with any of their respective successors and permitted assigns under this Agreement, each, an "Initial Secured Lender" and, collectively, the "Initial Secured Lenders"), (ii) each of the other lenders or successor lenders under the Credit Agreement that becomes a party to this Agreement after the Restructuring Support Effective Date in accordance with the terms hereof by executing and delivering a Joinder Agreement (such persons and entities described in this clause (c)(ii), together with any of their respective successors and permitted assigns under this Agreement, each, an "Additional Secured Lender" and collectively, the "Additional Secured Lenders" and, together with the Initial Secured Lenders, the "Secured Lenders") and (iii) TPG Specialty Lending, Inc., a Delaware corporation, an Initial Secured Lender and as administrative agent for the lenders under the Credit Agreement (in such capacity, the "Administrative Agent");

(d)(i) ACON Milagro Investors, LLC, ACON-Bastion Partners II, LP, ACON-Bastion Partners Offshore, LP, ACON Milagro Second Lien Investors, LLC, and ABP II Milagro AIV, L.P., in their respective several and not joint capacities as holders of Equity Interests, and ACON Funds Management, L.L.C. ("Acon") (each, a "Consenting Acon Party") or an "Initial Equity Holder" and collectively, the "Initial Equity Holders") and (ii) each of the other Equity Holders or successor Equity Holders that becomes a party to this Agreement after the Restructuring Support Effective Date in accordance with the terms hereof by executing and

delivering a Joinder Agreement (such persons and entities described in this clause (d)(ii), together with any of their respective successors and permitted assigns under this Agreement, each, an "Additional Equity Holder" and collectively, the "Additional Equity Holders" and, together with the Initial Equity Holders, the "Equity Holders"); and

(e) White Oak Resources VI, LLC, a Delaware limited liability company ("White Oak").

The Company, each of the Consenting Noteholders, each of the Secured Lenders, the Administrative Agent, each of the Equity Holders, White Oak and any subsequent person or entity that becomes a party hereto in accordance with the terms hereof are referred to herein as the "Parties" and individually as a "Party." The Secured Lenders, the Administrative Agent and the Consenting Noteholders are sometimes referred to herein as the "Creditor Parties" and individually as a "Creditor Party." The Creditor Parties, the Equity Holders and White Oak are sometimes referred to herein as the "Supporting Parties" and individually as a "Supporting Party." Capitalized terms used and not defined herein shall have the meanings ascribed to such terms in the Plan or Disclosure Statement (each as defined below).

PRELIMINARY STATEMENTS

WHEREAS, as of the date hereof, the Initial Consenting Noteholders collectively represent or hold, in the aggregate, in excess of 80% of the aggregate outstanding principal amount of the 10.500% Senior Secured Second Lien Notes due 2016 (the "Second Lien Notes"), issued by Milagro Oil & Gas pursuant to that certain indenture dated as of May 11, 2011 (as the same may be amended, modified or otherwise supplemented from time to time, the "Indenture") by and among Milagro Oil & Gas, the guarantors party thereto and Wilmington Trust, National Association (as successor in interest to Wells Fargo Bank, N.A.), as indenture trustee (the "Trustee");

WHEREAS, as of the date hereof, the Initial Secured Lenders collectively own or control, in the aggregate, 100% of the amounts outstanding under the Second Amended and Restated First Lien Credit Agreement, dated as of September 4, 2014 (as amended, restated, supplemented or otherwise modified from time to time, the "Credit Agreement") by and among Milagro Exploration, LLC, a Delaware limited liability company and Milagro Producing, LLC, a Delaware limited liability company, as borrowers, Milagro Oil & Gas, as guarantor, the various financial institutions and other persons from time to time parties thereto as the lenders, and the Administrative Agent;

WHEREAS, as of the date hereof, the Initial Equity Holders collectively own or control 44% of the issued and outstanding Equity Interests as set forth below its name on the signature page hereof;

WHEREAS, the Company, the Initial Consenting Noteholders, the Initial Secured Lenders and the Administrative Agent have agreed to implement a pre-arranged chapter 11 restructuring transaction for the Company in accordance with, and subject to the terms and conditions set forth in, this Agreement and the Plan Documents (as defined below) (such restructuring transaction, the "Restructuring Transaction");

WHEREAS, the Plan is the product of arm's-length, good faith negotiations among the Parties and their respective professionals and sets forth the material terms and conditions of the Restructuring Transaction, as supplemented by the terms and conditions of this Agreement;

WHEREAS, prior to the date hereof, representatives of the Company, the Initial Consenting Noteholders, the Administrative Agent, the Initial Equity Holders and White Oak have engaged in good faith negotiations with the objective of reaching an agreement with regard to the financial restructuring of the indebtedness and other obligations of the Company, including a potential asset contribution, actions and transactions contemplated by the Restructuring Transaction, which Restructuring Transaction as set forth in the Plan contemplates a contribution of substantially all of Milagro Oil & Gas's assets, business, properties, contractual rights, goodwill, going concern value, rights and claims to White Oak pursuant to a contribution agreement (the "Contribution") attached as Exhibit A hereto (including any schedules and exhibits attached thereto, each as may be modified in accordance with the terms hereof, the "Contribution Agreement"), and which Contribution Agreement shall be executed concurrently with the execution of this Agreement;

WHEREAS, the Restructuring Transaction and the Plan contemplate offering to each of the beneficial owners of the Second Lien Notes that is an accredited investor as defined in Rule 501 promulgated under the Securities Act of 1933, as amended, equity interests in reorganized Milagro Oil & Gas (the "Rights Offering") and a backstop commitment by certain of the Initial Consenting Noteholders to purchase (on a several and not joint basis) the offered equity interests in reorganized Milagro Oil & Gas that are not otherwise purchased in the Rights Offering pursuant to a backstop commitment letter (the "Backstop Commitment Letter") attached hereto as Exhibit B;

WHEREAS, the Company has agreed to commence voluntary, pre-arranged reorganization cases under chapter 11 of title 11 of the United States Code, 11 U.S.C. §§ 101—1532 (as amended, the "Bankruptcy Code") for the Company (the "Chapter 11 Cases") in the United States Bankruptcy Court for the District of Delaware (the "Bankruptcy Court") to effectuate the Restructuring Transaction, which will be implemented pursuant to the Plan Documents;

WHEREAS, notwithstanding any proposed deadlines in relation to the Restructuring Transaction, the Parties (i) acknowledge and agree that time is of the essence and (ii) intend to complete the Restructuring Transaction with all speed in as timely a manner as practicable; and

WHEREAS, the Parties desire to express to each other their mutual support and commitment in respect of the matters discussed herein and in the Plan and the Disclosure Statement.

NOW, THEREFORE, in consideration of the promises and the mutual covenants and agreements set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties, intending to be legally bound, agree as follows:

1. Plan and Disclosure Statement; Restructuring Documents.

(a) Each of the Plan and the Disclosure Statement is expressly incorporated herein by reference and made part of this Agreement as if fully set forth herein. The Plan sets forth the material terms and conditions of the Restructuring Transaction. In the event of any inconsistency between the Plan or the Disclosure Statement, on the one hand, and this Agreement, the Plan or the Disclosure Statement, as applicable, shall control.

(b) The Plan, the Disclosure Statement, the Disclosure Statement Order, the related solicitation materials, the Confirmation Order, the RSA Assumption Motion, the RSA Order, the Contribution Agreement and each other agreement, instrument, pleading, order or certificate or other related document utilized to implement the Contribution, in each case in this clause (b), including any exhibits, amendments, modifications or supplements made from time to time thereto but in each case excluding the Plan Supplement Documents (as defined below), are referred to herein as the "Plan Documents."

(c) The motions, applications, and related proposed orders filed by the Company in the Chapter 11 Cases, including any exhibits, amendments, modifications or supplements made from time to time thereto, are referred to herein as the "Motions and Orders."

(d) "Plan Supplement Documents" means the Plan Supplement as defined in the Plan and the documents related to the Rights Offering (including the Rights Offering Procedures), and shall also include the organizational and governance documents for reorganized Milagro Oil & Gas and other corporate documents (the "Company Governance Documents"), the Contribution Documents and such other definitive documentation relating to a recapitalization of the Company as is necessary to consummate the Restructuring Transaction and the transactions contemplated hereby or thereby.

(e) The Plan Documents and the Motions and Orders shall each be consistent in all respects with, and shall otherwise contain, the terms and conditions set forth in this Agreement and the respective exhibits, annexes and schedules attached hereto (in each case as may be amended or otherwise modified from time to time in accordance with the terms hereof) and such other terms and conditions as are acceptable to the Company, the Requisite Consenting Noteholders, the Requisite Secured Lenders, White Oak, and the Requisite Equity Holders, it being understood and agreed that the Plan Documents and the Motions and Orders shall be acceptable to the Requisite Secured Lenders or the Requisite Equity Holders, as applicable, so long as they are consistent in the treatment of the Requisite Secured Lenders or the Requisite Equity Holders as set forth in this Agreement and the Plan, substantially in the form attached hereto as Exhibit C (as reasonably determined by the Requisite Secured Lenders or the Requisite Equity Holders, as applicable), and it being further understood and agreed that the Plan Documents and the Motions and Orders shall be acceptable to White Oak so long as they are not inconsistent with the treatment of White Oak under this Agreement and the Contribution Agreement.

(f) The Plan Supplement Documents shall each be consistent in all respects with, and shall otherwise (as applicable) contain, the terms and conditions set forth in this Agreement, the Plan, the Disclosure Statement and the respective exhibits, annexes, and schedules attached

hereto and thereto (in each case as may be amended or otherwise modified from time to time in accordance with the terms hereto and thereto) and otherwise acceptable to the Requisite Consenting Noteholders in their reasonable discretion, except that the Contribution Documents shall also be reasonably acceptable to White Oak and the Company Governance Documents need only be reasonably acceptable to (A) the Requisite Consenting Noteholders and (B) so long as it holds at least 10% of the total amount of Second Lien Notes, Credit Suisse Securities USA LLC.

(g) The Restructuring Documents that are not otherwise a Plan Document, a Motion and Order or a Plan Supplement Document shall each be consistent in all respects with, and shall otherwise contain, the terms and conditions set forth in this Agreement, the Plan, the Disclosure Statement, the Plan Supplement Documents and the respective exhibits, annexes, and schedules attached hereto and thereto (in each case as may be amended or otherwise modified from time to time in accordance with the terms hereto and thereto) and such other terms and conditions as are acceptable to the Company, the Requisite Consenting Noteholders, the Requisite Secured Lenders, White Oak and the Requisite Equity Holders, it being understood and agreed that the documents described in this Section 1(g) shall be acceptable to the Requisite Secured Lenders or the Requisite Equity Holders, as applicable, so long as they are consistent in the treatment of the Requisite Secured Lenders or the Requisite Equity Holders as set forth in this Agreement and the Plan, substantially in the form attached hereto as Exhibit C (as reasonably determined by the Requisite Secured Lenders or the Requisite Equity Holders, as applicable), and it being further understood and agreed that the documents described in this Section 1(g) shall be acceptable to White Oak so long as they are not inconsistent with the treatment of White Oak under this Agreement and the Contribution Agreement.

2. **Certain Definitions**.

As used in this Agreement, the following terms have the following meanings:

(a) "Alternative Transaction" means any plan, proposal or offer of dissolution, winding up, liquidation, reorganization, financing, refinancing, merger, consolidation, business combination, joint venture, partnership, sale of assets or restructuring of the Company, other than the Restructuring Transaction.

(b) "Claims and Interests" means, as applicable, Term Loan Claims, Second Lien Note Claims, Equity Interests and Unsecured Claims.

(c) "Confirmation Order" means an order of the Bankruptcy Court confirming the Plan pursuant to section 1129 of the Bankruptcy Code.

(d) "Consenting Noteholders' Advisors" means (i) Akin Gump Strauss Hauer & Feld LLP, as legal counsel to the Initial Consenting Noteholders ("Akin Gump"), (ii) Richards, Layton & Finger, P.A., as Delaware legal counsel to the Initial Consenting Noteholders and (iii) Blackstone Advisory Partners L.P., as financial advisor to the Initial Consenting Noteholders.

(e) "Contribution Documents" means the documents in connection with the Contribution as set forth in the Plan and consist of, among others, any amendments or waivers to

the Contribution Agreement and any appendices or exhibits to the Contribution Agreement (including an amended and restated limited liability company agreement of White Oak).

(f) "DIP Financing Agreement" means the debtor in possession financing facility provided to the Company, between Milagro Exploration, LLC and Milagro Producing, LLC, as borrowers; Milagro Oil & Gas, Inc. and each subsidiary of Milagro Oil & Gas, Inc. listed on the signature pages of the DIP Financing Agreement, as guarantors; and TPG Specialty Lending, Inc. as the administrative agent and swing line lender, dated as of July 15, 2015.

(g) "DIP Financing Agreement Motion" means a motion to be filed by the Company with the Bankruptcy Court seeking Bankruptcy Court approval of the DIP Financing Agreement, which motion shall be in form and substance reasonably acceptable to the Company, the Requisite Consenting Noteholders and the Requisite Secured Lenders.

(h) "DIP Orders" means the Interim DIP Order and the Final DIP Order.

(i) "Disclosure Statement" means the disclosure statement for the Plan, substantially in the form attached as Exhibit D hereto, as amended, supplemented or otherwise modified from time to time subject to the terms of this Agreement, that is prepared and distributed in accordance with, among other things, sections 1125, 1126(b), and 1145 of the Bankruptcy Code, Rule 3018 of the Federal Rules of Bankruptcy Procedure and other applicable law.

(j) "Disclosure Statement Order" means an order of the Bankruptcy Court approving the Disclosure Statement and the Solicitation, which order shall be materially consistent with this Agreement.

(k) "Equity Holders' Advisors" means Hogan Lovells US LLP.

(l) "Equity Interests" means any capital stock, limited liability company interests, partnership interests or other equity, ownership or profits interests in Parent and Milagro Oil & Gas, and any options, warrants, conversion privileges or rights of any kind to acquire any capital stock, limited liability company interests, partnership interests or other equity, ownership or profits interests in Parent and Milagro Oil & Gas.

(m) "Final DIP Order" means the final order of the Bankruptcy Court approving the DIP Financing Agreement Motion (which order, for the avoidance of doubt, shall be materially consistent with this Agreement and otherwise in form and substance acceptable to the Company and the Requisite Secured Lenders and in form and substance reasonably acceptable to the Requisite Consenting Noteholders).

(n) "Intercreditor Agreement" means that certain Intercreditor Agreement, dated as of May 11, 2011, among Wells Fargo Bank, National Association, as priority lien agent, Wells Fargo Bank, National Association, as second lien collateral trustee, Milagro Oil & Gas, Milagro Exploration, LLC, and Milagro Producing, LLC and the subsidiaries of Milagro Oil & Gas named therein, as the same may be amended, modified or otherwise supplemented from time to time.

(o) "Interim DIP Order" means an interim order of the Bankruptcy Court approving the DIP Financing Agreement Motion (which order, for the avoidance of doubt, shall be materially consistent with this Agreement and otherwise in form and substance acceptable to the Company and the Requisite Secured Lenders and in form and substance reasonably acceptable to the Requisite Consenting Noteholders).

(p) "Plan" means the chapter 11 plan for the Company, substantially in the form attached hereto as Exhibit C, as amended, supplemented or otherwise modified from time to time subject to, and consistent in all material respects with, the terms of this Agreement, that is prepared and distributed in accordance with, among other things, sections 1125, 1126(b), and 1145 of the Bankruptcy Code, Rule 3018 of the Federal Rules of Bankruptcy Procedure and other applicable law, which Plan shall include the Contribution.

(q) "Requisite Consenting Noteholders" means, as of any date of determination, the Consenting Noteholders who own or control as of such date at least a majority of the aggregate principal amount of the Second Lien Notes owned or controlled by all of the Consenting Noteholders as of such date.

(r) "Requisite Equity Holders" means, as of any date of determination, the Equity Holders who own or control as of such date at least a majority of the Equity Interests, in the aggregate, as of such date.

(s) "Requisite Secured Lenders" means, as of any date of determination, the Secured Lenders who own or control as of such date at least a majority of all Term Loan Claims, in the aggregate, as of such date; provided, however, that, notwithstanding the foregoing, the consent of the Administrative Agent will be required in any instance where the consent of the Requisite Secured Lenders is required.

(t) "Restructuring Documents" means the Plan Documents, the Motions and Orders, the Plan Supplement Documents, the DIP Financing Agreement and each other agreement, instrument, pleading, order, instrument or certificate or other related document utilized to implement the Restructuring Transaction, or the transactions contemplated hereby or thereby, and to obtain confirmation of the Plan.

(u) "Restructuring Support Effective Date" means the date upon which this Agreement becomes effective and binding on the Parties in accordance with the provisions of Section 11 hereof.

(v) "Restructuring Support Period" means the period commencing on the Restructuring Support Effective Date and ending on the earlier of (i) the effective date of the Plan and (ii) the date on which this Agreement is terminated in accordance with Section 5 hereof.

(w) "Rights Offering Procedures" means the procedures with respect to the Rights Offering, as approved by the Bankruptcy Court, and as may be amended, modified or supplemented by the Bankruptcy Court from time to time in accordance with the terms of this Agreement.

(x) "RSA Assumption Motion" means the motion and proposed form of order to be filed by the Company with the Bankruptcy Court within one (1) business day after the Petition Date seeking the approval and assumption of this Agreement pursuant to section 365 of the Bankruptcy Code, authorizing the payment of certain fees, expenses and other amounts hereunder, and granting related relief.

(y) "RSA Order" means an order of the Bankruptcy Court approving the RSA Assumption Motion.

(z) "Second Lien Note Claims" means any and all claims arising under the Indenture and the Second Lien Notes.

(aa) "Secured Lenders' Advisors" means (i) Schulte Roth & Zabel LLP, as legal counsel to the Secured Lenders and Administrative Agent, and (ii) Landis Rath & Cobb LLP, as Delaware legal counsel to the Secured Lenders and Administrative Agent.

(bb) "Solicitation" means the solicitation of votes in connection with the Plan pursuant to sections 1125 and 1126 of the Bankruptcy Code.

(cc) "Term Loan" means the extension of credit currently outstanding under the Credit Agreement.

(dd) "Term Loan Claims" means any and all claims arising under the Credit Agreement, the Fee Letter (as defined in the Credit Agreement) and the other Loan Documents (as defined in the Credit Agreement), including without limitation, all principal, accrued and unpaid interest (including default interest), fees and the Yield Maintenance Premium and Prepayment Premium (each as defined in the Fee Letter).

(ee) "Transaction Expenses" means all reasonable and documented fees, costs and expenses of the Consenting Noteholders' Advisors, Secured Lenders' Advisors, legal counsel to the Trustee and the Administrative Agent, the Trustee and the Administrative Agent, whenever incurred in connection with the negotiation, structuring, planning, formulation, preparation, execution, delivery, implementation and consummation of this Agreement, the Restructuring Documents, the Restructuring Transaction and related matters.

(ff) "Unsecured Claims" means an unsecured non-priority Claim against a Debtor that is not an Administrative Claim, a Priority Tax Claim, a Professional Fee Claim, a Senior Debt Claim, an Other Priority Claim, an Other Secured Claim or a Notes Claim (each term used in this definition, as defined in the Plan).

3. Agreements of the Supporting Parties.

(a) Support of Restructuring Transaction. Each of the Supporting Parties agrees that, for the duration of the Restructuring Support Period, subject to the terms and conditions hereof and except to the extent, in writing, that (1) the Company and the Requisite Consenting Noteholders and Requisite Secured Lenders expressly release a Consenting Noteholder, (2) the Company and Requisite Consenting Noteholders and the Requisite Secured Lenders expressly release a Secured Lender or (3) all Parties (other than the Party to be released) expressly release

the Equity Holders or White Oak, in each case, from any of the following obligations, such Supporting Party shall:

(i) support, and take all reasonable actions necessary to facilitate the implementation and consummation of, the Restructuring Transaction (including, but not limited to, supporting the Debtors' commencement of the Chapter 11 Cases, the Debtors' entry into a DIP Financing Agreement, the Debtors' requests for the relief sought pursuant to first-day motions, the Bankruptcy Court's approval of the Restructuring Documents, the Solicitation and confirmation of the Plan and the consummation of the Restructuring Transaction pursuant to the Plan so long as each of the foregoing is not inconsistent with this Agreement);

(ii) (A) subject to the receipt by the Supporting Parties of the Disclosure Statement approved by the Disclosure Statement Order, timely vote, or cause to be voted (to the extent entitled to vote on the Plan), its Claims and Interests to accept the Plan by delivering its duly executed and completed ballot accepting the Plan on a timely basis following commencement of the Solicitation, pursuant to the terms of the Disclosure Statement Order and not opt out of or object to the releases provided for in the Plan, and (B) not change or withdraw such vote (or cause or direct such vote to be changed or withdrawn); provided, however, that, subject to only those remedies available to the Company set forth in Section 13 of this Agreement, such vote may be revoked (and, upon such revocation, deemed void *ab initio*) by any of the Supporting Parties at any time following the expiration of the Restructuring Support Period (it being understood by the Parties that any modification of a Plan that results in a termination of this Agreement pursuant to Section 5 hereof shall entitle such Creditor Party the opportunity to change its vote in accordance with section 1127(d) of the Bankruptcy Code, and the Solicitation materials with respect to the Plan shall be consistent with this proviso);

(iii) not (A) directly or indirectly seek, propose, support, assist, encourage, solicit, or vote for any Alternative Transaction (or encourage any other person to do so), (B) directly or indirectly seek, propose, support, assist, encourage, solicit, or vote for a chapter 11 plan of reorganization that does not provide for payment in full in cash of the Term Loan Claims on the effective date of such plan, unless consented to by the Requisite Secured Lenders (or encourage any other person to do so), (C) directly or indirectly seek, propose, support, assist or encourage the termination or modification of the Company's exclusive period for the filing of a chapter 11 plan or the Company's exclusive period to solicit a chapter 11 plan (or encourage any other person to do so), (D) directly or indirectly seek, propose, support, assist or encourage the disallowance, subordination or recharacterization of, or other challenge to, the Term Loan Claims or the Second Lien Note Claims or the validity, perfection, priority or enforceability of any liens, mortgages, assignments and other security interests granted pursuant to any security documents with respect to the Term Loan Claims or Second Lien Note

Claims (or encourage any other person to do so) or (E) take any other action, including but not limited to initiating any legal proceedings or enforcing rights as a holder of Claims and Interests, that is inconsistent with this Agreement or the Restructuring Documents, or that would prevent, interfere with, delay or impede the implementation or consummation of the Restructuring Transaction (including, but not limited to, the Bankruptcy Court's approval of the Restructuring Documents, the Solicitation and confirmation of the Plan and the consummation of the Restructuring Transaction pursuant to the Plan);

(iv) subject to the receipt of a disclosure statement and other solicitation materials approved by the Bankruptcy Court pursuant to section 1125 of the Bankruptcy Code, timely vote or cause to be voted its Claims and Interests against any Alternative Transaction; and

(v) All of the members of the new board of managers of the Reorganized Debtor and the two (2) initial members of the board of managers of White Oak (the "White Oak Board") to be selected by the Reorganized Debtor shall be selected as provided in the Company Governance Documents; provided that the second manager to be initially appointed to the White Oak Board shall be a person designated by ACON Funds Management, LLC ("ACON") or its designee or designees. During the two (2) year period following the Effective Date, the Reorganized Debtor shall, and the Consenting Noteholders shall and shall at all times cause the Reorganized Debtor to, take all actions necessary in order to cause the nomination and election of the person designated by ACON or its designee or designees as the Reorganized Debtor's second manager on the White Oak Board. The Consenting Noteholders further agree that, on or as soon as practicable after the Effective Date, ACON (or its designee or designees) shall receive $2.0 million from the Reorganized Debtor as an advance payment in respect of acting as a manager (or observer) on the White Oak Board, whether from proceeds of the Rights Offering or otherwise;

provided, however, that nothing in this Section 3(a) shall require any Supporting Party to incur any expenses (other than *de minimis*), liabilities or other obligations, or agree to any commitments, undertakings, concessions, indemnities or other arrangements that could result in expenses (other than *de minimis*), liabilities or other obligations to any such party, other than pursuant to the Backstop Commitment Letter.

(b) Rights of Supporting Parties Unaffected. Nothing contained herein shall limit (i)(A) the ability of any of the Supporting Parties to consult with other Supporting Parties or the Company or advisors or (B) the rights of the Supporting Parties under any applicable bankruptcy, insolvency, foreclosure or similar proceeding, including, without limitation, appearing as a party in interest in any matter to be adjudicated in order to be heard concerning any matter arising in the Chapter 11 Cases, in each case, so long as such consultation or appearance is not inconsistent with the Supporting Parties' obligations hereunder or under the terms of the Plan and is not intended or reasonably likely to materially delay or prevent

confirmation or the consummation of the Restructuring Transaction (including, but not limited to, the Bankruptcy Court's approval of the Restructuring Documents, the Solicitation and confirmation of the Plan); (ii) the ability of a Creditor Party or Equity Holder to sell or enter into any transactions in connection with the Second Lien Notes, the Term Loans or the Equity Interests, subject to the terms hereof; or (iii) any right of any Creditor Party or Equity Holder under (x) the Indenture, the Credit Agreement or the Intercreditor Agreement or constitutes a waiver or amendment of any provision of the Indenture, the Credit Agreement or the Intercreditor Agreement, as applicable, and (y) any other applicable agreement, instrument or document that gives rise to a Creditor Party's Claims and Interests, or constitutes as waiver or amendment of any provision of such agreement, instrument or document, subject to the terms of Section 3(a) hereof.

(c) Transfers. Each of the Creditor Parties and Equity Holders agrees that, for the duration of the Restructuring Support Period, such Creditor Parties and Equity Holders, as applicable, shall not sell, transfer, loan, issue, pledge, hypothecate, assign, grant or sell a participation or sub-participation in, or otherwise dispose of, directly or indirectly, in whole or in part, any of its Claims and Interests, or any option thereon or any right or interest therein (including granting any proxies, depositing any Claims and Interests into a voting trust or entering into a voting agreement with respect to any Claims and Interests) (collectively, "Transfer"), unless the transferee thereof either (i) is a Creditor Party or Equity Holder prior to such Transfer and informs the Company of such Transfer (in which case, such additional Claims and Interests shall be subject to this Agreement) or (ii) prior to such Transfer, the transferee agrees in writing for the benefit of the Parties, to become a Creditor Party or Equity Holder and to be bound by all of the terms of this Agreement (including with respect to any and all claims or interests it already may hold against or in the Company prior to such Transfer) by executing a joinder agreement substantially in the form attached hereto as Exhibit E (the "Joinder Agreement"), and delivering an executed copy thereof, within three (3) business days of closing of such Transfer, to Akin Gump (at the address of such firm set forth in Section 20 hereof), in which event (x) the transferee shall be deemed to be a Consenting Noteholder, Secured Lender or Equity Holder, as applicable, hereunder to the extent of such transferred rights and obligations (and all claims or interests it already may hold against or in the Company prior to such Transfer) (a "Transferee") and (y) the transferor shall be deemed to relinquish its rights (and be released from its obligations) under this Agreement to the extent of such transferred rights and obligations. Each Creditor Party and Equity Holder agrees that any Transfer of any Claims and Interests that does not comply with the terms and procedures set forth herein shall be deemed void *ab initio*, and the Company and each other Creditor Party and Equity Holder shall have the right to enforce the voiding of such Transfer. Notwithstanding anything contained herein to the contrary, during the Restructuring Support Period, a Creditor Party or Equity Holder may Transfer any or all of its Claims and interests to any entity that, as of the date of Transfer, controls, is controlled by or is under common control with such Creditor Party or Equity Holder, or to a Creditor Party or Equity Holder; provided, however, that such entity shall automatically be subject to the terms of this Agreement and deemed a Party hereto and shall execute a Joinder Agreement hereto. Notwithstanding the foregoing, the restrictions on Transfer set forth in this Section 3(c) shall not apply to the grant of any liens or encumbrances on any Claims and Interests in favor of a bank or broker-dealer holding custody of such Claims and Interests in the ordinary course of business and which lien or encumbrance is released upon the Transfer of such Claims and Interests.

(d) Additional Claims. To the extent any Creditor Party or Equity Holder (i) acquires additional Claims or Interests or (ii) holds or acquires any other claims against or equity interests in the Company, such Creditor Party or Equity Holder agrees that any such Claims and Interests, or other claims or equity interests, shall be subject to this Agreement including the obligations with respect to Claims and Interests set forth in Section 3(a) hereof.

(e) Qualified Market Maker. Notwithstanding anything herein to the contrary, (i) any Creditor Party may Transfer any of its Claims and Interests to an entity that is acting in its capacity as a Qualified Marketmaker (as defined below) without the requirement that the Qualified Marketmaker be or become a Creditor Party; provided, however, that the Qualified Marketmaker subsequently Transfers all right, title and interest in such Claims and Interests to a Transferee that is or becomes a Creditor Party as provided above, and the Transfer documentation between the transferring Creditor Party and such Qualified Marketmaker shall contain a requirement that provides as such (the transferring Creditor Party shall use commercially reasonable efforts to allow the Company to be an explicit third party beneficiary of such requirement); and (ii) to the extent any Creditor Party is acting in its capacity as a Qualified Marketmaker, it may Transfer any Claims and Interests that it acquires from a holder of such Claims and Interests that is not a Creditor Party without the requirement that the Transferee be or become a Creditor Party. Notwithstanding the foregoing, if, at the time of the proposed Transfer of such Claims and Interests to the Qualified Marketmaker, such Claims and Interests (x) may be voted on the Plan or any Alternative Transaction, the proposed transferor Creditor Party must first vote such Claims and Interests in accordance with the requirements of Section 3(a), or (y) have not yet been and may not yet be voted on the Plan or any Alternative Transaction and such Qualified Marketmaker does not Transfer such Claims and Interests to a subsequent Transferee prior to the fifth (5th) business day prior to the expiration of the voting deadline (such date, the "Qualified Marketmaker Joinder Date"), such Qualified Marketmaker shall be required to (and the Transfer documentation to the Qualified Marketmaker shall have provided that it shall), on the first business day immediately following the Qualified Marketmaker Joinder Date, automatically, and without further notice or action by such Qualified Marketmaker, become a Creditor Party with respect to such Claims and Interests in accordance with the terms hereof (provided that the Qualified Marketmaker shall automatically, and without further notice or action, no longer be a Creditor Party with respect to such Claims and Interests at such time that the Transferee of such Claims and Interests becomes a Creditor Party with respect to such Claims and Interests). For these purposes, "Qualified Marketmaker" means an entity that (X) holds itself out to the market as standing ready in the ordinary course of business to purchase from and sell to customers Claims and/or Interests, or enter with customers into long and/or short positions in Claims a and/or Interests, in its capacity as a dealer or market maker in such Claims and/or Interests; and (Y) is in fact regularly in the business of making a market in claims, interests and/or securities of issuers or borrowers.

4. Agreements of the Company.

(a) Affirmative Covenants. The Company, jointly and severally, agrees that for the duration of the Restructuring Support Period, subject to the terms and conditions hereof (including, without limitation, the Fiduciary Out provided for in Section 23(c) of this Agreement) and except as otherwise consented to in writing by the Requisite Consenting

Noteholders, and the Requisite Secured Lenders, the Company shall do, and shall cause to be done, the following:

(i) (A) complete the preparation, as soon as reasonably practicable after the Restructuring Support Effective Date, of each of the Plan, the Disclosure Statement and the other Restructuring Documents (including, without limitation, all motions, applications, orders, agreements and other documents, each of which, for the avoidance of doubt, shall contain terms and conditions materially consistent with this Agreement and acceptable to the relevant Parties to the extent set forth herein in Section 1), (B) provide the Restructuring Documents or any documents relating to the DIP Financing Agreement (other than the Plan and Disclosure Statement, substantially in the forms which are attached as exhibits hereto) to, and afford reasonable opportunity of comment and review of such documents by, the Consenting Noteholders' Advisors, the Secured Lenders' Advisors, the Equity Holders' Advisors and White Oak no less than (x) three (3) business days in advance of any material filing, execution, distribution or use (as applicable) thereof, in the case of a Plan Document, Plan Supplement Document or document relating to the DIP Financing Agreement or (y) two (2) business days in advance of any filing, execution, distribution or use (as applicable) thereof with respect to any other Restructuring Document (for the avoidance of doubt, notices, hearing agendas, certifications of counsel, and other routine bankruptcy filings shall not be considered Restructuring Documents with any advance notice requirement and the Company shall serve copies of such documents on counsel to the Supporting Parties promptly after such documents are filed); provided, however, in the event such two (2) or three (3) business days' (as applicable) advance notice is impossible or impracticable under the circumstances, then the Debtors shall notify telephonically or by electronic mail the Consenting Noteholders' Advisors, the Secured Lenders' Advisors, the Equity Holder Advisors and White Oak to advise them of the documents to be filed and the facts that make the provision of such advance notice impossible or impracticable, and shall provide such copies as soon as practicable thereafter; and (C) consult in good faith with the Consenting Noteholders' Advisors, the Secured Lenders' Advisors, the Equity Holders' Advisors and White Oak regarding the form and substance of any of such documents (to the extent set forth herein in Section 1) in advance of the filing, execution, distribution or use (as applicable) thereof.

(ii) (A) support, and take all reasonable actions necessary to facilitate, the implementation and consummation of the Restructuring Transaction (including, but not limited to, the timely preparation, filing and approval of the Restructuring Documents, the Solicitation and confirmation of the Plan and the consummation of the Restructuring Transaction, including the Contribution) in accordance with this Agreement and (B) not take any action that is inconsistent with, or that would be reasonably expected to prevent, interfere with, delay or impede the implementation or consummation of the Restructuring Transaction;

(iii) commence the Chapter 11 Cases in the Bankruptcy Court no later than July 15, 2015 (the date of commencement of the Chapter 11 Cases, the "Petition Date") and file the Plan and Disclosure Statement within seven (7) days of the Petition Date ;

(iv) obtain entry by the Bankruptcy Court of (A) the Interim DIP Order as soon as reasonably practicable and in no event later than 5 days after the Petition Date and (B) the RSA Order and the Final DIP Order as soon as reasonably practicable and in no event later than 35 days after the Petition Date;

(v) obtain entry of the Disclosure Statement Order and the order approving the Rights Offering Procedures by the Bankruptcy Court no later than 60 days after the Petition Date;

(vi) commence the Solicitation and Rights Offering no later than three days after both the Disclosure Statement Order and the order approving the Rights Offering Procedures have been entered by the Bankruptcy Court;

(vii) obtain entry of the Confirmation Order by the Bankruptcy Court no later than 100 days after the Petition Date;

(viii) the effective date of the Plan shall have occurred no later than 18 days after the Bankruptcy Court's entry of the Confirmation Order;

(ix) timely file a formal written objection to any motion filed with the Bankruptcy Court by any party seeking the entry of an order (A) directing the appointment of an examiner with expanded powers or a trustee, (B) converting the Chapter 11 Cases to cases under chapter 7 of the Bankruptcy Code or (C) dismissing the Chapter 11 Cases;

(x) timely file a formal written objection to any motion filed with the Bankruptcy Court by any party seeking the entry of an order modifying or terminating the Company's exclusive right to file and/or solicit acceptances of a chapter 11 plan;

(xi) (A) support and take any and all actions necessary, appropriate or reasonably requested by the Supporting Parties to facilitate the Restructuring Transaction, including the solicitation, confirmation, and consummation of the Plan, (B) not take any action that is inconsistent with, or that would delay or impede the Restructuring Transaction, including, without limitation, Solicitation, confirmation, or consummation of the Plan and (C) perform its obligations under this Agreement in accordance with its terms and as set forth in the Plan;

(xii) operate the business of the Company in the ordinary course (giving effect to the existence of the Chapter 11 Cases) consistent with the covenants and other provisions of Contribution Agreement and the DIP Financing

Agreement, and upon its effectiveness, otherwise comply with the covenants and other provisions in the Contribution Agreement;

(xiii) keep the Supporting Parties informed about the operations of the Company and provide the Supporting Parties any information that is reasonably requested regarding the Company;

(xiv) promptly notify the Supporting Parties in writing of any governmental or third party complaints, litigations, investigations, or hearings (or communications indicating that the same may be contemplated or threatened) against the Company or of any related correspondence received;

(xv) comply in all material respects with applicable laws (including making or obtaining all required consents and/or appropriate filings or registrations with, notifications to, or authorizations, consents or approvals of any regulatory or governmental authority, and paying all taxes as they become due and payable);

(xvi) maintain the good standing (or equivalent status under the laws of its incorporation or organization) under the laws of the state or other jurisdiction in which they are incorporated or organized;

(xvii) use commercially reasonable efforts to obtain any and all required governmental, regulatory and/or third party approvals necessary or required for the implementation or consummation of the Restructuring Transaction or the approval by the Bankruptcy Court of the Restructuring Documents; and

(xviii) as promptly as practicable, provide the Consenting Noteholders' Advisors, Secured Lenders' Advisors and Equity Holders' Advisors with any correspondence, notices or similar documents delivered to or from White Oak or its affiliates in connection with the Contribution Agreement or the Restructuring Transaction.

(b) Negative Covenants. The Company agrees that for the duration of the Restructuring Support Period, subject to the terms and conditions hereof (including, without limitation, the Fiduciary Out provided for in Section 23(c) of this Agreement) and except as otherwise consented to in writing by the Requisite Consenting Noteholders, and the Requisite Secured Lenders, the Company shall not, directly or indirectly, do or permit to occur any of the following:

(i) seek, solicit, propose, support, make an agreement to, or take steps or actions that are reasonably likely or intended to result in the submission of an Alternative Transaction;

(ii) modify the Plan, in whole or in part, in a manner that is inconsistent with any material aspect of this Agreement;

(iii) withdraw or revoke the Plan;

(iv) publicly announce its intention not to pursue the Plan;

(v) take any action or file any motion, pleading or other Restructuring Document with the Bankruptcy Court (including any modifications or amendments thereof) that is inconsistent with any material aspect of this Agreement, the Plan or any other Restructuring Document and is not otherwise reasonably satisfactory in all respects to the Requisite Consenting Noteholders;

(vi) commence an avoidance action or other legal proceeding that seeks to disallow, subordinate, recharacterize or otherwise challenges the validity, enforceability, or priority of the Credit Agreement, Indenture, the Term Loan or the Second Lien Notes, any Second Lien Note Claims, any Term Loan Claims or any of the liens, mortgages, assignments and other security interests granted pursuant thereto, or otherwise affects the rights of the Creditor Parties (other than as contemplated by this Agreement);

(vii) other than as required by this Agreement or the Plan, amend their respective certificates or articles of incorporation, bylaws or comparable organizational documents;

(viii) take any action which is prohibited by the covenants and other provisions of the Contribution Agreement unless the requisite approval for such action is received as contemplated by the Contribution Agreement;

(ix) (A) merge with or into, or consolidate or amalgamate with, any other person, (B) permit any other person to merge with or into, or consolidate or amalgamate with, it, or (C) purchase, lease or otherwise acquire (in one transaction or a series of transactions) all or any substantial part of the assets of any other person;

(x) [intentionally omitted];

(xi) change materially their respective financial or tax accounting methods, except insofar as may be required by a change in generally accepted accounting principles in the U.S. or applicable law, or revalue any of its material assets;

(xii) other than in connection with the Contribution Agreement and in accordance with the DIP Financing Agreement, (A) hire, after the date hereof, any officer, (B) enter into, adopt or amend any employment agreements or any management compensation or incentive plans, or increase in any manner the compensation or benefits (including severance) of any director, officer or management level employee of the Company;

(xiii) pay any post-petition trade payable or other post-petition expense prior to the date such trade payable or expense is due and payable, expect

to the extent in the ordinary course of business consistent with past practice and in accordance with the DIP Financing Agreement;

(xiv) [intentionally omitted];

(xv) incur or suffer to exist any indebtedness or any guarantee of any indebtedness of any person, except (A) indebtedness and guarantees existing and outstanding immediately prior to the date hereof and (B) trade payables, and liabilities arising and incurred in the ordinary course of business consistent with past practices and in accordance with the DIP Financing Agreement;

(xvi) (A) purchase or acquire any indebtedness, debt securities or equity securities of any person, or (B) make any loans or advances to, or investments in, any person, other than in the ordinary course of business and in accordance with the DIP Financing Agreement;

(xvii) incur any liens or security interests, except any liens or security interests arising by operation of law in the ordinary course of business and otherwise in accordance with Contribution Agreement and the DIP Financing Agreement;

(xviii) seek or enter into any debtor-in-possession financing under section 364(d) of the Bankruptcy Code or use cash collateral other than pursuant to the DIP Financing Agreement unless the cash proceeds thereof are used to indefeasibly pay the Term Loans in full upon entry of an order approving such alternative financing; or

(xix) seek, solicit, propose or support a chapter 11 plan of reorganization that does not provide for payment in full in cash of the Term Loan Claims on the effective date of such plan, unless consented to by the Requisite Secured Lenders (or encourage any other person to do so).

(c) Automatic Stay. The Requisite Consenting Noteholders and Requisite Secured Lenders are authorized to take any actions necessary to effectuate the termination of this Agreement notwithstanding section 362 of the Bankruptcy Code or any other applicable law and no cure period contained in this Agreement shall be extended pursuant to sections 108 or 365 of the Bankruptcy Code or any other applicable law without the prior written consent of the Requisite Consenting Noteholders and Requisite Secured Lenders.

5. Termination of Agreement.

(a) Creditor Party Termination Events. Upon written notice from the Requisite Consenting Noteholders or the Requisite Secured Lenders delivered in accordance with Section 20 hereof (with a copy of such written notice delivered to all Parties), at any time (X) after the receipt by the Requisite Consenting Noteholders and the Requisite Secured Lenders of a Fiduciary Out Notice or (Y) the occurrence of, and during the continuation of, any of the following events (each a "Creditor Party Termination Event"), in each case, unless waived in

writing by the Requisite Consenting Noteholders and the Requisite Secured Lenders, the Requisite Consenting Noteholders or the Requisite Secured Lenders may terminate this Agreement with respect to all Parties, and no failure or delay by the Requisite Consenting Noteholders or the Requisite Secured Lenders in exercising their right to terminate this Agreement shall operate as a waiver thereof or limit in any way such termination right:

(i) the breach in any material respect by the Company of any of its obligations, undertakings, representations, warranties or covenants of the Company set forth in this Agreement, including under Sections 4(a), 4(b) or 8 of this Agreement, and such breach remains uncured for a period of four (4) business days from the receipt of written notice of such breach from the Requisite Consenting Noteholders or the Requisite Secured Lenders; provided that the Company shall not be entitled to cure any breach under Sections 4(b)(iii), (vi) or (xviii) of this Agreement;

(ii) at 5:00 p.m. prevailing Eastern Time on the fifth (5) business day after the failure of the Company to satisfy any of the milestones set forth in Subsections (iii), (iv), (v), (vi), (vii) or (viii) of Section 4(a) hereof, provided that such failure is not the result of a material breach by any of the Consenting Noteholders or the Secured Lenders of the terms of this Agreement; and provided further, that the Company shall have four (4) business days from receipt of a written notice from the Requisite Consenting Noteholders or the Requisite Secured Lenders to cure the failure to satisfy such milestones in a manner that does not prevent or diminish in a material way compliance with the terms of this Agreement;

(iii) the issuance by any governmental authority, including any regulatory authority, or court of competent jurisdiction, of any ruling, judgment or order enjoining the consummation of a material portion of the Restructuring Transaction;

(iv) the Plan is amended or otherwise modified so as to be inconsistent with this Agreement or modified so as to have a material impact on the treatment, as set forth in this Agreement and the Plan, substantially in the form attached hereto as Exhibit C, of the Consenting Noteholders (as reasonably determined by the Requisite Consenting Noteholders) or the Secured Lenders (as reasonably determined by the Requisite Secured Lenders);

(v) the Bankruptcy Court grants relief terminating, annulling, or modifying the automatic stay (as set forth in section 362 of the Bankruptcy Code) with regard to any assets of the Company having an aggregate fair market value in excess of $100,000;

(vi) the Bankruptcy Court enters an order modifying or terminating the Company's exclusive right to file and/or solicit acceptances of a chapter 11 plan, unless prior to such date, such order has been dismissed, vacated or modified;

(vii) the Bankruptcy Court grants relief that is materially inconsistent with this Agreement or the Plan (in each case, with such amendments and modifications as have been effected in accordance with the terms hereof);

(viii) [intentionally omitted];

(ix) upon (A) the termination of the Contribution Agreement in accordance with its terms or (B) a final determination by the Bankruptcy Court that the Cash Payment Cap (as defined in the Contribution Agreement), the proceeds from the Rights Offering and other cash available to the Company is insufficient to pay the amounts required under the Plan to be paid in full in cash, on account of allowed unclassified claims and allowed classified claims senior to Class 4 (Note Claims);

(x) upon the filing by the Company of any motion or other request for relief seeking the (A) appointment of an examiner with expanded powers or a chapter 11 trustee, (B) conversion of the Chapter 11 Cases to a case under chapter 7 of the Bankruptcy Code, or (C) dismissal of the Chapter 11 Cases.

(xi) the Bankruptcy Court enters an order (A) directing the appointment of an examiner with expanded powers or a chapter 11 trustee, (B) converting the Chapter 11 Cases to cases under chapter 7 of the Bankruptcy Code, (C) dismissing the Chapter 11 Cases, (D) terminating exclusivity under section 1121 of the Bankruptcy Code, (E) making a finding of fraud, dishonesty or misconduct by any executive, manager, officer or director of the Company, regarding or relating to the Company;

(xii) upon the withdrawal, waiver, amendment or modification by the Company of the Plan or any of the Restructuring Documents or the filing of a pleading seeking to withdraw, waive, amend or modify any term or condition of the Plan or any of the Restructuring Documents, which withdrawal, waiver, amendment, modification or filing is inconsistent with this Agreement, the Plan or the Restructuring Documents (in each case, as this Agreement, the Plan and the other Restructuring Documents may be amended from time to time in accordance with the terms hereof) or is materially adverse to the treatment, as set forth in this Agreement and the Plan, substantially in the form attached hereto as Exhibit C, of the Consenting Noteholders (as reasonably determined by the Requisite Consenting Noteholders) or the Secured Lenders (as reasonably determined by the Requisite Secured Lenders), or, if the Company files any motion or pleading with the Bankruptcy Court that is not consistent with this Agreement, the Plan or the other Restructuring Documents (in each case, as this Agreement, the Plan or the other Restructuring Documents may be amended from time to time in accordance with the terms hereof) and such motion or pleading has not been withdrawn prior to the earlier of (A) three (3) business days after the Company receives written notice from the Requisite Consenting Noteholders or the Requisite Secured Lenders that such motion or pleading is inconsistent with this Agreement or the

Restructuring Documents, as applicable and (B) the entry of an order of the Bankruptcy Court approving such motion;

(xiii) the Company seeks, solicits, proposes, supports, makes an agreement to, or takes steps or actions that are reasonably likely or intended to result in the submission of an Alternative Transaction;

(xiv) the Company takes any action or files any motion, pleading or other Restructuring Document with the Bankruptcy Court (including any modifications or amendments thereof) that has not received the requisite approvals as set forth herein;

(xv) if an involuntary case against the Company is commenced or an involuntary petition is filed seeking bankruptcy, winding up, dissolution, liquidation, administration, moratorium, reorganization or other relief in respect of the Company or the Company's debts, or of a substantial part of the Company's assets or operations, under any federal, state or foreign bankruptcy, insolvency, administrative, receivership or similar law now or hereafter in effect (provided that such involuntary proceeding is not dismissed within a period of thirty (30) days after the filing thereof) or if any court order grants the relief sought in such involuntary proceeding;

(xvi) except as provided for in this Agreement, if the Company (A) voluntarily commences any case or files any petition seeking bankruptcy, winding up, dissolution, liquidation, administration, moratorium, reorganization or other relief under any federal, state or foreign bankruptcy, insolvency, administrative receivership or similar law now or hereafter in effect, (B) consents to the institution of, or fails to contest in a timely and appropriate manner, any involuntary proceeding or petition described above, (C) applies for or consents to the appointment of a receiver, administrator, administrative receiver, trustee, custodian, sequestrator, conservator or similar official for the Company or for a substantial part of the Company's assets, (D) files an answer admitting the material allegations of an involuntary petition filed against it in any such proceeding, (E) makes a general assignment or arrangement for the benefit of creditors or (F) takes any corporate action for the purpose of authorizing any of the foregoing;

(xvii) the failure to satisfy any of the conditions to effectiveness set forth in the Plan by the deadlines set forth in such Plan, except as such conditions may be waived by the Company, the Requisite Consenting Noteholders and the Requisite Secured Lenders; or

(xviii) the termination of the DIP Financing Agreement.

Notwithstanding the above, upon written notice delivered in accordance with Section 20 to all of the Parties (1) the Requisite Equity Holders may terminate this Agreement as to themselves upon the occurrence of the events in Section 5(a)(ii) (after the four (4) business day-period referred to in Section 5(a)(ii)) or if any of the Plan Documents, Motions and Orders, the

Plan Supplement Documents and the other Restructuring Documents is not materially consistent with the treatment of such Party as set forth in this Agreement, the Plan or the Disclosure Statement, and (2) White Oak may terminate this Agreement as to itself upon the termination of the Contribution Agreement. Upon the termination by White Oak as contemplated in this paragraph, this Agreement shall automatically terminate with respect to all Parties.

(b) Company Termination Events. The Company may terminate this Agreement as to all Parties, upon written notice (the "Company Termination Notice") delivered in accordance with Section 20 hereof, upon the occurrence of any of the following events, unless waived in writing by the Company:

(i) the breach in any material respect by the Consenting Noteholders holding or representing a principal amount of the Second Lien Note Claims, such that the remaining Consenting Noteholders (excluding the breaching Consenting Noteholders) would hold or represent in the aggregate less than 67% in amount of the total outstanding Second Lien Note Claims, of any of the covenants, obligations, representations or warranties under this Agreement, which breach remains uncured for a period of three (3) business days from the receipt of the Company Termination Notice;

(ii) the issuance by any governmental authority, including any regulatory authority or court of competent jurisdiction, of any ruling, judgment or order enjoining the consummation of a material portion of the Restructuring Transaction;

(iii) the entry by the Bankruptcy Court of an order (A) directing the appointment of an examiner with expanded powers or a chapter 11 trustee, (B) converting the Chapter 11 Cases to cases under chapter 7 of the Bankruptcy Code, or (C) dismissing the Chapter 11 Cases;

(iv) the failure to confirm the Plan due to the failure of the class of the holders of the Second Lien Notes to meet the requirements set forth in Section 1126(c) of the Bankruptcy Code or due to the Bankruptcy Court otherwise denying confirmation of the Plan;

(v) the election by the Company to terminate this Agreement in exercise of the Fiduciary Out; or

(vi) the entry of a final, non-appealable judgment or order declaring this Agreement or any material portion hereof to be unenforceable or preventing consummation of the Plan or the Restructuring Transaction or any material portion thereof by any governmental authority, including the Bankruptcy Court, or any other regulatory authority or court of competent jurisdiction.

Notwithstanding the above, the Company may, with the prior written consent of the Requisite Consenting Noteholders and the Requisite Secured Lenders, terminate this Agreement as to (a) the Equity Holders for a breach in any material respect by the Equity Holders

representing at least 50% of the aggregate principal amount of the Equity Interests of any of the covenants, obligations, representations or warranties under this Agreement, which breach remains uncured for a period of three (3) business days from the receipt of the Company Termination Notice or (b) White Oak for a breach in any material respect by White Oak of any of the covenants, obligations, representations or warranties under this Agreement or the Contribution Agreement, which breach remains uncured for a period of three (3) business days from the receipt of the Company Termination Notice

(c) Mutual Termination. This Agreement, and the obligations of all Parties hereunder, may be terminated by mutual written agreement between the Company, the Requisite Consenting Noteholders and the Requisite Secured Lenders, provided, however, that notice of such termination is provided to each of the Supporting Parties to the address listed on the signature page hereto or a Joinder Agreement, as applicable.

(d) Effect of Termination. Upon the termination of this Agreement in accordance with this Section 5, and except as provided in Section 14 herein, this Agreement shall forthwith become void and of no further force or effect and each Party shall, except as otherwise expressly provided in this Agreement, be immediately released from its liabilities, obligations, commitments, undertakings and agreements under or related to this Agreement and shall have all the rights and remedies that it would have had and shall be entitled to take all actions, whether with respect to the Restructuring Transaction or otherwise, that it would have been entitled to take had it not entered into this Agreement, including all rights and remedies available to it under applicable law, the Indenture, the Credit Agreement, the Intercreditor Agreement and any ancillary documents or agreements thereto; provided, however, that in no event shall any such termination relieve a Party hereto from (i) liability for its breach or non-performance of its obligations hereunder prior to the date of such termination and (ii) obligations under this Agreement which by their terms expressly survive termination of this Agreement. Notwithstanding anything to the contrary herein, any of the Creditor Party Termination Events or Company Termination Events may be waived in accordance with the procedures established by Section 9 hereof, in which case the Creditor Party Termination Event or Company Termination Event so waived shall be deemed not to have occurred, this Agreement shall be deemed to continue in full force and effect, and the rights and obligations of the Parties hereto shall be restored, subject to any modification set forth in such waiver. If this Agreement has been terminated in accordance with this Agreement at a time when permission of the Bankruptcy Court shall be required for a Supporting Party to change or withdraw (or cause to change or withdraw) its vote to accept the Plan, the Company shall not oppose any attempt by such Supporting Party to change or withdraw (or cause to change or withdraw) such vote at such time.

6. Good Faith Cooperation; Further Assurances; Acknowledgement.

The Parties shall cooperate with each other in good faith and shall coordinate their activities (to the extent practicable and subject to the terms hereof) in respect of (a) all matters concerning the implementation of the Restructuring Transaction and (b) the pursuit and support of the Restructuring Transaction (including confirmation of the Plan). Furthermore, subject to the terms hereof, each of the Parties shall take such action as may be reasonably necessary and appropriate to carry out the purposes and intent of this Agreement, including making and filing any required governmental or regulatory filings and voting any claims against or securities of the

Company in favor of the Plan (<u>provided</u> that none of the Supporting Parties shall be required to incur any expenses, liabilities or other obligations in connection therewith other than *de minimis* or pursuant to the Backstop Commitment Letter), and shall refrain from taking any action that would frustrate the purposes and intent of this Agreement. This Agreement is not, and shall not be deemed, a solicitation for consents of a chapter 11 plan or reorganization or a solicitation to tender or exchange any securities. The acceptance of the Plan by the Supporting Parties will not be solicited until the Supporting Parties have received the Disclosure Statement and related ballot(s), as approved by the Bankruptcy Court.

7. <u>Restructuring Documents</u>.

Each Party hereby covenants and agrees (i) to negotiate in good faith the Restructuring Documents each of which shall, to the extent applicable (A) contain the same terms as, and be otherwise consistent with, this Agreement (as this Agreement may be amended from time to time in accordance with the terms hereof) in all respects and (B) be in form and substance acceptable to the Parties to the extent required by Section 1 and Section 4(a), and (ii) to execute (to the extent such Party is a party thereto) and otherwise support the Restructuring Documents, as applicable. For the avoidance of doubt, each Party agrees to (a) act in good faith and use commercially reasonable efforts to support and complete successfully the implementation of the Plan and the Restructuring Transaction in accordance with the terms of this Agreement, (b) do all things reasonably necessary and appropriate in furtherance of consummating the Restructuring Transaction in accordance with, and within the time frames contemplated by, the this Agreement, and (c) not take any actions inconsistent with this Agreement or the Restructuring Documents.

8. <u>Representations and Warranties</u>.

(a) Each Party, severally (and not jointly), represents and warrants to the other Parties that the following statements are true, correct and complete as of the date hereof (or as of the date a Consenting Noteholder, Secured Lender or Equity Holder becomes a party hereto):

(i) such Party is validly existing and in good standing under the laws of its jurisdiction of incorporation or organization, and has all requisite corporate, partnership, limited liability company or similar authority to enter into this Agreement and carry out the transactions contemplated under this Agreement and the Plan and perform its obligations contemplated under this Agreement and the Plan, and the execution and delivery of this Agreement and the performance of such Party's obligations under this Agreement and the Plan have been duly authorized by all necessary corporate, limited liability company, partnership or other similar action on its part;

(ii) the execution, delivery and performance by such Party of this Agreement does not and will not (A) violate any provision of law, rule or regulation applicable to it or any of its subsidiaries or its charter or bylaws (or other similar governing documents) or those of any of its subsidiaries or (B) with respect to the Company, conflict with, result in a breach of or constitute (with due notice or lapse of time or both) a default under any contractual obligation to which it or any of its subsidiaries or affiliates is a party, or to which its or any of its

subsidiaries' or affiliates' assets are bound, other than breaches that arise from the filing of the Chapter 11 Cases;

(iii) the execution, delivery and performance by such Party of this Agreement and the consummation of the Restructuring Transaction does not and will not require any registration or filing with, consent, authorization or approval of, or notice to, or other action to, with or by, any federal, state or governmental authority or regulatory body except such filings as may be necessary or required under the Securities Act of 1933, as amended, the Securities Exchange Act of 1934, as amended or any rule or regulation promulgated thereunder, "blue sky" laws, the Bankruptcy Code or by the Bankruptcy Court in connection with the Chapter 11 Cases, the Plan and the Disclosure Statement; and

(iv) subject to the provisions of sections 1125 and 1126 of the Bankruptcy Code, this Agreement is the legally valid and binding obligation of such Party, enforceable in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws relating to or limiting creditors' rights generally or by equitable principles relating to enforceability or a ruling of the Bankruptcy Court.

(b) If such Party is a Creditor Party or Equity Holder, such Creditor Party or Equity Holder (i) is the beneficial owner of the principal or notional (as applicable) amount (which amount shall be denominated in the applicable currency) or number of Claims and Interests, as applicable, set forth below its name on the signature page hereof (or below its name on the signature page of a Joinder Agreement for any Creditor Party or Equity Holder that becomes a party hereto after the date hereof), and/or (ii) has, with respect to the beneficial owners of such Claims and Interests, (A) full power and authority to vote on and consent to matters concerning such Claims and Interests, or to exchange, assign and Transfer such Claims and Interests, or (B) full power and authority to bind or act on the behalf of, such beneficial owners with respect to such Claims and Interests.

(c) If such Party is a Creditor Party or Equity Holder, such Creditor Party or Equity Holder has made no Transfer of, and has not entered into any other agreement to Transfer, in whole or in part, any portion of its right, title, or interests in its Claims and Interests that are inconsistent with the representations and warranties of such Creditor Party or Equity Holder herein or would render such Creditor Party or Equity Holder otherwise unable to comply with this Agreement and perform its obligations hereunder.

(d) If such Party is a Supporting Party, such Party has such knowledge and experience in financial and business matters of this type and is capable of evaluating the merits and risks of entering into this Agreement and of making an informed investment decision, and has conducted an independent review and analysis of the business and affairs of Milagro and White Oak that it considers sufficient and reasonable for purposes of entering into this Agreement.

9. Amendments and Waivers.

Any provision of this Agreement, including the exhibits attached hereto, may be amended or waived if, and only if, such amendment or waiver is in writing and is signed, in the case of an amendment, by the Company, the Requisite Consenting Noteholders and, to the extent such amendment is inconsistent with the treatment of the Secured Lenders as set forth in this Agreement and the Plan, substantially in the form attached hereto as Exhibit C (as reasonably determined by the Requisite Secured Lenders), the Requisite Secured Lenders (or all Secured Lenders if required under Section 11.1 of the Credit Agreement or Section 11.1 of the DIP Financing Agreement), or in the case of a waiver, by the Party against whom the waiver is to be effective. Any amendment to this Agreement made in accordance with this Section 9 shall become effective and binding upon all Parties whether or not such Party consented to such amendment; provided, however that no amendment shall be effective against (i) any Equity Holder if such amendment materially adversely impacts such Party with respect to the Restructuring Transaction as compared to that contemplated by this Agreement or (ii) White Oak if such amendment is inconsistent with White Oak's rights under this Agreement, in either case unless consented to in writing by such adversely affected Party.

No failure or delay by any party in exercising any right or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. In determining whether any consent or approval has been given or obtained by the Requisite Consenting Noteholders or the Requisite Secured Lenders, any then-existing Consenting Noteholder or Secured Lender, as applicable that is in material breach of its covenants, obligations or representations under this Agreement (and the respective Second Lien Notes held by such Consenting Noteholder or Term Loans held by such Secured Lender, as applicable) shall be excluded from such determination and the Second Lien Notes held by such Consenting Noteholder, or the Term Loans held by such Secured Lender, shall be treated as if they were not outstanding. A Creditor Party Termination Event may not be waived except in a writing signed by the Requisite Consenting Noteholders and the Requisite Secured Lenders. Any waiver of any condition, term or provision to this Agreement must be in writing signed by the Parties entitled to waive such condition, term or provision.

10. Transaction Expenses.

(a) To the extent not previously paid and subject to the written consent of the Requisite Secured Lenders (and execution of this Agreement by the Requisite Secured Lenders shall evidence such consent), the Company hereby agrees to pay in cash, on or before the Petition Date, all accrued and unpaid Transaction Expenses of the Consenting Noteholders' Advisors or Secured Lenders' Advisors incurred on or after June 1, 2015.

(b) The Company shall additionally, subject the terms and entry of the RSA Order and (after the DIP Orders are entered by the Bankruptcy Court) the DIP Orders, pay all Transaction Expenses incurred on or after the Petition Date on a regular and continuing basis within ten (10) days of demand, without any requirement for Bankruptcy Court review or further Bankruptcy Court order.

(c) The Company shall pay or reimburse any remaining Transaction Expenses (including any Transaction Expenses previously paid by a Party) not paid pursuant to the preceding two sentences only upon the consummation of the Restructuring Transaction.

11. Effectiveness.

This Agreement shall become effective and binding upon the Parties when counterpart signature pages to this Agreement have been executed and delivered by the Company, and each of the Initial Consenting Noteholders (who must hold at least 80% in amount of the Second Lien Notes as of the date of execution of this Agreement), Initial Secured Lenders, Initial Equity Holders and White Oak. With respect to any Consenting Noteholder, Secured Lender or Equity Holder that becomes a party to this Agreement by executing and delivering a Joinder Agreement after the Restructuring Support Effective Date, this Agreement shall become effective at the time such Joinder Agreement is delivered to the Company.

12. GOVERNING LAW; JURISDICTION; WAIVER OF JURY TRIAL.

THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE INTERNAL LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO ANY CONFLICTS 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 HEREBY IRREVOCABLY AND UNCONDITIONALLY AGREES THAT ANY LEGAL ACTION, SUIT, DISPUTE OR PROCEEDING ARISING UNDER, OUT OF OR IN CONNECTION WITH THIS AGREEMENT SHALL BE BROUGHT IN THE FEDERAL OR STATE COURTS OF COMPETENT JURISDICTION LOCATED IN THE STATE AND COUNTY OF NEW YORK OR IN THE BANKRUPTCY COURT (FOR SO LONG AS THE COMPANY IS SUBJECT TO THE JURISDICTION OF THE BANKRUPTCY COURT) AND EACH OF THE PARTIES HERETO IRREVOCABLY ACCEPTS AND SUBMITS ITSELF TO THE EXCLUSIVE JURISDICTION OF SUCH COURTS, GENERALLY AND UNCONDITIONALLY, AND WAIVES ANY OBJECTIONS AS TO VENUE OR INCONVENIENT FORUM. 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 TRANSACTIONS CONTEMPLATED HEREBY. NOTWITHSTANDING THE FOREGOING CONSENT TO JURISDICTION, FOLLOWING THE COMMENCEMENT OF THE CHAPTER 11 CASES AND SO LONG AS THE BANKRUPTCY COURT HAS JURISDICTION OVER THE CHAPTER 11 CASES, EACH OF THE PARTIES AGREES THAT THE BANKRUPTCY COURT SHALL HAVE EXCLUSIVE JURISDICTION WITH RESPECT TO ANY MATTER UNDER OR ARISING OUT OF OR IN CONNECTION WITH THIS AGREEMENT, AND HEREBY SUBMITS TO THE JURISDICTION OF THE BANKRUPTCY COURT.

13. Specific Performance/Remedies.

It is understood and agreed by the Parties that money damages would not be a sufficient remedy for any breach of this Agreement by any Party and each non-breaching Party shall be entitled to specific performance and injunctive relief as a remedy of any such breach, in

addition to any other remedy to which such non-breaching Party may be entitled, at law or in equity, without the necessity of proving the inadequacy of money damages as a remedy, including an order of the Bankruptcy Court requiring any Party to comply promptly with any of its obligations hereunder, and no remedy other than specific performance shall be available to the non-breaching Party. Each Party agrees to waive any requirement for the securing or posting of a bond in connection with such remedy.

14. Survival.

Notwithstanding the termination of this Agreement pursuant to Section 5 hereof, the agreements and obligations of the Parties in this Section 14 and Sections 3(a)(iii)(B) and (D), 4(b)(vi) and (xix), 5(d), 8, 9, 10, 12, 13, 16, 17, 18, 21, 22, 23, 24 and 26 hereof (and any defined terms used in any such Sections) shall survive such termination and shall continue in full force and effect in accordance with the terms hereof.

15. Headings.

The headings of the sections, paragraphs and subsections of this Agreement are inserted for convenience only and shall not affect the interpretation hereof or, for any purpose, be deemed a part of this Agreement.

16. Successors and Assigns; Severability; Several Obligations.

(a) This Agreement is intended to bind and inure to the benefit of the Parties and their respective successors, assigns, heirs, executors, administrators and representatives; provided, however, that nothing contained in this Section 16 shall be deemed to permit sales, assignments or other Transfers of the Claims and Interests or other claims against or interest in the Company other than in accordance with Section 3(c) of this Agreement. If any provision of this Agreement, or the application of any such provision to any person or circumstance, shall be held invalid or unenforceable in whole or in part, such invalidity or unenforceability shall attach only to such provision or part thereof and the remaining part of such provision hereof and this Agreement shall continue in full force and effect so long as the economic or legal substance of the Restructuring Transaction contemplated hereby are not affected in any manner materially adverse to any Party. Upon any such determination of invalidity, the Parties shall negotiate in good faith to modify this Agreement so as to effect the original intent of the Parties as closely as possible in a reasonably acceptable manner in order that the Restructuring Transaction contemplated hereby is consummated as originally contemplated to the greatest extent possible.

(b) The agreements, representations and obligations of each of the Supporting Parties under this Agreement are, in all respects, several and not joint and several.

17. No Third-Party Beneficiaries.

Unless expressly stated herein, this Agreement shall be solely for the benefit of the Parties and no other person or entity shall be a third-party beneficiary hereof or have any rights hereunder.

18. Prior Negotiations; Entire Agreement.

This Agreement, including the exhibits and schedules hereto (including the Plan and any exhibits, annexes and schedules substantially in the form attached hereto or thereto), constitutes the entire agreement of the Parties, and supersedes all other prior negotiations (oral or written), with respect to the subject matter hereof, provided, however, that the Parties acknowledge that any confidentiality agreements (if any) heretofore executed between the Company and any Supporting Party shall continue in full force and effect.

19. Counterparts.

This Agreement may be executed in several counterparts, each of which shall be deemed to be an original, and all of which together shall be deemed to be one and the same agreement. Execution copies of this Agreement may be delivered by facsimile or otherwise, which shall be deemed to be an original for the purposes of this Section 19.

20. Notices.

All notices hereunder shall be deemed given if in writing and delivered by electronic mail to the following addresses (or at such other electronic mail addresses as shall be specified by like notice):

(1) If to the Company, to:

Milagro Oil & Gas, Inc.
1301 McKinney, Suite 500
Houston, TX 77010
Attention: Gary Mabie
Email: gmabie@milagroexploration.com

With a copy to:

Young Conaway Stargatt & Taylor, LLP
Rodney Square
1000 N. King Street
Wilmington, DE 19801
Attention: M. Blake Cleary
Email: mbcleary@ycst.com

and

Porter Hedges LLP
1000 Main Street, 36th Floor
Houston, TX 77002
Attention: Robert G. Reedy; John F. Higgins; Kevin J. Poli
Email: rreedy@porterhedges.com; jhiggins@porterhedges.com; kpoli@porterhedges.com

(2) If to an Initial Consenting Noteholder or a Transferee or assignee thereof, to the electronic mail addresses set forth below the Consenting Noteholder's signature (or as directed by any Transferee thereof), as the case may be, with copies to:

Akin Gump Strauss Hauer & Feld LLP
One Bryant Park
New York, NY 10036
Attention: Daniel Fisher
Email: dfisher@akingump.com

(3) If to an Initial Secured Lender or a Transferee or assignee thereof, to the electronic mail addresses set forth below the Secured Lender's signature (or as directed by any Transferee thereof), as the case may be, with copies to:

TPG Specialty Lending, Inc.
888 7th Avenue, 35th Floor
New York, NY 10106
Attention: Craig Hamrah
Email: chamrah@tpg.com

and

Schulte Roth & Zabel LLP
919 Third Avenue
New York, NY 10022
Attention: Frederic Ragucci
Email: frederic.ragucci@srz.com

(4) If to an Initial Equity Holder or a Transferee or assignee thereof, to the electronic mail addresses set forth below the Equity Holder's signature (or as directed by any Transferee thereof), as the case may be, with copies to:

Hogan Lovells US LLP, if to Acon
875 Third Avenue
New York, NY 10022
Attention: Christopher R. Donoho III
Email: chris.donoho@hoganlovells.com

(5) If to White Oak, to:

White Oak Resources VI, LLC
12941 North Freeway, Suite 500
Houston, TX 77060

Attention: Thomas F. Isler
Email: tisler@whiteoakenergy.com

with a copy to:

Locke Lord LLP
600 Travis, Suite 2800
Houston, Texas 77002
Attention: Mitchell A. Tiras
Email: mtiras@lockelord.com
Fax Number: (713) 229-2674
Telephone: (713) 226-1144

Any notice shall be effective upon confirmation of the electronic mail transmission.

21. Reservation of Rights; No Admission.

Except as expressly provided in this Agreement and in any amendment among the Parties, nothing herein is intended to, or does, in any manner waive, limit, impair or restrict the ability of each of the Parties to protect and preserve its rights, remedies and interests, including without limitation, its claims against any of the other Parties (or their respective affiliates or subsidiaries) or its full participation in any bankruptcy proceeding filed by the Company. Except as expressly provided in this Agreement and in any amendment among the Parties, if the transactions contemplated by the Restructuring Transaction are not consummated, or if this Agreement is terminated for any reason, the Parties fully reserve any and all of their rights, remedies, claims and interests. This Agreement and the Plan are part of a proposed settlement of matters that could otherwise be the subject of litigation among the Parties. Pursuant to Rule 408 of the Federal Rule of Evidence, any applicable state rules of evidence and any other applicable law, foreign or domestic, this Agreement, the Restructuring Documents and all negotiations relating thereto shall not be admissible into evidence in any proceeding other than a proceeding to enforce the terms of this Agreement or the applicable Restructuring Documents. This Agreement and the Restructuring Documents shall in no event be construed as or be deemed to be evidence of an admission or concession on the part of any Party of any claim or fault or liability or damages whatsoever. Each of the Parties denies any and all wrongdoing or liability of any kind and does not concede any infirmity in the claims or defenses which it has asserted or could assert.

22. Prevailing Party.

If any Party brings an action or proceeding against any other Party based upon a breach by such Party of its obligations hereunder, the prevailing Party shall be entitled to the reimbursement of all reasonable fees and expenses incurred, including reasonable attorneys', accountants' and financial advisors fees in connection with such action or proceeding, from the non-prevailing Party.

23. Fiduciary Duties.

(a) It is understood and agreed that (i) any Consenting Noteholder may trade in the Second Lien Notes, (ii) any Secured Lender may assign or sell participations in the Term Loan as permitted under the Credit Agreement and (iii) the Equity Holders may trade in the Equity Interests, and all of them may trade in other debt or equity securities of the Company without the consent of the Company or any other Supporting Party, subject to applicable securities laws, the terms of the debt and equity securities and the terms of this Agreement. Further, the Parties agree that, except as set forth in the Plan, and/or any Plan Supplement Documents, this Agreement does not constitute a commitment to, nor shall it obligate any of the Parties to, provide any new financing or credit support.

(b) The Company shall notify the Supporting Parties in writing as promptly as practicable and in no event more than one (1) business day after receipt by the Company or its representatives or agents of any proposal or offer from any person or entity to effect a restructuring of the Company, any Alternative Transaction or a transaction in conflict with the Restructuring Transaction or any request for confidential information relating to the Company, which notice shall indicate the identity of the person or entity making the proposal, offer, or request and the material terms of any such proposal, offer, or request to the extent permitted by applicable law.

(c) Notwithstanding anything to the contrary herein, nothing in this Agreement shall require the Company, or any of its respective directors or officers (in such person's capacity as a director or officer) to take any action, or to refrain from taking any action, to the extent that taking such action or refraining from taking such action would be inconsistent with such Person's fiduciary obligations under applicable law (the rights of the Company and its respective directors and officers under this Section 23(c), the "Fiduciary Out"); provided that the Company shall promptly notify the Consenting Noteholders and the Secured Lenders if any such action is taken, or refrained from being taken, that would otherwise be in violation of this Agreement (a "Fiduciary Out Notice").

(d) None of the Supporting Parties shall have any fiduciary duty or other duties or responsibilities in any kind or form to each other, the Company, or any of the Company's creditors or other stakeholders as a result of this Agreement or the transactions contemplated hereby. Except as expressly provided in this Agreement, there are no commitments among or between the Supporting Parties. Further, the Parties agree that, except as set forth in the Plan, and/or any Plan Supplement Documents, or the Disclosure Statement, this Agreement does not constitute a commitment to, nor shall it obligate any of the Parties to, provide any new financing or credit support.

24. Representation by Counsel.

Each Party acknowledges that it has been represented by, or provided a reasonable period of time to obtain access to and advice by, counsel with this Agreement and the Restructuring Transaction contemplated herein. Accordingly, any rule of law or any legal decision that would provide any Party 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.

25. Independent Analysis.

Each of the Parties hereby confirms that it has made its own decision to execute this Agreement based upon its own independent assessment of documents and information available to it, as it has deemed appropriate.

26. Publicity.

The Company shall not (a) use the name of any Supporting Party in any press release without such Supporting Party's prior written consent or (b) disclose to any person the principal amount or percentage of its Claims and Interests held by any Supporting Party, and the Company acknowledges and agrees that it may not disclose such information provided by a Creditor Party or Equity Holder contained on the signature pages of this Agreement or any Joinder Agreement with any Supporting Party, and further agrees that it shall redact such information from the applicable signature pages before providing "closing sets" or other representations of the fully executed Agreement or any Joinder Agreement to any person; provided, however, that that the Company shall be permitted to disclose at any time the aggregate principal amount of, and aggregate percentage of, the Second Lien Note Claims, Term Loan Claims and Equity Interests held collectively, as applicable, by the Consenting Noteholders, Secured Lenders and Equity Holders, respectively. Notwithstanding the foregoing, the Supporting Parties consent to the disclosure by the Company in the Restructuring Documents, Motions and Orders, as applicable, or as otherwise required by law or regulation, of the execution, terms and contents of this Agreement (but not such information on such signature pages). Notwithstanding the foregoing, to the extent practicable, the Company will submit in advance to the Supporting Parties all press releases, public filings, public announcements or other public communications, in each case to be made by the Company relating to this Agreement or the transactions contemplated hereby and any amendments thereof for approval by the Supporting Parties, which approval shall not be unreasonably withheld. Nothing contained herein shall be deemed to waive, amend or modify the terms of any confidentiality or non-disclosure agreement between the Company and any Supporting Party.

27. Rule of Interpretation.

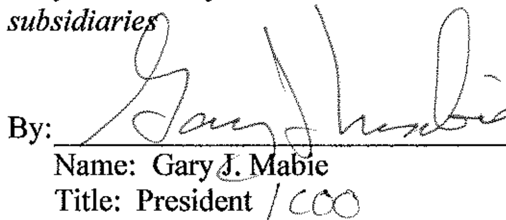
Notwithstanding anything contained herein to the contrary, it is the intent of the Parties that all references to votes or voting in this Agreement be interpreted to include votes or voting on a chapter 11 plan under the Bankruptcy Code. Time is of the essence in the performance of the obligations of each of the Parties. The words "hereof," "herein" and "hereunder" and words of like import used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement. References to any Articles, Sections, exhibits, annexes, and schedules are to such Articles, Sections, exhibits, annexes, and schedules of this Agreement unless otherwise specified. All exhibits and schedules annexed hereto or referred to herein (including any exhibits, schedules or attachments thereto) are hereby incorporated in and made a part of this Agreement as if set forth in full herein. Any singular term in this Agreement shall be deemed to include the plural, and any plural term the singular. Whenever the words "include," "includes" or "including" are used in this Agreement, they shall be deemed to be followed by the words "without limitation," whether or not they are in fact followed by those words or words of like import. "Writing," "written" and comparable terms refer to printing, typing and other means

of reproducing words (including electronic media) in a visible form. Any reference to "business day" means any day, other than a Saturday, a Sunday or any other day on which banks located in New York, New York are closed for business as a result of federal, state or local holiday and any other reference to day means a calendar day.

[THE REMAINDER OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

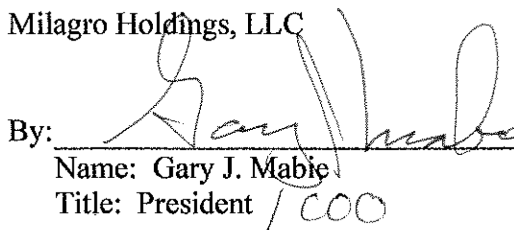
IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed and delivered by their respective duly authorized officers, solely in their respective capacity as officers of the undersigned and not in any other capacity, as of the date first set forth above.

Milagro Oil & Gas, Inc., *on behalf of itself and each of its direct and indirect subsidiaries*



By:____________________________
Name: Gary J. Mabie
Title: President / COO

Milagro Holdings, LLC



By:____________________________
Name: Gary J. Mabie
Title: President / COO

[Non-Debtor Party Signature Pages Omitted]

EXHIBIT A

CONTRIBUTION AGREEMENT

CONTRIBUTION AGREEMENT

Between

MILAGRO OIL & GAS, INC.

and its Subsidiaries

and

WHITE OAK RESOURCES VI, LLC

Dated July 15, 2015

TABLE OF CONTENTS

Page

1. DEFINED TERMS. 2

2. Contribution of Assets. 2

2.1 Contribution of Assets. 2
2.2 Assets. 2
2.3 Reserved Assets. 4
2.4 Issuance 5
2.5 Closing; Effective Time. 6

3. PURCHASE PRICE 7

3.1 Purchase Price. 7
3.2 Treatment of Debt and Notes. 7
3.3 Break-Up Fee 8
3.4 Adjustments to Purchase Price. 8
3.5 No Duplicative Effect; Methodologies 12

4. REPRESENTATIONS AND WARRANTIES 12

4.1 Representations and Warranties of Milagro 12
4.2 Representations and Warranties of White Oak. 16
4.3 Disclaimer of Representations and Warranties; Assets Sold "As Is, Where is" 22

5. PRE-CLOSING COVENANTS AND AGREEMENTS 25

5.1 Records Review 25
5.2 Interim Operations 26
5.3 Preferential Rights and Consents. 29
5.4 Casualty Loss 30
5.5 Assumption and Rejection of Executory Contracts and Leases. 30
5.6 Confidentiality 32
5.7 Post-Signing Information 32
5.8 Post-Execution Date Financial Updates 33

6. TITLE MATTERS 33

6.1 Definitions 33
6.2 Title Adjustments. 36
6.3 Special Warranty of Title. 38
6.4 EXCLUSIVE REMEDY. 39

7. ENVIRONMENTAL MATTERS 39

7.1 Environmental Assessment 39
7.2 INSPECTION INDEMNITY 40

7.3 Definitions 40
7.4 Environmental Defect Adjustments 41
7.5 EXCLUSIVE REMEDY 43
7.6 NORM 44

8. EMPLOYEE MATTERS 44

9. CONDITIONS TO CLOSING 44

9.1 Milagro's Conditions 44
9.2 White Oak's Conditions 45

10. CLOSING 46

10.1 Place of Closing 46
10.2 Closing Obligations 46

11. OBLIGATIONS AFTER CLOSING 48

11.1 Allocation of Revenues 48
11.2 Files and Records 48
11.3 Suspense Funds 49
11.4 Recordation and Post-Closing Consents. 49
11.5 Purchase Price Allocation. 49
11.6 Removal of Milagro's Name 49
11.7 Taxes 50
11.8 Operational Transition 52

12. RETENTION AND ASSUMPTION OF OBLIGATIONS AND INDEMNIFICATION 52

12.1 Retention and Assumption of Obligations. 52
12.2 No Survival of Representations and Warranties of Milagro; No Recourse 53
12.3 Indemnities of White Oak 54
12.4 Indemnification Procedures 55

13. TERMINATION 56

13.1 Termination. 56
13.2 Liabilities Upon Termination. 57

14. MISCELLANEOUS 58

14.1 Schedules and Exhibits. 58
14.2 Expenses and Taxes. 58
14.3 Notices. 58
14.4 Amendments. 60
14.5 Assignment. 60
14.6 Announcements. 60
14.7 GOVERNING LAW; VENUE; JURY TRIAL WAIVER. 60
14.8 Entire Agreement. 61

14.9 Parties in Interest. 61
14.10 WAIVER OF DAMAGES. 61
14.11 Waivers. 61
14.12 Further Assurances. 61
14.13 Severability. 62
14.14 Headings; Terminology; Defined Terms. 62
14.15 Not to be Construed Against Drafter. 62
14.16 INDEMNITIES AND CONSPICUOUSNESS OF PROVISIONS. 62
14.17 Waiver of Consumer Rights. 63
14.18 No Partnership Created. 63
14.19 Counterparts of Assignment. 63
14.20 Counterpart Execution 63
14.21 Disclosure Schedules 64

EXHIBITS

Exhibit A	Leases
Exhibit B	Mineral Interests
Exhibit C	Wells
Exhibit D	Wells Subject to Payout
Exhibit E	Surface Use Agreements
Exhibit F	Surface Fee Lands
Exhibit G	Allocated Values
Exhibit H	Form of Assignment, Conveyance and Bill of Sale
Exhibit I	Form of Transition Services Agreement
Exhibit J	Assigned Contracts
Exhibit K	Form of Assumption Agreement
Exhibit L	Retained Contracts
Exhibit M	Retained Litigation
Exhibit N	Form of Second Amended Company Agreement
Exhibit O	Form of Amended and Restated Voting and Transfer Restriction Agreement

SCHEDULES

Schedule 1	Defined Terms
Schedule 2.4	Issuance Example
Schedule 3.2(a)	Paid-Off Senior Debt
Schedule 3.4(e)	Permitted Assignees
Schedule 4.1(a)	Subsidiaries
Schedule 4.1(f)	Actions and Proceedings
Schedule 4.1(g)	Compliance with Laws
Schedule 4.1(h)	Sales Contracts
Schedule 4.1(i)	Royalties
Schedule 4.1(j)	Taxes
Schedule 4.1(l)	Preferential Rights to Purchase and Consents
Schedule 4.1(m)	Imbalances
Schedule 4.1(n)	Debt
Schedule 4.1(o)	Affiliate Transactions
Schedule 4.2(f)	Bonds
Schedule 4.2(j)	White Oak Taxes
Schedule 4.2 (l)	White Oak General Disclosures
Schedule 4.2(l)(5)	Mortgages and Pledges of Assets
Schedule 4.2 (m)	White Oak Affiliate Transactions
Schedule 4.2 (n)	White Oak Litigation
Schedule 4.2 (o)	White Oak Compliance with Laws
Schedule 4.2 (q)	White Oak Financial Statements
Schedule 5.5 (a)	365 Schedule
Schedule 5.5 (b)	Desired 365 Contracts

CONTRIBUTION AGREEMENT

This Contribution Agreement (this "**Agreement**"), dated July 15, 2015 (the "**Execution Date**"), is between **MILAGRO OIL & GAS, INC.**, a Delaware corporation, ("**MOG**"), **MILAGRO PRODUCING, LLC**, a Delaware limited liability company ("**Milagro Producing**"), **MILAGRO RESOURCES, LLC**, a Delaware limited liability company ("**Milagro Resources**"), and **MILAGRO EXPLORATION, LLC**, a Delaware limited liability company ("**Milagro Exploration**" and together with Milagro Producing and Milagro Resources, the "**Subsidiaries**" and the Subsidiaries, together with MOG, "**Milagro**"), and **WHITE OAK RESOURCES VI, LLC** ("**White Oak**"). White Oak and Milagro are sometimes individually referred to herein as a "**Party**" and collectively referred to herein as the "**Parties.**"

RECITALS

WHEREAS, White Oak was organized pursuant to the terms of the Certificate of Formation filed with the Secretary of State of the State of Delaware on December 2, 2011, and the Limited Liability Company Agreement of White Oak, dated as of December 2, 2011 (the "**Original Agreement**");

WHEREAS, the Original Agreement was amended and restated in its entirety pursuant to that certain Amended and Restated Company Agreement of White Oak, dated effective as of February 13, 2012 (as amended from time to time, the "**Amended Company Agreement**");

WHEREAS, Milagro owns certain oil and gas interests which, together with certain other assets relating thereto, are more fully described and defined herein as the Assets;

WHEREAS, concurrently with the execution of this Agreement, the Parties are party, along with the other entities named therein, to a Restructuring Support Agreement, dated as of the date hereof, pursuant to which (1) Milagro and its parent and direct and indirect subsidiaries have agreed to commence voluntary, pre-arranged reorganization cases under chapter 11 of title 11 of the United States Code (the "**Chapter 11 Cases**") in the United States Bankruptcy Court for the District of Delaware (the "**Bankruptcy Court**") to effectuate a restructuring transaction pursuant to a plan of reorganization (the "**Plan**") and a related disclosure statement of the Plan and (2) White Oak, among certain of the other parties, has agreed to take all reasonable actions necessary to facilitate the implementation and consummation of the restructuring transaction as contemplated therein;

WHEREAS, the transactions contemplated hereby will be part of the Plan and the Closing (as defined below), subject to the conditions herein, shall occur simultaneously with the effective date of the Plan, which shall occur once the order of the Bankruptcy Court confirming the Plan pursuant to 11 U.S.C. Section 1141 has become a Final Order that is not subject to an appeal and the time for filing an appeal has expired (unless otherwise waived upon the mutual agreement of the Parties) (the "**Final Order**");

WHEREAS, concurrently with the closing of the transactions contemplated hereby, and subject to the terms and conditions of this Agreement, the current Members (as defined in the Amended Company Agreement), White Oak and MOG desire to amend and restate the Amended Company Agreement as set forth in the Second Amended and Restated Company Agreement of White Oak dated as of the Closing Date (such agreement, including the exhibits attached thereto, the "**Second Amended Company Agreement**");

WHEREAS, subject to the terms and conditions of this Agreement, Milagro desires to contribute to White Oak, and White Oak desires to accept from Milagro, the Assets free and clear of all Encumbrances, other than Permitted Encumbrances, in exchange for a Company Interest in White Oak to be issued to MOG as contemplated in this Agreement and pursuant to the Second Amended Company Agreement; and

WHEREAS, the Parties desire to make certain representations, warranties, covenants and agreements in connection with the contribution of the Assets.

NOW, THEREFORE, in consideration of the mutual promises contained herein, the benefits to be derived by each Party hereunder and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, White Oak and Milagro agree as follows:

1. DEFINED TERMS.

Unless otherwise expressly provided in this Agreement, each capitalized term used herein shall have the meaning given to it in **Schedule 1**.

2. Contribution of Assets.

2.1 Contribution of Assets. At the Closing and subject to the terms and conditions of this Agreement, Milagro agrees to contribute, assign, transfer and convey to White Oak, and White Oak agrees to acquire and accept from Milagro, the Assets.

2.2 Assets. As used herein, the term “Assets” shall mean all right, title and interest of Milagro in and to the following (except to the extent constituting Reserved Assets):

(a) all oil and gas leases described on **Exhibit A** (the “**Leases**”), including royalty interests, overriding royalty interests, production payments and other payments out of or measured by the value of oil and gas production from or attributable to the Leases, reversionary interests, carried interests, and all tenements, hereditaments or appurtenances belonging to the Leases;

(b) all mineral fee interests, mineral rights and mineral servitudes in which Milagro owns an interest (the “**Mineral Interests**”) including those described on **Exhibit B**, including royalty interests, production payments and other payments out of or measured by the value of oil and gas production from or attributable to the Mineral Interests;

(c) all rights and interests in, under and derived from all unitization and pooling agreements with respect to any of the Leases, Mineral Interests and Wells (the “**Units**”);

(d) all oil and gas wells, salt water disposal wells, injection wells, and other wells and wellbores located on or used in connection with the Leases, Mineral Interests and Units, whether producing, plugged or unplugged, shut in, or permanently or temporarily abandoned, including those described on **Exhibit C** and/or **Exhibit D** (the “**Wells**”);

(e) all natural gas, casinghead gas, drip gasoline, natural gas liquids, condensate, products, oil, crude oil and other hydrocarbons (including produced water and carbon dioxide), whether gaseous or liquid, produced from or attributable to the Leases, Mineral Interests, Wells and Units ("**Hydrocarbons**") after the Effective Time or which are in storage or existing in stock tanks above the pipeline connection as of the Closing Date;

(f) to the extent transferable, the permits, licenses, field office leases, servitudes, easements, rights-of-way and other surface use agreements used in connection with the use, ownership and operation of the Leases, Mineral Interests, Wells, Units and Hydrocarbons, including those set forth on **Exhibit E**, (the "**Surface Use Agreements**");

(g) all surface fee lands in which Milagro owns an interest, including those described on **Exhibit F**, (the "**Surface Fee Lands**");

(h) all equipment, machinery, fixtures and other personal, movable and mixed property, operational and nonoperational, known or unknown, located on or used in connection with the ownership or operation of any of the Leases, Mineral Interests, Wells, Units, Hydrocarbons, Surface Use Agreements and Surface Fee Lands, including motor vehicles, boats, buildings, pipelines, gathering systems, manifolds, well equipment, casing, tubing, pumps, motors, fixtures, machinery, compression equipment, flow lines, processing and separation facilities, pads, structures, materials and other items used in the operation thereof, and all pipe, machinery, equipment and other personal property owned by Milagro and whether located in any yards used by Milagro on or in the vicinity of any of the Assets or held by third parties for the benefit of Milagro in connection with the Assets (the "**Equipment**");

(i) to the extent transferable, all contracts, agreements and instruments by which any of the Leases, Mineral Interests, Units, Wells, Hydrocarbons, Surface Use Agreements and Surface Fee Lands are bound or which otherwise relate thereto, but only such portions thereof to the extent applicable to the Leases, Mineral Interests, Units, Wells, Hydrocarbons, Surface Use Agreements or Surface Fee Lands, including product purchase and sale contracts, gas gathering contracts, salt water disposal agreements, processing or treating agreements, transportation agreements, surface use agreements, facilities sharing agreements, compression agreements, production handling agreements, equipment leases, pipeline lease agreements, farmouts and farmins, options, orders, unitization, pooling, spacing or consolidation agreements and operating agreements and including without limitation the contracts set forth on **Exhibit J**, but excluding (i) any contract, agreement, or instrument which is excluded by virtue of **Section 5.3(d)**, (ii) the Retained Contracts (as defined below) and (iii) any indemnities granted by Milagro to any previous assignor of any such contract, agreement or instrument (the "**Assigned Contracts**");

(j) subject to **Section 3.4** and as listed on **Schedule 4.1(m)**, all rights with respect to overproduction, underproduction, overdelivery or underdelivery of hydrocarbons produced from or allocated to the Leases, Mineral Interests, Units or Wells or otherwise attributable to any Equipment or Assigned Contract, regardless of when such rights arose or whether attributable to any facility, wellhead, pipeline, plant, gathering system, transportation system or otherwise, including any imbalances under gas balancing or similar agreements, production handling agreements, processing agreements, and/or gathering or transportation agreements ("**Imbalances**"); and

(k) all records and files in the possession of Milagro relating to the Leases, Mineral Interests, Wells, Units, Hydrocarbons, Surface Use Agreements, Surface Fee Lands, Equipment, Assigned Contracts or Imbalances, save and except for (A) records that Milagro is prohibited from disclosing or transferring under any third party agreement, (B) information entitled to legal privilege, including attorney work product and attorney-client communications (except for title opinions, which shall be included in the Records), (C) economic projections and (D) records of offers from, or negotiations with, White Oak or third parties with respect to any proposed transfer of any of the Assets and economic analyses associated therewith (the "**Records**").

2.3 Reserved Assets. Milagro hereby reserves and excepts from the sale and conveyance of the Assets in favor of themselves, their successors and assigns the following (collectively, the "**Reserved Assets**"):

(a) other than with respect to Imbalances, all accounts receivable arising out of, associated with, or relating to the Assets that, in accordance with GAAP, are attributable to the period prior to the Effective Time, regardless of when received, including all insurance proceeds and third party recoveries attributable to any event occurring prior to the Effective Time;

(b) other than with respect to Imbalances, all claims and rights relating to overpayments or refunds of costs and expenses (including Taxes and Royalties) arising out of, associated with, or relating to the Assets that, in accordance with GAAP, are attributable to the period prior to the Effective Time, including the right to initiate, prosecute or participate in, at Milagro's sole cost and expense, all audits, audit claims and tax claims or proceedings relating to or including periods prior to the Effective Time, regardless of when commenced or received, arising out of or under applicable law, contracts and agreements or otherwise, and to recover all costs and expenses claimed or shown by such audits or proceedings as owing to the owner of the Assets for periods prior to the Effective Time;

(c) all proprietary software;

(d) any patent, patent application, logo, service mark, copyright, trade name, trade secrets, or trademark of or associated with, and other intellectual property of, Milagro or any Affiliate of Milagro or any business of Milagro or of any Affiliate of Milagro;

(e) all deposits, cash, checks in process of collection, cash equivalents, and funds, including without limitation those attributable to the Assets with respect to any period of time prior to the Effective Time;

(f) all contracts, agreements and instruments set forth on **Exhibit L** (the "**Retained Contracts**");

(g) all rights, claims, demands and causes of action of Milagro under this Agreement;

(h) all rights, claims (including any claim as defined in Section 101 of the Bankruptcy Code), causes, causes of action, remedies, rights of set-off, rights of recoupment, and rights to payment or to enforce payment and credits of Milagro, except to the extent relating directly to the Assets (other than Reserved Assets) or any Assumed Obligation with respect to any period of time arising after the Effective Time, including any such items arising under insurance policies and all guarantees, warranties, indemnities and similar rights in favor of Milagro, except to the extent relating directly to the Assets (other than Reserved Assets) or any Assumed Obligation with respect to any period of time arising after the Effective Time;

(i) any of Milagro's rights, claims and causes of action under the Bankruptcy Code in which Milagro has rights;

(j) all equity interests in any subsidiary, including the Subsidiaries; and

(k) any documents withheld or not transferred pursuant to the exceptions set forth in **Section 2.2(k).**

2.4 Issuance.

At Closing, in consideration of the contribution of Assets by Milagro, White Oak shall issue Company Interests to MOG (the "**Milagro Interests**") with a Capital Account equal to the Adjusted Equity Component (the "**Milagro Capital Account Balance**"), and a Sharing Ratio in White Oak proportionate to the Milagro Capital Account Balance. The Sharing Ratio applicable to the Milagro Interests shall be equal to the quotient obtained by dividing (i) the Milagro Capital Account Balance by (ii) the sum of (x) the Milagro Capital Account Balance and (y) Two Hundred Sixty Five Million and No/100 Dollars ($265,000,000.00) (1) increased by the sum of (a) the amount of cash or other working capital that is directly attributable to White Oak's acceptance of additional equity contributions from its members on or after June 19, 2015, which cash or working capital (or assets acquired by White Oak utilizing cash or such working capital, excluding the Notes) shall be reflected on White Oak's balance sheet at Closing and (b) any portion of such additional equity contributions from White Oak's members used in funding the

Cash Payment Cap, and (2) reduced by the outstanding borrowed money indebtedness of White Oak at the time of Closing(such value calculated in (y) above being the "**Deemed Equity Value**"). Notwithstanding the foregoing, if, between the Execution Date and the Closing, White Oak accepts additional equity contributions from its members ("**Additional Equity Contributions**"), MOG shall have the right, on or before ten (10) Business Days following receipt of written notice of White Oak's intent to accept Additional Equity Contributions, to elect to participate therein in an amount equal to MOG's Sharing Ratio as of the Closing Date. If MOG elects to participate in any such Additional Equity Contributions, then (i) White Oak may obtain financing in an amount equal to MOG's Sharing Ratio portion, which loan agreement shall contain customary terms and conditions ("**MOG Loan**") and (ii) such MOG Loan shall accrue interest at a rate equal to the LIBOR Rate until MOG funds an amount to White Oak equal to the MOG Loan plus any accrued but unpaid interest, which amount shall be funded on or before ten (10) days following the Closing Date. The proceeds received by White Oak from MOG shall be used to repay all amounts outstanding under the MOG Loan to the lenders of such obligation and, upon such payment, such loan shall be extinguished. If MOG funds an amount equal to the MOG Loan plus any accrued but unpaid interest on such MOG Loan, then upon such funding, White Oak shall reflect such contribution amount (other than the accrued interest) in the Capital Account for MOG, and the Second Amended Company Agreement shall be amended to reflect the credit to such Capital Account for MOG. In the event MOG either does not fund the MOG Loan plus any accrued but unpaid interest on such MOG Loan within ten (10) days following the Closing Date or Closing does not occur, an amount equal to the MOG Loan plus any accrued but unpaid interest on such MOG Loan may be converted to equity of White Oak, MOG shall not receive a credit to its Capital Account and/or shall not receive any Company Interests and the Company Interests of MOG, if applicable, and all members of White Oak shall be adjusted accordingly. For the avoidance of doubt, MOG shall have no obligation to fund its Sharing Ratio portion of the Additional Equity Contributions if this Agreement is terminated or Closing otherwise does not occur. An example of the Sharing Ratio calculations described above is set forth on **Schedule 2.4**. The Parties hereby agree that (i) to the extent MOG receives Company Interests in exchange for the assignment, sale or transfer of the Assets, the assignment of such Assets to White Oak shall be treated as an exchange of such Assets for Milagro Interests and shall be treated as a contribution to White Oak under Section 721 of the Code, and (ii) to the extent Milagro receives cash (including any amounts for the assumption or payment of Debt) for the assignment, sale or transfer of all or a portion of the Assets to White Oak, the Parties hereby agree to treat such assignment, sale or transfer as a sale of such Assets for cash.

2.5 Closing; Effective Time.

The consummation of the transactions contemplated hereby (the "**Closing**") shall be held simultaneously with the effectiveness of the Plan and the emergence of Milagro, its parent and its direct and indirect subsidiaries, from the Chapter 11 Cases, as agreed to by the Parties and otherwise as set forth in the Plan. The date on which the Closing occurs shall be referred to herein as the "**Closing Date**." The Closing shall be effective as of May 1, 2015, at 12:01 a.m., at the location of the Assets (the "**Effective Time**").

3. PURCHASE PRICE

3.1 Purchase Price.

The gross aggregate consideration for the Assets shall be TWO HUNDRED SEVENTEEN MILLION DOLLARS ($217,000,000) (the "**Purchase Price**"), consisting of (i) a cash payment in the amount of $120,000,000 (the "**Cash Payment Cap**"), and (ii) $97 million in the form of Company Interests (which shall not be considered the equivalent of cash), plus or minus, as applicable, the adjustments set forth in **Section 3.4(a)** (the "**Adjusted Equity Component**", and together with the Cash Payment Cap, the "**Adjusted Purchase Price**").

3.2 Treatment of Debt and Notes.

(a) Senior Debt Payment. At or prior to Closing, Milagro shall obtain payoff letters for all amounts of the Senior Debt owed by Milagro immediately prior to Closing (the "**Senior Debt Payoff Letters**") to TPG Specialty Lending, Inc. as administrative agent in the Milagro Senior Secured Debt, including the portion of any debtor in possession financing or refinancing of the Milagro Senior Secured Debt, as well as any other holders of Senior Secured Debt, under instruments as set forth on **Schedule 3.2(a)** ("**Senior Debt**"), and provide copies thereof, with releases in form and substance reasonably satisfactory to White Oak. The Senior Debt Payoff Letters shall indicate the backup calculations and amount required to pay off the Senior Debt at Closing. At or prior to Closing, any financing statement terminations and Encumbrance releases shall have been filed as necessary to remove any Encumbrances (other than Permitted Encumbrances) applicable to any of the Assets with respect to the Senior Debt, or the Senior Debt Payoff Letters shall state that such financing statement terminations and Encumbrance releases shall be filed after indefeasible payment in full of the amounts set forth in the Senior Debt Payoff Letters. At the Closing, White Oak shall pay to MOG the Cash Payment Cap; MOG shall use the Cash Payment Cap and its cash holdings to make payments to such counterparties as described above in the Senior Debt Payoff Letters, such that the full amount of all Senior Debt is provided to the applicable counterparties to the Senior Debt Payoff Letters ("**Paid-Off Senior Debt"),** and for other purposes.

(b) Note Purchase. Following the Execution Date, Milagro shall provide such reasonable cooperation as may be reasonably requested by White Oak in connection with, at White Oak's sole election, a purchase of any portion of the approximately Two Hundred Fifty Million and No/100 Dollars (par value) of outstanding 10.500% Senior Secured Second Lien Notes due May 11, 2016 issued by Milagro and outstanding at such time (the "**Notes**") from the holders thereof (the "**Note Purchase**"), including, without limitation, facilitating the execution and delivery of definitive documents relating to the Note Purchase and the consummation of the transactions contemplated thereby, for a price equal to 20% of the face amount of such Notes (irrespective of accrued

110431897 v1

interest or penalties); provided, however, that any such Note Purchase shall be subject in all respects to the Plan, including **Section III.B.4(c)** thereof, and notwithstanding White Oak's desire to exercise the Note Purchase, the holders of the Notes shall be afforded a right of first refusal to purchase such Notes from the other holders under the same terms of the Note Purchase. Any such election by the holders of the Notes must be made by providing written notice to White Oak at least five (5) Business Days prior to the Closing Date. For purposes of determining the Adjusted Purchase Price pursuant to **Section 3.4**, the "**Deemed Note Payment Amount**" shall mean an amount equal to One Hundred Ninety Four Percent (194%) of all cash paid by White Oak to the holders of Notes in connection with the Note Purchase and the resulting Milagro Interests to be issued to MOG will be adjusted downward accordingly.

3.3 Break-Up Fee. In consideration for Milagro having expended considerable time and expense in connection with the transactions contemplated by this Agreement and the negotiation and due diligence review in connection therewith, including without limitation costs and expenses to be incurred by Milagro after the Execution Date hereof, in the event (i) this Agreement is terminated pursuant to **Section 13.1(b)** and the Closing has not occurred solely because of White Oak's failure to satisfy the condition set forth in **Section 9.1(a)** other than a result of Post-Signing Information in accordance with **Section 5.7**; or (ii) this Agreement is terminated by Milagro pursuant to **Section 13.1(e)**, then White Oak shall pay MOG an amount equal to Four Million and No/100 Dollars ($4,000,000) (the "**Break-Up Fee**"), as liquidated damages (and not as a penalty). The Parties acknowledge that the extent of damages to Milagro occasioned by the circumstances described in this **Section 3.3** would be impossible or extremely impractical to ascertain and that the Break-Up Fee is a fair and reasonable estimate of such damages under the circumstances. The Break-Up Fee shall be paid by White Oak by wire transfer of immediately available funds to MOG upon termination of this Agreement as described herein, and shall be Milagro's sole and exclusive remedy for termination under this Agreement pursuant to **Sections 3.3(i)** or **3.3(ii)** other than any remedies that may be available to Milagro under **Section 13.2(a)**. For purposes of clarity, failure of the Bankruptcy Court to enter into a Final Order confirming the Plan does not trigger the Break-Up Fee.

3.4 Adjustments to Purchase Price.

(a) The amount of the Adjusted Equity Component of the Purchase Price shall be adjusted (without duplication) in accordance with **Section 3.1** as follows:

(1) upward by an amount equal to the value of all merchantable Hydrocarbons attributable to the Assets in storage or existing in stock tanks above the pipeline connection as of the Effective Time, the value to be based upon the actual gross price received from the sale of such Hydrocarbons as of the Effective Time (provided if there has been no sale between the Effective Time and the preparation of the Preliminary Settlement Statement, then following Closing, White Oak shall endeavor to sell such

Hydrocarbons prior to preparation of the Final Settlement Statement and the value thereof shall be based on the actual gross price received), less amounts payable as Royalties, severance Taxes, gravity adjustments, quality bank adjustments, production payments, post-production costs (transportation, gathering, dehydration, compression, processing and costs associated with the sale of such Hydrocarbons) and other burdens upon, measured by, or payable out of such Hydrocarbons production;

(2) upward by the amount of all Property Costs paid by or on behalf of Milagro that, in accordance with GAAP, arise out of, are associated with, or relate to the use, ownership or operation of the Assets from and after the Effective Time;

(3) downward by the amount of all Property Costs paid by or on behalf of White Oak that, in accordance with GAAP, arise out of, are associated with, or relate to the ownership or operation of the Assets on or prior to the Effective Time;

(4) upward by the amount of any Imbalances by which Milagro is underproduced priced at $2.50 per Mcf for gas Imbalances.

(5) downward by the amount of any Imbalances by which Milagro is overproduced priced at $2.50 per Mcf for gas Imbalances.

(6) upward by the amounts paid by Milagro for Cure Costs arising on or after the Effective Time, and downward by the amount of Cure Costs attributable to the period prior to the Effective Time, if any, that have not been paid by Milagro as of the Closing as contemplated by **Section 5.5(c)**;

(7) without duplication of adjustments made in accordance with **Section 3.4(a)(1)** above, upward by Revenues received by White Oak that, in accordance with GAAP, arise out of, are associated with, or relate to the use, ownership or operation of the Assets prior to the Effective Time;

(8) downward by Revenues received by Milagro that, in accordance with GAAP, arise out of, are associated with, or relate to the use, ownership or operation of the Assets from and after the Effective Time other than overhead charges with respect to Milagro operated Wells and Equipment for the period between the Effective Time and the Closing Date;

(9) with respect to all Milagro operated Wells, upward by an overhead rate equal to a flat fee of $400,000 per month (and prorated as necessary), for all producing oil and gas Wells, all active utility Wells and all shut-in or inactive Wells;

(10) downward by an amount equal to the sum of all adjustments to the Purchase Price (A) pursuant to **Section 5.3(b)** or **5.3(d)** in respect of Preferential Rights and consents, (B) pursuant to **Section 5.4** in respect of Casualty Loss, (C) pursuant to **Section 6.2** in respect of Title Defects and (D) pursuant to **Section 7.4** in respect of Environmental Defects;

(11) upward by an amount equal to the sum of any and all prepaid utility charges, insurance premiums, rentals, deposits and any other prepays (excluding Taxes) that are attributable to the Assets from and after the Effective Time;

(12) downward by the amount of the Suspense Funds in accordance with **Section 11.3**;

(13) downward by the amount of any Deemed Note Payment Amount as set forth in **Section 3.2(b)**;

(14) upward by an amount equal to the sum of all adjustments to the Purchase Price pursuant to **Section 6.2** in respect of Additional Interests; and

(15) upward or downward by any other amount agreed upon in writing by Milagro and White Oak.

(b) At least five (5) Business Days prior to Closing, Milagro shall prepare and submit to White Oak a settlement statement (the "**Preliminary Settlement Statement**") setting forth its good faith calculation of the Adjusted Purchase Price, using for such adjustments the best information then reasonably available. Prior to Closing, White Oak may notify Milagro of any objections to the Preliminary Settlement Statement. The Parties shall use their reasonable best efforts to agree on a Preliminary Settlement Statement no later than one (1) day prior to Closing. The Adjusted Purchase Price, as provided in the Preliminary Settlement Statement, is referred to herein as the "**Preliminary Purchase Price.**" If White Oak and Milagro are unable to agree upon the final Preliminary Settlement Statement, then the Preliminary Purchase Price shall be as provided in the Preliminary Settlement Statement prepared by Milagro, and any disputed amounts shall be resolved in the course of the final accounting pursuant to **Section 3.4(c)**.

(c) No later than one hundred twenty (120) days after the Closing Date (or the first Business Day thereafter should such day fall on a non-Business Day), White Oak shall deliver to Milagro a final settlement statement (the "**Final Settlement Statement**") setting forth the calculation of the Adjusted Purchase Price. White Oak shall make available the necessary records to permit Milagro to conduct an audit of the Final Settlement Statement during the thirty (30) day period commencing on the date the Final Settlement Statement is delivered to Milagro (the

"**Audit Period**"). As soon as reasonably practicable, but no later than 5:00 p.m. Houston, Texas time on the last day of the Audit Period (or the first Business Day thereafter should such day fall on a non-Business Day), Milagro may deliver to White Oak a written report containing any changes Milagro proposes to such statement (the "**Audit Report**"). The undisputed amounts (net of any amounts in dispute) will be paid to the applicable Party within two (2) Business Days from the end of the Audit Period. The Parties agree to negotiate in good faith to resolve any disputes relating to items in the Final Settlement Statement and shall meet no later than thirty (30) days after White Oak receives the Audit Report (or the first Business Day thereafter should such day fall on a non-Business Day) to attempt to agree on any adjustments to the Final Settlement Statement. If the Parties fail to agree on final adjustments within that thirty (30) day period, either Party may, within thirty (30) days after the end of such period (or the first Business Day thereafter should such day fall on a non-Business Day), submit the disputed items to KPMG or another nationally-recognized, United States-based independent public accounting firm on which the Parties mutually agree in writing (the "**Accounting Referee**"); provided, however, that the Accounting Referee shall not have performed any material work for any Party or their respective Affiliates within three (3) years of the Execution Date. If KPMG is unable or unwilling to serve as the Accounting Referee and White Oak and Milagro are unable to agree upon the designation of a Person or entity as substitute arbitrator, then White Oak or Milagro, or any of them, may in writing request the Bankruptcy Court to appoint the substitute arbitrator; provided that such Person or entity so appointed shall be a national or regional accounting firm with no prior material relationships with Milagro or White Oak or their respective Affiliates and shall have experience in auditing companies engaged in oil and gas exploration and development activities. Any unresolved matters covered in the Audit Report that are not submitted to the Accounting Referee within such thirty (30) day period shall be deemed waived by Milagro, which waiver shall be final and binding on the Parties and the subject matter thereof shall not be subject to further review or audit. The Parties shall direct the Accounting Referee to resolve the disputes within thirty (30) days after submission of the matters in dispute. The Accounting Referee shall act as an expert for the limited purpose of determining the specific disputed matters submitted by either Party and may not award damages or penalties to either Party with respect to any matter. Milagro and White Oak shall share equally the Accounting Referee's costs, fees and expenses (including attorney's fees). The Final Settlement Statement, whether as agreed between the Parties or as determined by a decision of the Accounting Referee, shall be binding on, and non-appealable by, the Parties and not subject to further review or audit. Payment by White Oak or Milagro, as applicable, for any outstanding amounts on the Final Settlement Statement shall be made within five (5) Business Days after the date on which all disputes in respect of the Final Settlement Statement are finally resolved (whether by agreement of the Parties or pursuant to the Accounting Referee's decision), it being acknowledged and agreed that any amounts payable

by Milagro which are not settled in cash by wire transfer of immediately available funds within such five (5) Business Day period will be settled by adjustment to the Capital Account and Sharing Ratio of MOG as contemplated by the Second Amended Company Agreement.

(d) For the avoidance of doubt, and without duplication of any other adjustment provided under this Agreement, if any Asset is removed from this transaction whether by agreement of the Parties or pursuant to another provision of this Agreement, the Purchase Price shall be adjusted downward by the Allocated Value of the removed Asset and the removed Asset shall be treated as a Reserved Asset (unless and until this Agreement provides otherwise).

(e) In no event shall MOG be permitted to distribute or otherwise assign all or any part of the Company Interest issued to MOG pursuant to this **Article 3** until after the fifth (5th) Business Day following the date on which the outstanding amounts on the Final Settlement Statement have been paid or adjusted (as applicable) pursuant to **Section 3.4(c)** and the Second Amended Company Agreement. Any distribution or assignment of such Company Interest by MOG shall only be permitted to the permitted assignees set forth on **Schedule 3.4(e)** (the "**Permitted Assignees**"), and any such distribution or assignment shall be expressly conditioned upon the execution and delivery to White Oak of a counterpart to the Second Amended Company Agreement confirming the agreement of the assignee to be bound by all of the terms and provisions of the Second Amended Company Agreement and any other conditions to assignment set forth therein.

3.5 No Duplicative Effect; Methodologies. The provisions of **Section 3.4** and this **Section 3.5** shall apply in such a manner so as not to give the components and calculations duplicative effect to any item of adjustment and, except as otherwise expressly provided in this Agreement, the Parties covenant and agree that no amount shall be (or is intended to be) included, in whole or in part (either as an increase or reduction) more than once in the calculation of (including any component of) the Adjusted Purchase Price, or any other calculated amount pursuant to this Agreement if the effect of such additional inclusion (either as an increase or reduction) would be to cause such amount to be overstated or understated for purposes of such calculation.

4. REPRESENTATIONS AND WARRANTIES

4.1 Representations and Warranties of Milagro. Milagro represents and warrants to White Oak as follows:

(a) Except as set forth on **Schedule 4.1(a)**, Milagro has no direct or indirect subsidiaries and does not own any securities issued by, or any equity or ownership interest in, any other Person. Milagro is not subject to any obligation to make any investment in or to provide funds by way of loan, capital contribution or otherwise to any Person.

(1) MOG is a corporation, duly organized, validly existing and in good standing under the laws of the State of Delaware, and is duly qualified to carry on its business and to own and operate oil and gas properties in each jurisdiction in which the Assets are located. MOG is not a non-resident alien, foreign corporation, foreign partnership, foreign trust or foreign estate (as those terms are defined in the Internal Revenue Code of 1986, as amended (the "**Code**") and the regulations promulgated pursuant thereto).

(2) Milagro Producing is a limited liability company, duly organized, validity existing and in good standing under the laws of the State of Delaware, and is duly qualified to carry on its business and to own and operate oil and gas properties in each jurisdiction in which the Assets are located. Milagro Producing is not a non-resident alien, foreign corporation, foreign partnership, foreign trust or foreign estate (as those terms are defined in the Code).

(3) Milagro Resources is a limited liability company, duly organized, validity existing and in good standing under the laws of the State of Delaware, and is duly qualified to carry on its business and to own and operate oil and gas properties in each jurisdiction in which the Assets are located. Milagro Resources is not a non-resident alien, foreign corporation, foreign partnership, foreign trust or foreign estate (as those terms are defined in the Code).

(4) Milagro Exploration is a limited liability company, duly organized, validity existing and in good standing under the laws of the State of Delaware, and is duly qualified to carry on its business and to own and operate oil and gas properties in each jurisdiction in which the Assets are located. Milagro Exploration is not a non-resident alien, foreign corporation, foreign partnership, foreign trust or foreign estate (as those terms are defined in the Code).

(b) Milagro has all requisite power and authority to carry on its business as presently conducted, to enter into this Agreement and to perform its obligations under this Agreement. The consummation of the transactions contemplated by this Agreement will not violate, be in conflict with or give rise to a right of termination, cancellation or acceleration of any obligation or result in the creation of any Encumbrance on any Asset under: (i) any provision of Milagro's Organizational Documents, (ii) any provision of any agreement or instrument to which Milagro is a party or by which Milagro is bound, or (iii) any judgment, decree, order, statute, rule or regulation applicable to Milagro or the Assets except in the cases of subsections (ii) and (iii) above, where such violation, conflict, termination, cancellation or acceleration would not materially impair Milagro's ability to consummate the transactions contemplated by this Agreement.

(c) This Agreement has been, and, if Closing occurs, the documents to be executed and delivered by Milagro upon Closing will be, duly

authorized, executed and delivered on behalf of Milagro, and this Agreement constitutes, and, if Closing occurs, the documents to be executed and delivered by Milagro upon Closing will be, the legal, valid and binding obligation of Milagro, enforceable in accordance with their respective terms, subject, however, to the entry of the Final Order and to the effects of bankruptcy, insolvency, reorganization and other laws for the protection of creditors.

(d) Milagro has incurred no liability, contingent or otherwise, for brokers' or finders fees' relating to the transactions contemplated by this Agreement for which White Oak shall have any responsibility whatsoever.

(e) Other than the proposed restructuring transaction pursuant to the Plan and the related disclosure statement, there are no bankruptcy, reorganization or arrangement proceedings pending or, to the Knowledge of Milagro, threatened against Milagro.

(f) Except as set forth on **Schedule 4.1(f)**, there is no suit, action or litigation before any governmental authority, and no legal, administrative or arbitration proceeding, (in each case) pending or, to Milagro's Knowledge, threatened in writing, against Milagro or the Assets.

(g) Except as set forth on **Schedule 4.1(g)**, each of the Assets are currently owned and operated in material compliance with all applicable laws, rules and regulations.

(h) Except as set forth on **Schedule 4.1(h)**, no Hydrocarbons marketed by Milagro and, to the Knowledge of Milagro, no Hydrocarbons marketed by others on Milagro's behalf are subject to a sales, processing, gathering, treating, or other contract (except for contracts terminable by Milagro without penalty on not more than sixty (60) days' notice).

(i) Except as set forth on **Schedule 4.1(i)**, all Royalties that have become due and payable have been paid in full to the Persons entitled to such payments (other than Royalties that Milagro or the applicable operator is entitled under applicable law to withhold in escrow or suspense accounts).

(j) Except as set forth in **Schedule 4.1(j)**, (i) all material returns, declarations, reports, claims for refund, or information returns or statements relating to Asset Taxes, including any schedule or attachment thereto ("**Milagro Tax Returns**") that were required to be filed by Milagro or its subsidiaries on or before the Execution Date have been duly and timely filed and the information provided on each such Milagro Tax Return is complete and accurate in all material respects; (ii) all Asset Taxes shown as due on each such Milagro Tax Return have been timely paid in full and no other Taxes are payable by Milagro or its subsidiaries with respect to items or periods covered by such Milagro Tax Returns; (iii) to Milagro's Knowledge, no penalty, interest or other

charge is or will become due with respect to the late filing of any such Milagro Tax Return or late payment of any such Asset Tax; (iv) there are no outstanding waivers by Milagro or any of its Affiliates that would affect the Assets or Milagro after Closing and there are no agreements regarding any extension of time with respect to an Asset Tax assessment or deficiency; (v) Milagro and its subsidiaries have withheld and paid over all Asset Taxes required to have been withheld and paid over to any governmental authority, and complied with all information reporting and backup withholding requirements, in connection with amounts paid or owing to any employee, creditor, independent contractor, or other third party; (vi) Milagro and its subsidiaries have paid all material amounts of Taxes due and owing any governmental authority in full with respect to the Assets; (vii) there are no material Asset Tax deficiencies assessed against Milagro or, to Milagro's Knowledge, audits in progress by any governmental authority; and (viii) other than Permitted Encumbrances, there are no Tax liens on or with respect to the Assets.

(k) Milagro is not in breach of any material provision in any Lease or in default with respect to any material obligation of Milagro under the Leases and no party to any Lease or any successor to the interest of such party has filed or, to Milagro's Knowledge, has threatened in writing to file any action to terminate, cancel, rescind or procure judicial reformation of any such Lease. To Milagro's Knowledge, the Leases operated by Milagro are in full force and effect.

(l) Except as set forth in **Schedule 4.1(l)** there are no restrictions on assignment, including Preferential Rights or requirements for consents from third parties to any assignment (in each case), required in connection with the transfer of the Assets by Milagro to White Oak or the consummation of the transactions contemplated by this Agreement.

(m) Except as set forth in **Schedule 4.1(m)**, there are no Imbalances allocated to, affecting or burdening any of the Leases, Mineral Interests, Units or Wells or otherwise attributable to any Equipment or Assigned Contract.

(n) **Schedule 4.1(n)** lists each item of Debt, including the Paid-Off Senior Debt, outstanding as of the Execution Date. For purposes hereof, "**Debt**" means (i) all obligations of Milagro for borrowed money, (ii) all obligations of Milagro evidenced by bonds, debentures, notes or similar instruments, (iii) all obligations of Milagro as an account party in respect of letters of credit, surety bonds and bankers' acceptances or similar credit transactions, (iv) all obligations of Milagro issued or assumed as the deferred purchase price of property or services, including capital leases, any "earn-out" or similar payments, all conditional sale obligations of Milagro and all obligations of Milagro under any title retention agreement (but excluding trade accounts payable and other accrued current liabilities), (v) all obligations of Milagro guaranteeing any obligations of any other Person of the type described in the

foregoing clauses (ii) through (iv), (vi) all obligations secured by an Encumbrance (other than a Permitted Encumbrance) on the Assets; and (vii) all premiums, interest, fees, penalties and expenses associated with any of the foregoing clauses (i) through (v).

(o) Except as set forth in **Schedule 4.1(o)**, no Affiliate of Milagro has had any material business dealings with Milagro.

(p) Milagro is and will be at Closing an "accredited investor," as such term is defined in Regulation D of the Securities Act of 1933 (the "**Securities Act**"), and will acquire its Company Interest in White Oak for its own account and not with a view to a sale or distribution thereof in violation of the Securities Act, any applicable state blue sky laws or any other applicable securities laws. Milagro (i) has been furnished with such information about White Oak and the Company Interest as it has requested, (ii) has made its own independent inquiry and investigation into, and based thereon has formed an independent judgment concerning, White Oak and its Company Interest therein, (iii) has adequate means of providing for its current needs and possible individual contingencies and is able to bear the economic risks of this investment and has a sufficient net worth to sustain a loss of its entire investment in White Oak in the event such loss should occur, (iv) has such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of an investment in White Oak and (v) understands and agrees that its Company Interest shall not be sold, pledged or otherwise transferred except in accordance with the terms of the Second Amended Company Agreement and pursuant to an applicable exemption from registration under the Securities Act and other applicable securities laws. Milagro, upon becoming a member under the Second Amended Company Agreement at Closing, understands and acknowledges that its Company Interests have not been registered under the Securities Act, or under any state securities laws and further understands and acknowledges that Milagro's representations and warranties contained in this **Section 4.1** are being relied upon by White Oak as the basis for the exemption from the registration requirements of the Securities Act, and under all applicable state securities laws. Milagro further acknowledges that White Oak will not and has no obligation to recognize any transfer of any Company Interests to any Person unless and until the provisions of the Second Amended Company Agreement have been fully satisfied.

(q) As of Closing, to Milagro's Knowledge, there will be no outstanding Cure Costs attributable to the period prior to the Effective Time.

To the extent that Milagro has made any representations or warranties in this **Section 4.1** in connection with matters relating to Assets operated by any Person other than Milagro, each and every such representation and warranty shall be deemed to be qualified by the phrase "to Milagro's Knowledge."

4.2 Representations and Warranties of White Oak.

White Oak represents and warrants to Milagro as follows:

(a) White Oak is a limited liability company, duly organized, validly existing and in good standing under the laws of the State of Delaware, and is duly qualified to carry on its business and to own and operate oil and gas properties in each jurisdiction in which the Assets are located.

(b) White Oak has all requisite power and authority to carry on its business as presently conducted, to enter into this Agreement, to purchase the Assets on the terms described in this Agreement and to perform its other obligations under this Agreement. The consummation of the transactions contemplated by this Agreement will not violate, or be in conflict with or give rise to a right of termination, cancellation or acceleration of any obligation under: (i) any provision of White Oak's articles of incorporation or bylaws; (ii) any provision of any agreement or instrument to which White Oak is a party or by which White Oak is bound; or (iii) any judgment, decree, order, statute, rule or regulation applicable to White Oak, except in the cases of subsections (ii) and (iii) above, where such violation, conflict, termination, cancellation or acceleration would not materially impair White Oak's ability to consummate the transactions contemplated by this Agreement.

(c) This Agreement has been, and, if Closing occurs, the documents to be executed and delivered by White Oak upon Closing will be, duly authorized, executed and delivered on behalf of White Oak, and this Agreement constitutes, and, if Closing occurs, the documents to be executed and delivered by White Oak upon Closing will be, the legal, valid and binding obligation of White Oak, enforceable in accordance with their respective terms, subject, however, to the entry of the Final Order and to the effects of bankruptcy, insolvency, reorganization and other laws for the protection of creditors.

(d) White Oak has incurred no liability, contingent or otherwise, for brokers' or finders fees' relating to the transactions contemplated by this Agreement for which Milagro shall have any responsibility whatsoever.

(e) There are no bankruptcy, reorganization or arrangement proceedings pending or, to the knowledge of White Oak, threatened against White Oak.

(f) White Oak or its relevant Affiliate is now, and hereafter shall continue to be qualified, or if not presently qualified, shall be qualified at the end of the period covered by the Transition Services Agreement, to own and assume operatorship of oil, gas and mineral leases, including the Leases, in all jurisdictions where the Assets are located, and the consummation of the transactions contemplated in this Agreement will not cause White Oak to be disqualified as such an owner or operator. To the extent required by the applicable state and federal governmental bodies or agencies, White Oak or its relevant Affiliate currently has, and will continue to maintain, or shall obtain before the end of the period

covered by the Transition Services Agreement, those Lease bonds, area-wide bonds or any other surety bonds as set forth on **Schedule 4.2(f)** which are required by applicable state or federal regulations for the ownership and/or operation of the Leases.

(g) White Oak has outstanding Company Interests as set forth in the Amended Company Agreement. All of the outstanding Company Interests have been duly authorized and validly issued in accordance with White Oak's certificate of formation and the Amended Company Agreement, are fully paid and non-assessable, and, as of the date hereof and as of the date of the White Oak Financial Statements, were issued and held as described therein. Except for the Milagro Interests to be issued; there are no outstanding options, warrants or other rights to purchase, agreements or other obligations to sell, issue, or rights to convert any obligations into or exchange any securities for, Company Interests or other securities of White Oak.

(h) The Milagro Interests have been duly authorized by White Oak, and when issued and delivered to MOG in accordance with the terms of this Agreement and the Second Amended Company Agreement, will be validly issued in accordance with applicable law, fully paid and non-assessable and will be free of any and all Encumbrances and restrictions on transfer, other than restrictions on transfer under the Second Amended Company Agreement and applicable state and federal securities laws. The Milagro Interests shall have those rights, preferences, privileges and restrictions set forth in the Second Amended Company Agreement. As of the Closing Date, all corporate action for the authorization, issuance, exchange and delivery of the Milagro Interests shall have been validly taken, and no other authorization by any of such parties is required therefor.

(i) Other than pursuant to this Agreement and the Second Amended Company Agreement, there are no contracts or agreements (including options, warrants, calls and preemptive rights) relating to the right to subscribe for or purchase any Company Interests or obligating White Oak to (i) issue, sell, pledge, dispose of or encumber any Company Interests, (ii) redeem, purchase or acquire in any manner any Company Interests or to provide funds to, or make any investment in any Person or (iii) make any dividend or distribution of any kind with respect to any Company Interests.

(j) White Oak is solvent and will not be rendered insolvent by any of transactions described hereunder. White Oak will have at Closing sufficient immediately available funds to enable it to make any payment required to be made by White Oak at Closing without encumbrance or delay and without causing White Oak to become insolvent or to declare insolvency. White Oak's assets do not and immediately following the Closing will not constitute unreasonably small capital to carry out its business as currently conducted or as proposed to be conducted after Closing. Except as set forth in **Schedule 4.2(j)**, (i) all material returns,

declarations, reports, claims for refund, or information returns or statements relating to Taxes, including any schedule or attachment thereto ("**White Oak Tax Returns**") that were required to be filed by White Oak on or before the Execution Date have been duly and timely filed and the information provided on each such White Oak Tax Return is complete and accurate in all material respects; (ii) all Taxes shown as due on each such White Oak Tax Return have been timely paid in full and no other Taxes are payable by White Oak with respect to items or periods covered by such White Oak Tax Returns; (iii) to White Oak's Knowledge, no penalty, interest or other charge is or will become due with respect to the late filing of any such White Oak Tax Return or late payment of any such Tax; (iv) to White Oak's Knowledge, there are no outstanding waivers by White Oak that would affect the assets of White Oak after Closing and there are no agreements regarding any extension of time with respect to a Tax assessment or deficiency; (v) White Oak has withheld and paid over all Taxes required to have been withheld and paid over to any governmental authority, and complied with all information reporting and backup withholding requirements, in connection with amounts paid or owing to any employee, creditor, independent contractor, or other third party; (vi) there are no material Tax deficiencies assessed against White Oak or, to White Oak's Knowledge, audits in progress by any governmental authority; and (vii) White Oak (including any predecessor entity) is not, and has not been at any time prior to the Execution Date, a member of an affiliated, consolidated, combined or unitary group with any other Person and has no liability for the Taxes of any Person under Reg. §1.1502-6 (or any similar provision of state, local, or non-U.S. law, including for the avoidance of doubt as a result of being a part of any unitary group), as a transferee or successor, by contract, or otherwise.

(k) There is no suit, action or litigation before any governmental authority, and no legal, administrative or arbitration proceeding, (in each case) pending or, to White Oak's Knowledge, threatened in writing, against White Oak affecting the execution and delivery of this Agreement by White Oak or the consummation of the transactions contemplated hereby by White Oak.

(l) Since the closing date of the White Oak Audited Financial Statements (defined below), except as set forth on **Schedule 4.2(l)**:

(1) There has not been any Material Adverse Effect with respect to White Oak;

(2) White Oak and its Affiliates have operated their business in the ordinary course of business in all material respects;

(3) There has not been any material damage, destruction or loss, whether covered by insurance or not, to the assets of White Oak;

(4) White Oak has not sold, transferred, or otherwise disposed of any of its material assets (other than the sale of hydrocarbons in the ordinary course of business or the sale or other disposition of disposable assets or assets that have become obsolete or unusable); and

(5) Except as set forth on **Schedule 4.2(l)(5)**, White Oak has not mortgaged or pledged any of its assets.

(m) Except as set forth in **Schedule 4.2(m)**, no Affiliate of White Oak has had any material business dealings with White Oak and each of the matters and transactions listed on **Schedule 4.2(m)** was incurred or engaged in, on an arm's-length basis.

(n) Except as set forth on **Schedule 4.2(n)**, there is no suit, action or litigation before any governmental authority, and no legal, administrative or arbitration proceeding, (in each case) pending or, to White Oak's Knowledge, threatened in writing, against White Oak or its assets, except as would not individually or in the aggregate have a Material Adverse Effect. White Oak is not subject to any outstanding judgment, order, or decree of any court or governmental authority or arbitrator or any settlement agreement or consent decree.

(o) Except as set forth on **Schedule 4.2(o)**, each of the assets of White Oak are currently owned and operated in material compliance with all applicable laws, rules and regulations.

(p) White Oak is in material compliance with all Environmental Laws. White Oak is in material compliance with all material permits that are required pursuant to Environmental Laws for the ownership of its assets and operation of its business. All such permits are in effect and since such permits were obtained, there has occurred no material default under any such permit. To White Oak's Knowledge, neither the execution and delivery of this Agreement by White Oak nor the consummation by White Oak of the transactions contemplated hereby will result in a violation or breach of, or constitute (with or without due notice or lapse of time or both) a default (or give rise to a right of termination or cancellation) of any such permit. White Oak has not received from any governmental authority or any third Person any written notice, report or other information regarding any actual or alleged material violation of Environmental Laws, or regarding any material Losses or potential material Losses (including any investigatory, remedial, or corrective obligations) arising under Environmental Laws. White Oak has not treated, stored, disposed of, arranged for, or permitted the disposal of, transported, handled, or released any hazardous substance, onto, under or from any real property owned or operated by White Oak in a manner that has given or will give rise to material Losses, including any material Losses for response costs, corrective action costs, personal injury, property damage, natural resources damages, or attorney fees, pursuant to any Environmental Laws. To White Oak's Knowledge,

White Oak has made available to Milagro true, correct and complete copies of all environmental audits, assessments, and other reports and studies in White Oak's possession or control describing the environmental conditions of its assets or that materially bear on any Loss of White Oak under any Environmental Laws. White Oak is not a party to or has not agreed to (or to White Oak's Knowledge, is subject to) any outstanding consent arrangement with any governmental authority under any Environmental Laws.

(q) Attached hereto on **Schedule 4.2(q)** are correct and complete copies of the audited consolidated balance sheet of White Oak and its subsidiaries as of December 31, 2014 with the related consolidated statements of operations, changes in unitholders' equity, and cash flows for the year then ended (the "**White Oak Audited Financial Statements**") and the unaudited consolidated balance sheet of White Oak and its subsidiaries as of March 31, 2015 (the "**White Oak Unaudited Financial Statements**", and together with the **White Oak Audited Financial Statements,** the "**White Oak Financial Statements**"). The White Oak Financial Statements present fairly in all material respects the financial position of White Oak as of the dates indicated, and the results of its operations for the respective periods indicated. The Audited Financial Statements are in conformity with GAAP, consistently applied. The White Oak Unaudited Financial Statements are unaudited and, therefore, are subject to normal recurring year-end adjustments and the absence of footnotes.

(r) White Oak's outstanding indebtedness as of the Execution Date is not in excess of One Hundred Twenty-Five Million Dollars ($125,000,000).

(s) The Assets are being acquired by White Oak for investment purposes only, for White Oak's own account and not with a view to, or for resale in connection with, any distribution thereof within the meaning of the 1933 Act. White Oak is an "accredited investor" as defined in Regulation D promulgated under the 1933 Act. White Oak acknowledges that the sale of the Assets has not been registered under the 1933 Act or any state or foreign securities laws and that the Assets may not be sold, transferred, offered for sale, pledged hypothecated or otherwise disposed of unless such transfer, sale, assignment, pledge, hypothecation or other disposition is pursuant to the terms of an effective registration statement under the 1933 Act and are registered under any applicable state or foreign securities laws or pursuant to an exemption from registration under the 1933 Act and any applicable state or foreign securities laws. White Oak has such expertise, knowledge and sophistication in financial and business matters generally that it is capable of evaluating, and has evaluated, the merits and economic risks of its investment in the Assets. White Oak has had the opportunity to examine all aspects of the Assets that White Oak has deemed relevant and has had access to all information requested by White Oak with respect to the Assets in order to make an evaluation thereof. In connection with the transactions contemplated by

this Agreement, White Oak has had the opportunity to ask such questions of and receive answers from the representatives of Milagro and obtain such additional information about the Assets as White Oak deems necessary for an evaluation thereof.

4.3 Disclaimer of Representations and Warranties; Assets Sold "As Is, Where is".

(a) EXCEPT AS EXPRESSLY SET FORTH IN **SECTION 4.1** OF THIS AGREEMENT AND THE SPECIAL WARRANTY OF TITLE TO BE PROVIDED IN THE ASSIGNMENT, CONVEYANCE AND BILL OF SALE AS SET FORTH IN **SECTION 6.3** OF THIS AGREEMENT, WHITE OAK ACKNOWLEDGES THAT MILAGRO HAS NOT MADE, AND MILAGRO HEREBY EXPRESSLY DISCLAIMS AND NEGATES, ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE ASSETS, INCLUDING, WITHOUT LIMITATION, ANY EXPRESS OR IMPLIED WARRANTY RELATING TO THE CONDITION OF ANY REAL OR IMMOVABLE PROPERTY, PERSONAL OR MOVABLE PROPERTY, EQUIPMENT, INVENTORY, MACHINERY AND FIXTURES CONSTITUTING PART OF THE ASSETS INCLUDING, WITHOUT LIMITATION: (i) ANY IMPLIED OR EXPRESS WARRANTY OF MERCHANTABILITY; (ii) ANY IMPLIED OR EXPRESS WARRANTY OF FITNESS FOR A PARTICULAR PURPOSE; (iii) ANY IMPLIED OR EXPRESS WARRANTY OF CONFORMITY TO MODELS OR SAMPLES OF MATERIALS; (iv) ANY RIGHTS OF WHITE OAK UNDER APPROPRIATE STATUTES TO CLAIM DIMINUTION OF CONSIDERATION OR RETURN OF THE PURCHASE PRICE OR (v) ANY IMPLIED OR EXPRESS WARRANTY OF FREEDOM FROM PATENT OR TRADEMARK INFRINGEMENT OR INFRINGEMENT OF ANY OTHER INTELLECTUAL PROPERTY RIGHT. IT IS THE EXPRESS INTENTION OF WHITE OAK AND MILAGRO THAT THE REAL OR IMMOVABLE PROPERTY, PERSONAL OR MOVABLE PROPERTY, EQUIPMENT, INVENTORY, MACHINERY AND FIXTURES SHALL BE CONVEYED TO WHITE OAK "AS IS, WHERE IS," WITH ALL FAULTS, AND IN THEIR PRESENT CONDITION AND STATE OF REPAIR. WHITE OAK SHALL HAVE THE OPPORTUNITY PRIOR TO THE CLOSING TO MAKE INSPECTIONS WITH RESPECT TO THE REAL OR IMMOVABLE PROPERTY, PERSONAL OR MOVABLE PROPERTY, EQUIPMENT, INVENTORY, MACHINERY AND FIXTURES AS WHITE OAK DEEMS APPROPRIATE AND WHITE OAK WILL ACCEPT THE ASSETS "AS IS, WHERE IS", WITH ALL FAULTS, AND IN THEIR PRESENT CONDITION AND STATE OF REPAIR.

(b) EXCEPT AS AND TO THE EXTENT EXPRESSLY SET FORTH IN THIS AGREEMENT, MILAGRO MAKES NO REPRESENTATIONS OR WARRANTIES WHATSOEVER, AND DISCLAIMS ALL LIABILITY AND RESPONSIBILITY FOR ANY REPRESENTATION, WARRANTY, STATEMENT, OR INFORMATION MADE OR COMMUNICATED (ORALLY OR IN WRITING) TO WHITE OAK (INCLUDING ANY OPINION, INFORMATION, OR ADVICE THAT MAY HAVE BEEN

PROVIDED TO WHITE OAK BY ANY RESPECTIVE AFFILIATE OR REPRESENTATIVE OF MILAGRO OR BY ANY INVESTMENT BANK OR INVESTMENT BANKING FIRM, ANY PETROLEUM ENGINEER OR ENGINEERING FIRM, MILAGRO'S COUNSEL, OR ANY OTHER AGENT, CONSULTANT, OR REPRESENTATIVE). WITHOUT LIMITING THE GENERALITY OF THE FOREGOING, MILAGRO HEREBY EXPRESSLY NEGATES AND DISCLAIMS, AND WHITE OAK HEREBY WAIVES AND ACKNOWLEDGES THAT MILAGRO HAS NOT MADE, ANY REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, RELATING TO PRODUCTION RATES, RECOMPLETION OPPORTUNITIES, DECLINE RATES, GEOLOGICAL OR GEOPHYSICAL DATA OR INTERPRETATIONS, EXISTENCE OR THE QUALITY, QUANTITY, RECOVERABILITY OR COST OF RECOVERY OF ANY HYDROCARBON RESERVES, ANY PRODUCT PRICING ASSUMPTIONS, THE ABILITY TO SELL OR MARKET ANY HYDROCARBONS AFTER CLOSING, OR ANY OTHER CONDITION OF THE ASSETS OR ANY POTENTIAL LIABILITY ARISING FROM OR RELATED TO THE ASSETS.

(c) EXCEPT AS AND TO THE EXTENT EXPRESSLY SET FORTH IN **SECTION 4.1** OF THIS AGREEMENT AND THE SPECIAL WARRANTY OF TITLE SET FORTH IN **SECTION 6.3** OF THIS AGREEMENT, MILAGRO EXPRESSLY DISCLAIMS ANY REPRESENTATION OR WARRANTY, EXPRESS, STATUTORY OR IMPLIED AS TO (i) ANY IMPLIED OR EXPRESS WARRANTY REGARDING ENVIRONMENTAL LAWS, THE RELEASE OF MATERIALS INTO THE ENVIRONMENT INCLUDING, WITHOUT LIMITATION, NATURALLY OCCURRING RADIOACTIVE MATERIAL OR ASBESTOS, OR PROTECTION OF THE ENVIRONMENT OR HEALTH, (ii) ANY IMPLIED OR EXPRESS WARRANTY REGARDING TITLE TO ANY OF THE ASSETS, (iii) THE CONTENTS, CHARACTER OR NATURE OF ANY REPORT OF ANY PETROLEUM ENGINEERING CONSULTANT, OR ANY ENGINEERING, GEOLOGICAL OR SEISMIC DATA OR INTERPRETATION, RELATING TO THE ASSETS, (iv) THE PRODUCTION OR HYDROCARBONS FROM THE ASSETS, (v) THE CONDITION, QUALITY, SUITABILITY OR MARKETABILITY OF ANY HYDROCARBONS, (vi) THE AVAILABILITY OF GATHERING OR TRANSPORTATION FOR HYDROCARBONS, (vii) THE CONTENT, CHARACTER OR NATURE OF ANY INFORMATION MEMORANDUM, REPORTS, BROCHURES, CHARTS OR STATEMENTS PREPARED BY OR ON BEHALF OF MILAGRO OR THIRD PARTIES WITH RESPECT TO THE ASSETS AND (viii) ANY OTHER MATERIALS OR INFORMATION THAT MAY HAVE BEEN MADE AVAILABLE TO WHITE OAK OR ITS OR THEIR AFFILIATES IN CONNECTION WITH THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT OR ANY DISCUSSION OR PRESENTATION RELATING THERETO. ANY AND ALL SUCH DATA, INFORMATION AND OTHER MATERIALS FURNISHED BY OR ON BEHALF OF MILAGRO IS PROVIDED TO

WHITE OAK AS A CONVENIENCE AND ANY RELIANCE ON OR USE OF THE SAME SHALL BE AT WHITE OAK'S SOLE RISK.

(d) EXCEPT AS EXPRESSLY SET FORTH IN **SECTION 4.2** OF THIS AGREEMENT, MILAGRO ACKNOWLEDGES THAT WHITE OAK HAS NOT MADE, AND WHITE OAK HEREBY EXPRESSLY DISCLAIMS AND NEGATES, ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE BUSINESS AND/OR ASSETS OF WHITE OAK, INCLUDING, WITHOUT LIMITATION, ANY EXPRESS OR IMPLIED WARRANTY RELATING TO THE CONDITION OF ANY REAL OR IMMOVABLE PROPERTY, PERSONAL OR MOVABLE PROPERTY, EQUIPMENT, INVENTORY, MACHINERY AND FIXTURES CONSTITUTING PART OF THE ASSETS OF WHITE OAK INCLUDING, WITHOUT LIMITATION: (i) ANY IMPLIED OR EXPRESS WARRANTY OF MERCHANTABILITY; (ii) ANY IMPLIED OR EXPRESS WARRANTY OF FITNESS FOR A PARTICULAR PURPOSE; (iii) ANY IMPLIED OR EXPRESS WARRANTY OF CONFORMITY TO MODELS OR SAMPLES OF MATERIALS; OR (Iv) ANY IMPLIED OR EXPRESS WARRANTY OF FREEDOM FROM PATENT OR TRADEMARK INFRINGEMENT OR INFRINGEMENT OF ANY OTHER INTELLECTUAL PROPERTY RIGHT. IT IS THE EXPRESS INTENTION OF WHITE OAK AND MILAGRO THAT THE REAL OR IMMOVABLE PROPERTY, PERSONAL OR MOVABLE PROPERTY, EQUIPMENT, INVENTORY, MACHINERY AND FIXTURES OF WHITE OAK ARE "AS IS, WHERE IS," WITH ALL FAULTS, AND IN THEIR PRESENT CONDITION AND STATE OF REPAIR.

(e) EXCEPT AS AND TO THE EXTENT EXPRESSLY SET FORTH IN THIS AGREEMENT, WHITE OAK MAKES NO REPRESENTATIONS OR WARRANTIES WHATSOEVER, AND DISCLAIMS ALL LIABILITY AND RESPONSIBILITY FOR ANY REPRESENTATION, WARRANTY, STATEMENT, OR INFORMATION MADE OR COMMUNICATED (ORALLY OR IN WRITING) TO MILAGRO (INCLUDING ANY OPINION, INFORMATION, OR ADVICE THAT MAY HAVE BEEN PROVIDED TO MILAGRO BY ANY RESPECTIVE AFFILIATE OR REPRESENTATIVE OF WHITE OAK OR BY ANY INVESTMENT BANK OR INVESTMENT BANKING FIRM, ANY PETROLEUM ENGINEER OR ENGINEERING FIRM, WHITE OAK'S COUNSEL, OR ANY OTHER AGENT, CONSULTANT, OR REPRESENTATIVE). WITHOUT LIMITING THE GENERALITY OF THE FOREGOING, WHITE OAK HEREBY EXPRESSLY NEGATES AND DISCLAIMS, AND MILAGRO HEREBY WAIVES AND ACKNOWLEDGES THAT WHITE OAK HAS NOT MADE, ANY REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, RELATING TO PRODUCTION RATES, RECOMPLETION OPPORTUNITIES, DECLINE RATES, GEOLOGICAL OR GEOPHYSICAL DATA OR INTERPRETATIONS, EXISTENCE OR THE QUALITY, QUANTITY, RECOVERABILITY OR COST OF RECOVERY OF ANY HYDROCARBON RESERVES, ANY PRODUCT PRICING ASSUMPTIONS, THE ABILITY TO SELL OR

MARKET ANY HYDROCARBONS AFTER CLOSING, OR ANY OTHER CONDITION OF THE ASSETS OF WHITE OAK OR ANY POTENTIAL LIABILITY ARISING FROM OR RELATED TO THE ASSETS OF WHITE OAK.

(f) EXCEPT AS AND TO THE EXTENT EXPRESSLY SET FORTH IN **SECTION 4.2.** OF THIS AGREEMENT, WHITE OAK EXPRESSLY DISCLAIMS ANY REPRESENTATION OR WARRANTY, EXPRESS, STATUTORY OR IMPLIED AS TO (i) ANY IMPLIED OR EXPRESS WARRANTY REGARDING ENVIRONMENTAL LAWS, THE RELEASE OF MATERIALS INTO THE ENVIRONMENT INCLUDING, WITHOUT LIMITATION, NATURALLY OCCURRING RADIOACTIVE MATERIAL OR ASBESTOS, OR PROTECTION OF THE ENVIRONMENT OR HEALTH, (ii) ANY IMPLIED OR EXPRESS WARRANTY REGARDING TITLE TO ANY OF THE ASSETS OF WHITE OAK, (iii) THE CONTENTS, CHARACTER OR NATURE OF ANY REPORT OF ANY PETROLEUM ENGINEERING CONSULTANT, OR ANY ENGINEERING, GEOLOGICAL OR SEISMIC DATA OR INTERPRETATION, RELATING TO THE ASSETS OF WHITE OAK, (iv) THE PRODUCTION OR HYDROCARBONS FROM THE ASSETS OF WHITE OAK, (v) THE CONDITION, QUALITY, SUITABILITY OR MARKETABILITY OF ANY HYDROCARBONS, (vi) THE AVAILABILITY OF GATHERING OR TRANSPORTATION FOR HYDROCARBONS, (vii) THE CONTENT, CHARACTER OR NATURE OF ANY INFORMATION MEMORANDUM, REPORTS, BROCHURES, CHARTS OR STATEMENTS PREPARED BY OR ON BEHALF OF WHITE OAK OR THIRD PARTIES WITH RESPECT TO THE ASSETS OF WHITE OAK AND (viii) ANY OTHER MATERIALS OR INFORMATION THAT MAY HAVE BEEN MADE AVAILABLE TO MILAGRO OR ITS OR THEIR AFFILIATES IN CONNECTION WITH THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT OR ANY DISCUSSION OR PRESENTATION RELATING THERETO. ANY AND ALL SUCH DATA, INFORMATION AND OTHER MATERIALS FURNISHED BY OR ON BEHALF OF WHITE OAK IS PROVIDED TO MILAGRO AS A CONVENIENCE AND ANY RELIANCE ON OR USE OF THE SAME SHALL BE AT MILAGRO'S SOLE RISK.

5. PRE-CLOSING COVENANTS AND AGREEMENTS

5.1 Records Review.

Upon execution of this Agreement, Milagro will promptly make the Records available to White Oak for examination during Milagro's regular business hours at Milagro's offices in Houston, Texas and/or another location reasonably designated by Milagro. NOTWITHSTANDING THE PROVISIONS OF **SECTION 12.2**, AND SUBJECT TO **SECTION 7.2** WHICH SHALL GOVERN ENVIRONMENTAL INSPECTIONS BY WHITE OAK, WHITE OAK HEREBY AGREES TO AND SHALL DEFEND, INDEMNIFY AND HOLD ALL MILAGRO INDEMNIFIED PARTIES HARMLESS FROM AND AGAINST ANY AND ALL LOSSES ATTRIBUTABLE TO PERSONAL INJURY, DEATH OF PHYSICAL PROPERTY DAMAGE, CAUSED BY, ARISING OUT OF, ASSOCIATED

WITH, OR IN ANY WAY RELATED TO THE PHYSICAL ACCESS TO THE ASSETS AND MILAGRO'S OFFICES BY WHITE OAK AND ANY PERSON ACTING ON WHITE OAK'S BEHALF, INCLUDING THE EXAMINATION DESCRIBED HEREIN, OCCURRING AFTER THE EXECUTION OF THIS AGREEMENT. THE FOREGOING RELEASE AND INDEMNIFICATION SHALL APPLY WHETHER OR NOT SUCH LOSSES ARISE OUT OF (i) NEGLIGENCE (INCLUDING SOLE NEGLIGENCE, SINGLE NEGLIGENCE, CONCURRENT NEGLIGENCE, JOINT NEGLIGENCE, ACTIVE OR PASSIVE NEGLIGENCE) OF ANY MILAGRO INDEMNIFIED PARTY OR (ii) STRICT LIABILITY, STATUTORY LIABILITY, BREACH OF CONTRACT, BREACH OF WARRANTY OR OTHER FAULT OR RESPONSIBILITY OF ANY MILAGRO INDEMNIFIED PARTY OR ANY OTHER PERSON OR PARTY; PROVIDED. HOWEVER, THAT THE FOREGOING RELEASE AND INDEMNIFICATION SHALL NOT APPLY TO LOSSES THAT ARISE OUT OF THE GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF ANY MILAGRO INDEMNIFIED PARTY.

5.2 Interim Operations.

(a) During the period from the Execution Date to the Closing, except (i) as required by any Lease, Assigned Contract or instrument listed on any Schedule hereto or (ii) as required by any applicable law or any governmental authority (including by order or directive of the Bankruptcy Court, as required by the terms of any debtor in possession financing obtained by Milagro or fiduciary duty of the Board of Directors of Milagro), Milagro agrees, unless specifically waived or consented to by White Oak in writing (which consent shall not be unreasonably withheld, conditioned or delayed), as follows:

(1) Subject to the provisions of applicable operating and other agreements, Milagro shall operate, maintain and administer the Assets in a good and workmanlike manner, consistent with its past practices.

(2) Except for emergency action taken in the face of risk to life, property or the environment, Milagro shall submit to White Oak for prior written approval, which approval shall not be unreasonably conditioned, withheld or delayed, all requests for capital expenditures and all proposed new contracts and agreements relating to the Assets that involve individual commitments of more than Fifty Thousand Dollars ($50,000), net to Milagro's interest.

(3) Except in the ordinary course of business, Milagro will not sell, farmout, encumber or dispose of any of the Assets that is in excess of Fifty Thousand Dollars ($50,000), net to Milagro's interest.

(4) Except with respect to those Hydrocarbons sales, processing, gathering, treating, or other similar agreements as provided in **Section 5.2(a)(5)** below, Milagro will not enter into any material new contract affecting the Assets or modify or amend in any

material adverse respect any Leases or existing contract other than in the ordinary course of business.

(5) Milagro shall not enter into any new Hydrocarbons sales, processing, gathering, treating, or other similar agreements, or otherwise modify or amend any existing Hydrocarbons sales, processing, gathering, treating, or other similar agreements, with a term of greater than sixty (60) days without the prior written approval of White Oak.

(6) Milagro will promptly notify White Oak if Milagro receives actual written notice of any material claim, suit, action or other proceeding, or any threat thereof, of any kind relating, in whole or in part, to the Assets.

(7) Except as contemplated by the Plan, Milagro will not issue (A) any equity interest or (B) any options, warrants, rights of conversion or other rights, agreements or commitments obligating Milagro to issue, deliver or sell any equity interest of Milagro.

(8) Milagro will not merge or consolidate with, or purchase substantially all of the assets or business of, or equity interests in, or make an investment in, any Person or adopt a plan of complete or partial liquidation or authorize or undertake a dissolution, consolidation, restructuring, recapitalization or other reorganization.

In the event the lender to any debtor in possession financing obtained by Milagro requests or instructs Milagro to take any action that is described in this **Section 5.2(a)**, Milagro shall deliver written notice to White Oak of such request as promptly as practicable prior to Milagro's taking of any such action.

(b) White Oak acknowledges that Milagro owns an undivided interest in certain of the Assets, and White Oak agrees that the acts or omissions of the other Working Interest or unit interest owners shall not constitute a violation of the provisions of this **Section 5.2**, nor shall any action required by a vote of Working Interest owners constitute such a violation so long as Milagro has voted its interest in a manner that complies with the provisions of this **Section 5.2**.

(c) During the period from the Execution Date to the Closing, White Oak agrees, unless specifically consented by Milagro in writing (which consent shall not be unreasonably withheld, conditioned or delayed), as follows:

(1) White Oak will operate its business and its assets in the ordinary course of business, in a good and workmanlike manner, consistent with its past practices, and in material compliance with all laws;

(2) White Oak will use commercially reasonable efforts to preserve beneficial relationships with its customers, suppliers, agents, lessors and lessees.

(3) White Oak will promptly notify Milagro if White Oak receives actual written notice of any material claim, suit, action or other proceeding, or any threat thereof, of any kind relating to the business or assets of White Oak.

(4) White Oak will not subject any of its assets to any new mortgage or pledge except as set forth on **Schedule 4.2(l)(5)**, except as may be reasonably necessary to fund a portion of the Purchase Price in connection with this Agreement.

(5) White Oak will not authorize, issue or sell (A) any equity interest of White Oak, (B) any securities containing equity features, or (C) any options, warrants, rights of conversion or other rights, agreements or commitments obligating White Oak to issue, deliver or sell any equity interest of White Oak, except as may be reasonably necessary to fund the Cash Payment Cap portion of the Purchase Price in connection with this Agreement.

(6) White Oak will not merge or consolidate with, or purchase substantially all of the assets or business of, or equity interests in, or make an investment in, any Person or adopt a plan of complete or partial liquidation or authorize or undertake a dissolution, consolidation, merger, restructuring, recapitalization or other reorganization.

(7) White Oak will not declare any distributions or dividends that are payable on or after the Effective Time.

(8) White Oak will not commit to do any of the foregoing.

(d) During the period from the Execution Date to the Closing, White Oak shall provide prompt written notice to Milagro of any of the following actions:

(1) Except for emergency action taken in the face of risk to life, property or the environment, all requests for capital expenditures and all proposed new contracts and agreements relating that involve individual commitments of more than Two Hundred Fifty Thousand Dollars ($250,000), net to White Oak's interest.

(2) Except in the ordinary course of business, any farmout, encumbrance or disposition of any of its assets that is in excess of Two Hundred Fifty Thousand Dollars ($250,000), net to White Oak's interest.

(3) The settlement of any claim, action or proceeding that is in excess of Two Hundred Fifty Thousand Dollars ($250,000), net to White Oak's interest.

5.3 Preferential Rights and Consents.

(a) Within fifteen (15) Business Days after the Execution Date, Milagro shall send (i) notices to the holders of Preferential Rights applicable to the transactions contemplated hereby and listed on **Schedule 4.1(l)** hereto, and (ii) with respect to consents to assignment applicable to the transactions contemplated hereby (other than governmental consents or approvals customarily obtained post-Closing) listed on **Schedule 4.1(l)**, requests to third parties for their consent to assignment of the affected Assets to White Oak. From and after the Execution Date, Milagro shall make all reasonable efforts to obtain all such Preferential Right waivers and third party consents; provided, that in no event shall Milagro be obligated to pay any amount or assume any additional liability in connection with obtaining such Preferential Right waivers and third party consents. For purposes of this Agreement, the term "**Preferential Rights**" shall mean any right or agreement that enables any Person to purchase or acquire any Asset or any interest therein or portion thereof as a result of or in connection with the execution or delivery of this Agreement or the consummation of the transactions contemplated herein.

(b) In the event a third party elects to exercise an applicable Preferential Right to purchase any of the Assets prior to the Closing Date (and has not, prior to the Closing, subsequently waived such Preferential Right or withdrawn its exercise thereof), the affected Assets shall be removed from this Agreement and the Purchase Price shall be reduced by the Allocated Value of such Assets. For a period of one hundred and twenty (120) days after the Closing Date, Milagro may, from time to time, notify White Oak in writing if the holder of such exercised Preferential Right has withdrawn its exercise thereof or has failed to close. Within ten (10) Business Days after White Oak's receipt of such notice, Milagro shall contribute, assign, transfer and convey to White Oak, and White Oak shall acquire and accept from Milagro, the affected Assets pursuant to the terms of this Agreement and for the Allocated Value thereof (as adjusted pursuant to **Section 3.4** through the date such Assets are transferred to White Oak).

(c) If prior to the Closing Date any Preferential Right applicable to the transactions contemplated hereby has not been expressly waived or the period for exercise of such Preferential Right has not expired without challenge or comment from the holder of such Preferential Right, such Assets subject to the Preferential Right shall be sold to White Oak at the Closing pursuant to the provisions of this Agreement.

(d) If prior to the Closing Date any consent to assignment applicable to the transactions contemplated hereby (other than governmental consents or

approvals customarily obtained post-Closing) has not been obtained, and further, failure to obtain such third party consent may result in termination of the Lease or Assigned Contract, including causing such Lease or Assigned Contract to be void or voidable (each such consent, a "**Hard Consent**"), the Assets affected by such third party Hard Consent requirement shall be held back from the Assets conveyed at Closing and the Purchase Price shall be reduced by the Allocated Value of such retained Assets subject to the outstanding consent. Any Asset so held back at the Closing will be sold to White Oak within ten (10) Business Days after such third party Hard Consents have been obtained, waived or otherwise satisfied. At such subsequent closing, Milagro shall contribute, assign, transfer and convey to White Oak, and White Oak shall acquire and accept from Milagro, such Asset pursuant to the terms of this Agreement and for the Allocated Value thereof (as adjusted pursuant to **Section 3.4** through the date such Assets are transferred to White Oak).

(e) Except for those Hard Consents described in **Section 5.3(d)**, if any consents to the assignment of any Asset are not obtained prior to Closing, then with respect to each affected Asset, the affected Assets shall nevertheless be sold and conveyed to White Oak at the Closing.

5.4 Casualty Loss. If, subsequent to the Execution Date and prior to the Closing, all or any portion of the Assets are (i) destroyed by fire or other casualty or (ii) are taken in condemnation or under the right of eminent domain (or proceedings for such purposes are pending or threatened) (collectively, "**Casualty Loss**"), Milagro shall, at its sole option, elect, by delivering a written notice to White Oak prior to the Closing Date, to either (A) attempt to replace, repair or restore the Assets affected by such Casualty Loss to their prior condition, at Milagro's sole cost, as promptly as reasonably practicable (which work may extend after the Closing Date), or (B) subject to the terms of any debtor in possession financing obtained by Milagro, assign the insurance proceeds therefrom to White Oak at Closing. In the case of (B) above, Milagro shall transfer to White Oak, at Closing, without recourse against Milagro, all of the right, title, and interest of Milagro in and to any unpaid insurance or condemnation proceeds arising out of such loss, damage, destruction, or taking. Milagro agrees to maintain, or cause to be maintained, at its sole cost and expense, policies of insurance on all of the Assets in the types and in the amounts which would be reasonably maintained by a prudent operator of oil and gas properties. Except as otherwise noted in this **Section 5.4**, any such funds that have been committed by Milagro for repair, restoration, or replacement as aforesaid shall be paid by Milagro for such purposes or, at Milagro's option, delivered to White Oak. In the event any Casualty Loss is not fully compensated by the efforts of Milagro described in clause (A) above or the insurance proceeds actually assigned pursuant to clause (B) above, the Purchase Price shall be reduced in an amount equal to the insurance proceeds not actually assigned to White Oak pursuant to clause (B) above, in accordance with **Section 3.4(a)(10)**.

5.5 Assumption and Rejection of Executory Contracts and Leases. **Schedule 5.5(a)** sets forth a draft of the executory contracts and unexpired Leases Milagro plans to file as Schedule G with the Bankruptcy Court (the "**365 Schedule**"). Within thirty (30) days after the date of this Agreement,

Milagro will deliver to White Oak a copy of the 365 Schedule. If, at any time thereafter, Milagro determines that it is party to a 365 Contract that is not then set forth on the 365 Schedule, Milagro agrees to amend or supplement the 365 Schedule from time to time promptly, and to provide White Oak promptly with a copy of the revised 365 Schedule reflecting the amendments or supplements thereto. If Milagro has not previously provided or made available to White Oak a copy of any such 365 Contract, including any amendments, waivers or other modifications thereof Milagro shall upon White Oak's request (i) provide a copy of such 365 Contract to White Oak if Milagro has a copy of such 365 Contract readily available in its files or (ii) use its commercially reasonable efforts to obtain a copy of such 365 Contract if Milagro does not have a copy of such 365 Contract readily available in its files and, upon obtaining a copy, provide a copy of such 365 Contract to White Oak.

(b) **Schedule 5.5(b)** sets forth a complete list of the 365 Contracts listed on the 365 Schedule received from Milagro that White Oak desires to be assumed by Milagro and transferred and conveyed to White Oak as an assumed and assigned contract (collectively, and as further modified by White Oak pursuant to the provisions of this **Section 5.5(b)** (the "**Desired 365 Contracts**"), which shall include each contract that is identified as an "Operating Agreement" on the 365 Schedule and the Parties agree is an oil and gas operating agreement that relates to one or more of the Leases being acquired by White Oak under this Agreement (each such contract, an "**Operating Agreement**"). As promptly as practicable following the designation by White Oak of any 365 Contract as a Desired 365 Contract, Milagro shall take all necessary actions in order to effect the assumption and assignment of such Desired 365 Contract by Milagro in accordance with the Bankruptcy Code, effective as of the Closing. Notwithstanding the foregoing, at any time prior to five (5) calendar days before the commencement of the Confirmation Hearing (or, if any 365 Contract is first identified to White Oak by Milagro between the beginning of such five (5) calendar days and the commencement of the Confirmation Hearing, within one (1) Business Day of such identification), White Oak may designate any 365 Contract that has not been rejected as a Desired 365 Contract and upon receipt of any such notice Milagro shall use commercially reasonable efforts to effect the assumption and assignment of such 365 Contract by Milagro in accordance with the Bankruptcy Code and, if Milagro is successful in effecting such assumption and assignment as of Closing, such 365 Contract shall become a Desired 365 Contract and transferred and conveyed to White Oak as an Assigned Contract. Notwithstanding anything herein to the Contrary, White Oak may revise **Schedule 5.5(b)** by subtracting one or more Desired 365 Contracts at any time prior to five (5) calendar days before the commencement of the Confirmation Hearing; provided, however, that White Oak may not subtract from **Schedule 5.5(b)** any Desired 365

Contract that is an Operating Agreement as defined in this **Section 5.5(b)** which relates to any Assets being acquired by White Oak.

(c) At or prior to the Closing, White Oak shall provide adequate assurance of future performance of all of the Desired 365 Contracts so that all Desired 365 Contracts can be assumed by Milagro and assigned to White Oak at or prior to the Closing in accordance with the provisions of Section 365 of the Bankruptcy Code and this Agreement provided that White Oak shall cooperate with Milagro in providing such adequate assurance of future performance of all of the Desired 365 Contracts and Milagro acknowledges that such cooperation may require Milagro to provide information regarding White Oak and its subsidiaries, as well as a commitment of performance by White Oak and/or its subsidiaries with respect to the Desired 365 Contracts from and after the Closing to demonstrate adequate assurance of the performance of the Desired 365 Contracts, and Milagro's obligation to assume and assign such Desired 365 Contracts is subject to the cooperation and providing of such information and commitment by White Oak. Milagro shall use its best efforts to identify all counterparties to the Desired 365 Contracts and any other parties who may assert potential claims for Cure Costs and shall comply with the provisions approved by the Bankruptcy Court to give notice of the proposed assignment of the Desired 365 Contracts and proposed Cure costs to all such identified parties. All Cure Costs with respect to the Desired 365 Contracts, if any, will be paid by Milagro; and White Oak shall have no liability for Cure Costs other than as provided in **Section 3.4(a)(6)**.

5.6 Confidentiality. The Parties acknowledge that White Oak and Milagro previously executed the Confidentiality Agreement. Notwithstanding anything to the contrary in the Confidentiality Agreement, the Parties acknowledge and understand that this Agreement will be filed with the Bankruptcy Court. The Parties agree that such disclosure shall not be deemed to violate any confidentiality obligations owing to any Party, whether pursuant to this Agreement, the Confidentiality Agreement or otherwise. Notwithstanding the foregoing, this **Section 5.6** shall not in any way limit, to the extent required by applicable law, the disclosure of information by Milagro or its Affiliates in connection with the administration of the Plan, pursuant to any provision of the Bankruptcy Code or any order of the Bankruptcy Court.

5.7 Post-Signing Information.

Prior to the Closing, White Oak shall have the right to amend or supplement the Schedules relating to its representations and warranties set forth in **Section 4.2** with respect to any matters first occurring subsequent to the Execution Date which, if existing as of the date hereof, would have been required to be set forth in such Schedules to make a representation or warranty true and correct ("**Post-Signing Information**"). For the avoidance of doubt, White Oak shall not have the right to amend or supplement the Schedules relating to its representations and warranties set forth in **Section 4.2** with respect to any matters occurring prior to the Execution Date. If (i) any Post-Signing Information is added to the Schedules and (ii) the conditions set forth in **Section 9.1(a)**

have nonetheless been fulfilled, Milagro shall be obligated to close and Milagro shall not be entitled to make any claim of any kind or nature with respect to such Post-Signing Information pursuant to the terms of this Agreement or otherwise. If (i) any Post-Signing Information is added to the Schedules and (ii) the conditions set forth in **Section 9.1(a)** have not been fulfilled, without giving effect to the Post-Signing Information, Milagro shall be entitled to terminate this Agreement as its sole and exclusive remedy. If Milagro is entitled to terminate this Agreement as contemplated by the preceding sentence, but nonetheless elects to close the transaction, Milagro shall not be entitled to make any claim of any kind or nature with respect to such Post-Signing Information pursuant to the terms of this Agreement or otherwise.

5.8 Post-Execution Date Financial Updates. After the end of each fiscal quarter prior to the Closing Date, White Oak agrees to provide Milagro with correct and complete copies of the quarterly financial statements of White Oak and its subsidiaries provided to its lenders pursuant to White Oak's applicable credit documents. Such financial statements will be provided to Milagro within 75 days following the end of each fiscal quarter. Milagro acknowledges that such financial statements are unaudited and, therefore, are subject to normal recurring year-end adjustments. Additionally, upon the request of Milagro, and no more frequently than once per month, White Oak agrees to make its key personnel reasonably available, during normal business hours, for a conference call or in-person meeting with up to five (5) representatives of Milagro in order to discuss questions regarding such financial statements.

6. TITLE MATTERS

6.1 Definitions.

(a) The term "**Defensible Title**" shall mean such title held by Milagro on the Effective Time which, except for and subject to the Permitted Encumbrances: (i) entitles Milagro to receive as to each Well or Unit not less than the Net Revenue Interest set forth on **Exhibit G** of all Hydrocarbons produced from such Well or Unit; (ii) obligates Milagro to bear costs and expenses relating to the drilling, maintenance, development, operation and plugging and abandonment of a Well or Unit in an amount not greater than the Working Interest set forth in **Exhibit G** for such Well or Unit (without at least a proportionate increase in the Net Revenue Interest which Milagro is entitled to receive from such Well or Unit); and (iii) is free and clear of Encumbrances other than Permitted Encumbrances.

(b) "**Encumbrances**" shall mean any encumbrance, charge, equitable interest, privilege, lien, mortgage, deed of trust, production payment, option, pledge, collateral assignment, security interest, or other arrangement substantially equivalent thereto, or other defect or irregularity of any kind.

(c) The term "**Permitted Encumbrances**" shall mean:

(1) The terms and conditions of the Leases and other instruments of record relating to the Assets, including Royalties, production

payments, net profits interests, unitization and pooling designations and agreements, reversionary interests and similar burdens to the extent such burdens do not reduce the Net Revenue Interest for any Well or Unit below that set forth on **Exhibit G** for such Well or Unit or increase the Working Interest for any Well or Unit above that set forth on **Exhibit G** without a proportionate increase in the Net Revenue Interest for such Well or Unit;

(2) any third party consents required for the transfer of any of the Assets and similar agreements with respect to (x) which waivers or consents are obtained prior to the Closing or (y) which are typically obtained after Closing (including any applicable approvals from any governmental authority);

(3) Preferential Rights;

(4) all recorded easements, rights-of-way, servitudes, licenses and permits on, over, across or in respect of any of the Assets;

(5) rights reserved to or vested in any governmental agency to control or regulate any of the Assets in any manner, and all obligations and duties under all applicable laws, rules and orders of any such governmental agency or under any franchise, grant, license or permit issued by any such governmental agency;

(6) materialmen's, mechanics', repairmen's, employees', contractors', operators', tax and other similar liens or charges arising in the ordinary course of business incidental to the construction, maintenance or operation of any of the Assets: (A) if they have not been filed pursuant to law; (B) if filed, that have not yet become due and payable and payment is being withheld as provided by law; or (C) if their validity is being contested in good faith in the ordinary course of business by appropriate action;

(7) Imbalances;

(8) liens for current period Taxes, or assessments not yet delinquent;

(9) the terms and conditions of the Assigned Contracts, unitization, communitization, pooling agreements, joint operating agreements and production sales agreements, to the extent the same do not reduce the Net Revenue Interest for any Well or Unit below that set forth on **Exhibit G** for such Well or Unit or increase the Working Interest for any Well or Unit above that set forth on **Exhibit G** without a proportionate increase in the Net Revenue Interest for such Well or Unit;

(10) any maintenance of uniform interest provision in an operating agreement if waived by the party or parties having the right to

enforce such provision or if the violation of such provision would not give rise to the unwinding of the sale of the affected Asset hereunder;

(11) conventional rights of reassignment triggered by Milagro's (or, after the Closing, White Oak's) express indication of its intention to finally release or abandon its interest prior to expiration of the primary term or other termination of such interest; and

(12) such other defects or irregularities of title as White Oak may have waived in writing or by which White Oak shall be deemed to have waived pursuant to the provisions of this Agreement.

(d) The term "**Title Defect**" shall mean any encumbrance or defect in Milagro's title to a Property that renders Milagro's title to such Property to be less than Defensible Title.

(e) The term "**Title Defect Amount**" shall mean, with respect to any Title Defect, the amount by which the Allocated Value of the Property affected by such Title Defect is reduced as a result of the existence of such Title Defect and shall be determined in accordance with the following methodology, terms and conditions:

(1) if the Title Defect is an Encumbrance which is undisputed and liquidated in amount, then the Title Defect Amount shall be the amount necessary to be paid to remove the Title Defect from the affected Property;

(2) if the Title Defect represents a discrepancy between the actual Net Revenue Interest for a Well or Unit and the Net Revenue Interest for such Well or Unit set forth on **Exhibit G**, then the Title Defect Amount shall be the product of the Allocated Value of such Well or Unit multiplied by a fraction, the numerator of which is the decrease in such Net Revenue Interest and the denominator of which is the Net Revenue Interest set forth on **Exhibit G**;

(3) if the Title Defect represents an obligation, encumbrance, burden or charge upon or other defect in title to any Property of a type not described in subsections (1) or (2) above, then the Title Defect Amount shall be determined by taking into account the Allocated Value of the affected Property, the portion of such Property affected by the Title Defect, the legal effect of the Title Defect, the potential economic effect of the Title Defect over the economic life of the affected Property, and such other factors as are necessary to make a proper evaluation; and

(4) notwithstanding anything to the contrary in this **Article 6**, the aggregate value of all Title Defect Amounts attributable to the effects of all Title Defects upon any specific Property shall not exceed the Allocated Value of such Property.

6.2 Title Adjustments.

(a) White Oak may give Milagro written notice of any Title Defects alleged by White Oak in good faith no later than 5:00 p.m., Houston time, on the date that is ten (10) Business Days prior to the Closing Date (the "**Defect Deadline**"). To be effective, such notice shall be in writing and shall include: (i) a description of the alleged Title Defect (including identifying the Property affected thereby); (ii) White Oak's reasonable estimation of the Title Defect Amount with respect to each Title Defect, and the computations for such Title Defect Amount and (iii) documentation or other evidence reasonably supporting White Oak's assertion of each Title Defect and Title Defect Amount. Upon receipt of such notice, Milagro shall have the right and opportunity, but not the obligation, to cure any Title Defect.

(b) On or before the Defect Deadline, Milagro may notify White Oak in writing if Milagro determines that Milagro has (i) a lesser Working Interest in any Well or Unit (without a proportionate decrease in the corresponding Net Revenue Interest for such Well or Unit) than that shown on **Exhibit G** for such Well or Unit, or (ii) a greater Net Revenue Interest in any Well or Unit (without a proportionate increase in the corresponding Working Interest for such Well or Unit) than that shown on **Exhibit G** for such Well or Unit (collectively, such items shall be referred to as an "**Additional Interest**"). To be effective, such notice shall include: (i) a description of the alleged Additional Interest (including identifying the Properties affected thereby); (ii) Milagro's reasonable estimation of the Additional Interest Amount with respect to each Additional Interest, and the computations for such Additional Interest Amount and (iii) documentation or other evidence reasonably supporting Milagro's assertion of each Additional Interest and Additional Interest Amount. The amount by which the Allocated Value of the Properties affected by an Additional Interest shall be increased as a result of the existence of such Additional Interest (the "**Additional Interest Amount**") shall be determined in accordance with the provisions of **Section 6.1(e)** *mutatis mutandis.*

(c) Notwithstanding anything herein to the contrary, no single Title Defect shall be taken into account unless the applicable Title Defect Amount is determined to be more than the Individual Title Defect Threshold. No adjustment will be made to the Purchase Price for uncured Title Defects unless the total of all Title Defect Amounts that exceed the Individual Title Defect Threshold exceeds the Aggregate Title Defect Deductible. In the event that the aggregate of all such Title Defect Amounts in excess of the Individual Title Defect Threshold exceeds the Aggregate Title Defect Deductible, the adjustment to the Purchase Price shall only be for the amount by which the total of all such Title Defect Amounts exceeds the Aggregate Title Defect Deductible. White Oak shall be deemed to have waived all Title Defects of which Milagro has not been given notice in accordance with **Section 6.2(a)**.

(d) Subject to **Section 6.2(c)**, in the event that any Title Defect is not waived by White Oak Milagro, at its option, shall elect to do one of the following:

(1) reduce the Purchase Price by the associated Title Defect Amount in accordance with **Section 6.2(e)**;

(2) remove the entirety of such affected Property from the Assets being conveyed hereby (together with all associated assets), in which event the Purchase Price shall be reduced by the Allocated Value(s) of such removed Assets; or

(3) cure such Title Defect at Milagro's sole cost and expense within one hundred twenty (120) days after the Closing Date.

(e) To the extent that (x) Milagro elects to reduce the Purchase Price in respect of any Title Defect pursuant to **Section 6.2(d)(1)** and/or (y) Milagro has asserted any Additional Interests pursuant to **Section 6.2(b)**: Milagro and White Oak shall attempt to agree on the associated Title Defect Amount and Additional Interest Amount prior to Closing and the Purchase Price shall be adjusted at Closing by the amount agreed by the Parties as such Title Defect Amount and Additional Interest Amount. If Milagro and White Oak are unable to agree on such amounts prior to Closing, then (1) the affected Property or Properties shall nevertheless be included in the Assets purchased by, and conveyed to, White Oak at Closing, (2) the Purchase Price shall be (i) reduced by the amount that White Oak has proposed as the Title Defect Amount with respect to such Title Defect, and/or (ii) increased by the amount that Milagro has proposed as the Additional Interest Amount with respect to such Additional Interest, and (3) the final determination of the Title Defect Amount and/or the Additional Interest Amount shall be resolved pursuant to **Section 6.2(f)**.

(f) Prior to the Closing, White Oak and Milagro shall negotiate in good faith to agree on any Title Defect Amounts and/or Additional Interest Amounts. After written notice to the other Party prior to the Closing and if the Parties fail to agree on the existence of a Title Defect or the Title Defect Amount, either Party may submit any such Title Defect Amount or Additional Interest Amount to a single arbitrator, who shall be a title attorney with at least twenty (20) years' experience in oil and gas titles involving properties in the regional area in which the Properties affected by the Title Defect and/or the Additional Interest, as applicable, are located, as selected by mutual agreement of the Parties, and absent such agreement, by the Houston, Texas office of the American Arbitration Association (the "**Title Valuation Referee**"). The Parties shall direct the Title Valuation Referee to resolve any such dispute within thirty (30) days after its receipt of all relevant materials pertaining thereto, being in no event greater than forty-five (45) days after referral of the matter to the Title Valuation Referee. The Title Valuation Referee shall act as an expert for the limited purpose of determining the specific disputed matters submitted by either Party and may not award damages

or penalties to either Party with respect to any matter. Milagro and White Oak shall share equally the Title Valuation Referee's costs, fees and expenses (including attorney's fees). The determination of the Title Valuation Referee shall be made in writing, shall be binding upon and non-appealable by the Parties and shall not be subject to further review, audit or arbitration. Upon final determination of any outstanding Title Defect Amount and/or Additional Interest Amount (whether by mutual agreement of the Parties or pursuant to the Title Valuation Referee's determination), Milagro or White Oak, as applicable, shall pay to the other the difference, if any, between the final Title Defect Amount and/or the final Additional Interest Amount, as applicable and the amount by which the Purchase Price was adjusted in respect of the applicable Title Defect or Additional Interest at Closing. If neither Party submits a Title Defect Amount or Additional Interest Amount to the Title Valuation Referee within thirty (30) days from the Closing Date, then White Oak and Milagro shall be deemed to have agreed that such Title Defect Amount and/or Additional Interest Amount with respect to which the Purchase Price has been adjusted pursuant to **Section 6.2(e)** is acceptable and shall be deemed to have waived their rights with respect to such Title Defect Amount and/or Additional Interest Amount, as applicable.

(g) If White Oak delivers a defect notice as provided in **Section 6.2(a)**, Milagro shall have until three (3) Business Days prior to the Closing Date to object to any Title Defect and/or any asserted Title Defect Amount as set forth in the Defect Notice, which objection and assertion shall be in writing (a "**Milagro Title Dispute Notice**") and shall identify (1) those Title Defects that Milagro disputes exists, (2) those Title Defect Amounts Milagro disagrees with (including any asserted Title Defect Amounts attributable to a Title Defect that Milagro does not dispute exists) and (3) those Title Defects that Milagro desires to attempt to cure. Milagro shall deliver to White Oak all internal or external engineering or other reports (and work papers related thereto reflecting information with respect to the Assets to which any Title Defect subject to an objection by Milagro relates) prepared by or for Milagro with respect to the Assets forming the basis of any dispute of any item in the Defect Notice or dollar amount or value thereof asserted by Milagro in the Milagro Title Dispute Notice. If Milagro timely delivers a Milagro Title Dispute Notice, White Oak and Milagro shall use good faith efforts to attempt to agree on the validity and amount of each Title Defect claim disputed by Milagro, giving effect to customary industry standards and practices as would be followed and accepted by a reasonable prudent operator of oil and gas properties. If White Oak and Milagro cannot agree on the validity or amount of any Title Defect claim disputed by Milagro within five (5) Business Days after Milagro's delivery of the Milagro Title Dispute Notice, either White Oak or Milagro may engage the Title Valuation Referee in accordance with **Section 6.2(f)**.

6.3 <u>Special Warranty of Title</u>.

In the Assignment, Conveyance and Bill of Sale to be delivered under **Section 10.2(a)**, Milagro will warrant title to the Assets unto White Oak, its successors and assigns, against all Persons claiming or to claim the same or any part thereof BY, THROUGH OR UNDER MILAGRO, BUT NOT OTHERWISE.

6.4 EXCLUSIVE REMEDY. THIS **ARTICLE 6** CONSTITUTES THE SOLE AND EXCLUSIVE REMEDY AND RIGHT OF RECOVERY THAT WHITE OAK SHALL HAVE AGAINST MILAGRO WITH RESPECT TO ANY TITLE DEFECTS TO THE ASSETS AND WHITE OAK MAY NOT CLAIM ANY FACT, CIRCUMSTANCE OR MATTER THAT WOULD CONSTITUTE A TITLE DEFECT UNDER THIS **ARTICLE 6** AS THE BASIS FOR ANY OTHER REDRESS UNDER THIS AGREEMENT.

7. ENVIRONMENTAL MATTERS

7.1 Environmental Assessment.

Prior to Closing, White Oak shall have the right to conduct an environmental inspection of the Assets as set forth in this **Section 7.1** (the "**Assessment**"). During Milagro's regular hours of business and after providing Milagro with written notice of any such activities no less than one (1) Business Day in advance an employee of White Oak or by a reputable environmental consulting or engineering firm approved in advance in writing by Milagro, shall be permitted to enter upon the Assets, inspect the same, review all of Milagro's files and Records (other than those for which Milagro has an attorney-client privilege) relating to the Assets, and generally conduct visual, non-invasive tests, examinations, and investigations, but only to the extent that Milagro may grant such right without violating any obligations to any third party after exercising reasonable efforts to obtain their consent. Milagro shall have the right to observe the Assessment and the Assessment shall be conducted at the sole cost and expense of White Oak, and shall be subject to the provisions of **Sections 7.1** and **7.2**. Upon written request to White Oak, by Milagro, White Oak shall promptly provide to Milagro a copy of all results, analysis, reports and reviews prepared by White Oak with respect to each Assessment at no cost to Milagro. If, following the conduct of any such environmental assessments, White Oak, in its reasonable discretion based on the findings and results of such environmental assessments, believes that further investigation, sampling or testing or other site assessment commonly referred to as a "Phase II" site assessment (collectively, "**Phase II Assessment**") is necessary to determine the existence and/or magnitude of an Environmental Defect or Environmental Defect Value, White Oak shall be entitled to request Milagro's consent to conduct any Phase II Assessment. White Oak shall furnish to Milagro for review and approval a proposed scope of any Phase II Assessment, including a description of the activities to be conducted and a description of the approximate locations of such activities. White Oak shall not conduct any Phase II Assessment without Milagro's prior written consent. White Oak shall advise Milagro prior to conducting any Assessment activities and Milagro shall have the right to be present during any Assessment activities and shall have the right, at its option and expense, to split samples with White Oak. All information obtained or reviewed by White Oak in connection with an Assessment conducted pursuant to this **Section 7.1** (including Phase II Assessments) shall be maintained confidential by White Oak and shall be governed by the Confidentiality Agreement. After completing any Assessment activities, White Oak shall, at its sole cost and expense, restore the Assets to their condition prior to the commencement of such Assessment activities, unless Milagro requests otherwise, and

shall promptly and properly dispose of all drill cuttings, corings, or other investigative-derived wastes generated in the course of the Assessment activities. White Oak shall maintain, and shall cause its officers, employees, representatives, consultants and advisors to maintain, all information obtained by White Oak pursuant to any Assessment or other due diligence activity as strictly confidential in perpetuity, unless disclosure of any facts discovered through such Assessment is required under any Environmental Laws.

7.2 INSPECTION INDEMNITY.

NOTWITHSTANDING THE PROVISIONS OF **SECTION 12.2**, WHITE OAK HEREBY AGREES TO AND SHALL DEFEND, INDEMNIFY AND HOLD THE MILAGRO INDEMNIFIED PARTIES HARMLESS FROM AND AGAINST ANY AND ALL LOSSES ATTRIBUTABLE TO PERSONAL INJURY, DEATH OR PHYSICAL PROPERTY DAMAGE CAUSED BY, ARISING OUT OF, ASSOCIATED WITH, OR IN ANY WAY RELATED TO THE ASSESSMENT (INCLUDING, WITHOUT LIMITATION, CLAIMS ARISING OUT OF, ASSOCIATED WITH, OR RELATED TO ANY ASSESSMENT AND/OR PHASE II ASSESSMENT), OCCURRING AFTER THE EXECUTION OF THIS AGREEMENT BY WHITE OAK OR ITS AGENTS OR REPRESENTATIVES. THE FOREGOING RELEASE AND INDEMNIFICATION SHALL APPLY WHETHER OR NOT SUCH LOSSES ARISE OUT OF (i) NEGLIGENCE (INCLUDING SOLE NEGLIGENCE, SINGLE NEGLIGENCE, CONCURRENT NEGLIGENCE, JOINT NEGLIGENCE, ACTIVE OR PASSIVE NEGLIGENCE) OF ANY MEMBER OF THE MILAGRO INDEMNIFIED GROUP OR (ii) STRICT LIABILITY, STATUTORY LIABILITY, BREACH OF CONTRACT, BREACH OF WARRANTY OR OTHER FAULT OR RESPONSIBILITY OF A MEMBER OF THE MILAGRO INDEMNIFIED GROUP OR ANY OTHER PERSON OR PARTY; PROVIDED, HOWEVER, THAT (A) THE FOREGOING RELEASE AND INDEMNIFICATION SHALL NOT APPLY TO LOSSES THAT ARISE OUT OF THE GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF THE MILAGRO INDEMNIFIED GROUP, AND (B) NOTHING HEREIN SHALL IMPOSE UPON WHITE OAK LIABILITIES OR OBLIGATIONS WITH RESPECT TO LIABILITIES THAT ARISE FROM THE DISCOVERY OF CONDITIONS OR EVENTS AS A RESULT OF WHITE OAK'S ASSESSMENT AND DUE DILIGENCE.

7.3 Definitions.

(a) The term "**Environmental Defect**" means any condition of the Assets that either (i) requires immediate restoration, remediation or resolution under applicable Environmental Laws, including, but not limited to, the presence of NORM, only to the extent such presence of NORM requires immediate restoration, remediation or resolution under applicable Environmental Laws; or (ii) would require immediate restoration, remediation or resolution under applicable Environmental Laws if known by a regulatory agency of competent jurisdiction.

(b) The term "**Environmental Defect Amount**" means, with respect to an Environmental Defect, all costs and expenses reasonably required for Remediation.

(c) The term "**Environmental Laws**" means all laws, statutes, ordinances, rules and regulations of any governmental authority pertaining to protection of the environment in effect as of the Effective Time and as interpreted by court decisions or administrative orders as of the Effective Time in the jurisdiction in which the applicable asset is located. Environmental Laws do not include good or desirable operating practices or standards that may be employed or adopted by other oil or gas well operators or merely recommended, but not required, by a governmental authority.

(d) The term "**Remediation**" means, with respect to an Environmental Defect, the implementation and completion of any remedial, removal, response, construction, closure, disposal or other corrective actions required under Environmental Laws to correct or remove such Environmental Defect.

7.4 Environmental Defect Adjustments.

(a) White Oak may give Milagro written notice of any Environmental Defects alleged by White Oak in good faith no later than the Defect Deadline. Such notice shall be in writing and shall include: (i) a description of each Environmental Defect (including identifying the Properties affected thereby); (ii) White Oak's reasonable estimation of the Environmental Defect Amount with respect to each Environmental Defect, and (iii) documentation or other evidence completely supporting White Oak's assertion of each Environmental Defect and Environmental Defect Amount. Upon receipt of such notice, Milagro shall have the right and the opportunity, but not the obligation, to cure any Environmental Defects.

(b) Notwithstanding anything herein to the contrary, no single Environmental Defect shall be taken into account unless the applicable Environmental Defect Amount is determined to be more than the Individual Environmental Defect Threshold. No adjustment will be made to the Purchase Price for uncured Environmental Defects unless the total of all Environmental Defect Amounts that exceed the Individual Environmental Defect Threshold exceeds the Aggregate Environmental Defect Deductible. In the event that the aggregate of all such Environmental Defect Amounts in excess of the Individual Environmental Defect Threshold exceeds the Aggregate Environmental Defect Deductible, the adjustment to the Purchase Price shall only be for the amount by which the total of all such Environmental Defect Amounts exceeds the Aggregate Environmental Defect Deductible. White Oak shall be deemed to have waived all Environmental Defects of which Milagro has not been given notice in accordance with **Section 7.4(a)**.

(c) Subject to **Section 7.4(b)**, in the event that any Environmental Defect is not waived by White Oak or cured to White Oak's reasonable satisfaction, Milagro, at its option, shall elect to do one of the following:

(1) reduce the Purchase Price by the associated Environmental Defect Amount in accordance with **Section 7.4(d)**;

(2) remove the entirety of such affected Property from the Assets being conveyed hereby (together with all associated assets), in which event the Purchase Price shall be reduced by the Allocated Value of such removed Assets; or

(3) cure such Environmental Defect at Milagro's sole cost and expense within one hundred twenty (120) days after the Closing Date.

(d) To the extent that the Parties agree to reduce the Purchase Price in respect of any Environmental Defect pursuant to **Section 7.4(c)(1)**, Milagro and White Oak shall attempt to agree on the associated Environmental Defect Amount prior to Closing and the Purchase Price shall be reduced at Closing by the amount agreed by the Parties as such Environmental Defect Amount. If Milagro and White Oak are unable to agree on such Environmental Defect Amount prior to Closing, then (1) the affected Property shall nevertheless be included in the Assets purchased by, and conveyed to, White Oak at Closing (2) the Purchase Price shall be reduced by the amount that White Oak has proposed as the Environmental Defect Amount with respect to such Environmental Defect and (3) the final determination of the Environmental Defect Amount shall be resolved pursuant to **Section 7.4(e)**.

(e) From and after Closing, White Oak and Milagro shall negotiate in good faith to agree on any Environmental Defect Amounts with respect to which the Purchase Price has been reduced pursuant to **Section 7.4(c)(1)** that were not agreed upon prior to Closing. After written notice to the other Party prior to the Closing, but within thirty (30) days after the Closing Date, either Party may submit any such Environmental Defect Amount to a single arbitrator, who shall be an environmental attorney with at least twenty (20) years' experience in environmental matters involving oil and gas producing properties in the regional area in which the affected Assets are located, as selected by mutual agreement of the Parties, or absent such agreement, by the Houston, Texas office of the American Arbitration Association (the "**Environmental Valuation Referee**"). The Parties shall direct the Environmental Valuation Referee to resolve any such dispute within thirty (30) days after its receipt of all relevant materials pertaining thereto, being in no event greater than forty-five (45) days after referral of the matter to the Environmental Valuation Referee. The Environmental Valuation Referee shall act as an expert for the limited purpose of determining the specific disputed matters submitted by either Party and may not award damages or penalties to either Party with respect to any matter. Milagro and White Oak shall share equally the Environmental Valuation Referee's costs, fees and expenses (including attorney's fees). The determination of the Environmental Valuation

Referee shall be made in writing, shall be binding upon and non-appealable by the Parties and shall not be subject to further review, audit or arbitration. Upon final determination of any outstanding Environmental Defect Amount (whether by mutual agreement of the Parties or pursuant to the Environmental Valuation Referee's determination), Milagro or White Oak, as applicable, shall pay to the other the difference, if any, between the final Environmental Defect Amount and the amount by which the Purchase Price was reduced in respect of the applicable Environmental Defect at Closing. If neither Party submits an Environmental Defect Amount to the Environmental Valuation Referee within thirty (30) days from the Closing Date, then White Oak and Milagro shall be deemed to have agreed that such Environmental Defect Amount with respect to which Milagro elected to reduce the Purchase Price pursuant to **Section 7.4(c)(1)** is acceptable and shall be deemed to have waived their rights with respect to such Environmental Defect Amount pursuant to this **Section 7.4(e)**.

(f) If White Oak delivers a defect notice as provided in **Section 7.4(a)**, Milagro shall have until five (5) Business Days prior to the Closing Date to object to any Environmental Defect and/or any asserted Environmental Defect Amount as set forth in the Defect Notice, which objection and assertion shall be in writing (a "**Milagro Environmental Dispute Notice**") and shall identify (1) those Environmental Defects that Milagro disputes exists, (2) those Environmental Defect Amounts Milagro disagrees with (including any asserted Environmental Defect Amounts attributable to an Environmental Defect that Milagro does not dispute exists) and (3) those Environmental Defects that Milagro desires to attempt to cure. If Milagro timely delivers a Milagro Environmental Dispute Notice, White Oak and Milagro shall use good faith efforts to attempt to agree on the validity and amount of each Environmental Defect claim disputed by Milagro, giving effect to customary industry standards and practices as would be followed and accepted by a reasonable prudent operator of oil and gas properties. If White Oak and Milagro cannot agree on the validity or amount of any Environmental Defect claim disputed by Milagro within five (5) Business Days after Milagro's delivery of the Milagro Environmental Dispute Notice, either White Oak or Milagro may engage the Environmental Valuation Referee in accordance with **Section 7.4(e)**.

7.5 EXCLUSIVE REMEDY.

THIS **ARTICLE 7** CONSTITUTES THE SOLE AND EXCLUSIVE REMEDY AND RIGHT OF RECOVERY THAT WHITE OAK SHALL HAVE AGAINST MILAGRO WITH RESPECT TO ANY CIRCUMSTANCE WITH RESPECT TO THE ASSETS RELATING TO ENVIRONMENTAL LAWS, THE RELEASE OF MATERIALS INTO THE ENVIRONMENT OR PROTECTION OF THE ENVIRONMENT OR PUBLIC HEALTH AND WHITE OAK MAY NOT CLAIM ANY FACT, CIRCUMSTANCE OR MATTER THAT WOULD CONSTITUTE AN ENVIRONMENTAL DEFECT UNDER THIS **ARTICLE 7** AS THE BASIS FOR ANY OTHER REDRESS UNDER THIS AGREEMENT.

7.6 NORM.

WHITE OAK ACKNOWLEDGES THAT THE ASSETS HAVE BEEN USED FOR EXPLORATION, DEVELOPMENT AND PRODUCTION OF OIL, GAS AND WATER AND THAT THERE MAY BE PETROLEUM, PRODUCED WATER, WASTES OR OTHER MATERIALS LOCATED ON, UNDER OR ASSOCIATED WITH THE INTERESTS. EQUIPMENT AND SITES INCLUDED IN THE ASSETS MAY CONTAIN NORM. NORM MAY AFFIX OR ATTACH ITSELF TO THE INSIDE OF WELLS, MATERIALS AND EQUIPMENT AS SCALE, OR IN OTHER FORMS; THE WELLS, MATERIALS AND EQUIPMENT LOCATED ON OR INCLUDED IN THE ASSETS MAY CONTAIN NORM AND OTHER WASTES OR HAZARDOUS SUBSTANCES/MATERIALS; AND NORM CONTAINING MATERIAL AND OTHER WASTES OR HAZARDOUS SUBSTANCES/MATERIALS MAY HAVE BEEN BURIED, COME IN CONTACT WITH THE SOIL OR OTHERWISE BEEN DISPOSED OF ON OR AROUND THE ASSETS. SPECIAL PROCEDURES MAY BE REQUIRED FOR THE REMEDIATION, REMOVAL, TRANSPORTATION OR DISPOSAL OF WASTES, ASBESTOS, HAZARDOUS SUBSTANCES/MATERIALS, INCLUDING HYDROGEN SULFIDE GAS AND NORM FROM THE ASSETS. FROM AND AFTER THE CLOSING, WHITE OAK SHALL ASSUME RESPONSIBILITY FOR THE CONTROL, STORAGE, HANDLING, TRANSPORTING AND DISPOSING OF OR DISCHARGE OF ALL MATERIALS, SUBSTANCES AND WASTES FROM THE ASSETS (INCLUDING PRODUCED WATER, HYDROGEN SULFIDE GAS, DRILLING FLUIDS, NORM AND OTHER WASTES), PRESENT AFTER THE EFFECTIVE TIME, IN A SAFE AND PRUDENT MANNER AND IN ACCORDANCE WITH ALL APPLICABLE ENVIRONMENTAL LAWS.

8. EMPLOYEE MATTERS

White Oak may, in its sole discretion, from and after the Execution Date, offer employment on such terms as it deems appropriate, conditioned upon the occurrence of the Closing and effective as of the Closing Date, to any of the employees of Milagro (collectively the "**Employees**") who are employed as of the Closing Date by Milagro. White Oak shall not assume any employee benefit plans of Milagro and shall have no liability for severance or other benefits (including any notice obligations and liability arising under the WARN Act) to any employees of Milagro (including any Employees) who are terminated on or prior to the Closing Date.

9. CONDITIONS TO CLOSING

9.1 Milagro's Conditions.

The obligations of Milagro at the Closing are subject to the satisfaction at or prior to the Closing, or waiver in writing by Milagro, of the following conditions:

(a) All representations and warranties of White Oak contained in this Agreement, to the extent qualified with respect to materiality, shall be true and correct in all respects, and to the extent not so qualified, shall be true and correct in all material respects, in each case as if such representations and warranties were made at and as of the Closing, and White Oak shall have performed and satisfied in all material

respects all covenants and agreements required to be performed and satisfied by it under this Agreement at or prior to the Closing; and

(b) No suit, action or other proceeding brought by a third party shall be pending, nor shall any order have been entered by any court or governmental agency having jurisdiction over the Parties or the subject matter of this Agreement which remains in effect at the time of Closing, in either case, that restrains or prohibits or seeks to restrain or prohibit, or seeks damages in connection with, the transactions contemplated by this Agreement.

(c) White Oak shall have delivered to Milagro the documents and other items required to be delivered by White Oak under **Section 10.2**.

(d) The aggregate sum of (i) the Title Defect Amounts for all Title Defects timely and properly asserted by White Oak in good faith pursuant to **Section 6.2(a)** that are not cured as of Closing and (ii) the Environmental Defect Amounts for all Environmental Defects timely and properly asserted by White Oak in good faith pursuant to **Section 7.4(a)** that are not cured as of Closing does not exceed twenty percent (20%) of the unadjusted Purchase Price.

(e) The Bankruptcy Court has entered the Final Order and the effective date of the Plan has occurred.

(f) White Oak shall not have experienced a Material Adverse Effect.

9.2 White Oak's Conditions.

The obligations of White Oak at the Closing are subject to the satisfaction at or prior to the Closing, or waiver in writing by White Oak, of the following conditions:

(a) All representations and warranties of Milagro contained in this Agreement, to the extent qualified with respect to materiality, shall be true and correct in all respects, and to the extent not so qualified, shall be true and correct in all material respects, in each case as if such representations and warranties were made at and as of the Closing, and Milagro shall have performed and satisfied in all material respects all covenants and agreements required to be performed and satisfied by it under this Agreement at or prior to the Closing.

(b) No suit, action or other proceeding brought by a third party shall be pending, nor shall any order have been entered by any court or governmental agency having jurisdiction over the Parties or the subject matter of this Agreement which remains in effect at the time of Closing, in either case, that restrains or prohibits or seeks to restrain or prohibit, or seeks damages in connection with, the transactions contemplated by this Agreement.

(c) Milagro shall have delivered to White Oak the documents and other items required to be delivered by Milagro under **Section 10.2**.

(d) The aggregate sum of (i) the Title Defect Amounts for all Title Defects timely and properly asserted by White Oak in good faith pursuant to **Section 6.2(a)** that are not cured as of Closing and (ii) the Environmental Defect Amounts for all Environmental Defects timely and properly asserted by White Oak in good faith pursuant to **Section 7.4(a)** that are not cured as of Closing does not exceed twenty percent (20%) of the unadjusted Purchase Price.

(e) Milagro shall not have experienced a Material Adverse Effect.

(f) The Bankruptcy Court has entered the Final Order and the effective date of the Plan has occurred.

10. CLOSING

10.1 Place of Closing.

The Closing shall be held at the offices of Locke Lord LLP, 600 Travis, Suite 2800, Houston, Texas, or such other place as mutually agreed upon by the Parties.

10.2 Closing Obligations.

At the Closing, the following events shall occur, each being a condition precedent to the others and each being deemed to have occurred simultaneously with the others:

(a) Milagro and White Oak shall execute, acknowledge and deliver an Assignment, Conveyance and Bill of Sale in sufficient counterparts to facilitate recording, substantially in the form of **Exhibit H** hereto, assigning the Assets (except for the Assigned Contracts) to White Oak;

(b) Milagro and White Oak shall execute, acknowledge and deliver an Assumption Agreement in sufficient counterparts to facilitate recording, substantially in the form of **Exhibit K** hereto, assigning the Assigned Contracts to White Oak;

(c) Milagro and White Oak shall execute, acknowledge and deliver such additional assignments as are required by any federal or state agency with respect to the transfer of the Assets to White Oak;

(d) Milagro and White Oak shall execute and deliver the Preliminary Settlement Statement and White Oak shall issue the Milagro Interests in accordance with the terms hereof and the Second Amended Company Agreement;

(e) Milagro and White Oak shall execute, acknowledge and deliver transfer orders or letters in lieu thereof prepared by Milagro and directing all purchasers of production to make payment to White Oak of proceeds attributable to production from the Assets assigned to White Oak;

(f) For those Milagro-operated Wells for which White Oak shall take over operations, Milagro shall deliver designation or change of operator

forms in satisfaction of applicable governmental requirements (unless extended to the end of the period covered by the Transition Services Agreement);

(g) Milagro and White Oak shall execute and deliver a Transition Services Agreement in the form attached as **Exhibit I** (the "**Transition Services Agreement**").

(h) MOG, White Oak, and the current members of White Oak shall each execute, acknowledge and deliver their respective counterparts to the Second Amended Company Agreement in the form attached as **Exhibit N**.

(i) MOG, White Oak and the current members of White Oak shall each execute, acknowledge and deliver their respective counterparts to the Amended and Restated Voting and Transfer Restriction Agreement in the form attached as **Exhibit O** by and among MOG and the current members of White Oak.

(j) Milagro shall deliver the Senior Debt Payoff Letters.

(k) Milagro shall deliver a Certificate of No Tax Due issued from the Texas Comptroller of Public Accounts.

(l) White Oak shall deliver the amount of the Cash Payment Cap to MOG, and MOG shall use the Cash Payment Cap and its cash holdings to make payments to the counterparties in the Senior Debt Payoff Letters, such that the full amount of all Paid-Off Senior Debt is provided to the applicable counterparties to the Senior Debt Payoff Letters.

(m) If, at White Oak's sole election, the Note Purchase is to be consummated at or prior to the Closing, Milagro and White Oak shall execute and deliver documentation relating thereto.

(n) Milagro shall deliver a certificate of non-foreign status, dated as of the Closing date, duly executed by an authorized officer, that meets the requirements set forth in Treasury Regulation § 1.1445-2(b)(2).

(o) Milagro shall deliver a certificate, dated as of the Closing Date, duly executed by an authorized officer certifying that conditions set forth in **Section 9.2(a)** have been met;

(p) Milagro shall deliver a certificate, dated as of the Closing Date, duly executed duly executed by an authorized officer (i) attaching and certifying on behalf of Milagro those instruments authorizing the execution, delivery and performance by Milagro of this Agreement and the transactions contemplated hereby; and (ii) certifying on behalf of Milagro the incumbency of each officer of Milagro executing this Agreement or any document delivered at Closing on behalf of Milagro;

(q) White Oak shall deliver a certificate, dated as of the Closing Date, duly executed by an authorized officer, certifying that conditions set forth in **Section 9.1(a)** have been met; and

(r) White Oak shall deliver a certificate, dated as of the Closing Date, duly executed by an authorized officer (i) attaching and certifying on behalf of White Oak those instruments authorizing the execution, delivery and performance by White Oak of this Agreement and the transactions contemplated hereby; and (ii) certifying on behalf of White Oak the incumbency of each officer of White Oak executing this Agreement or any document delivered at Closing on behalf of White Oak.

11. OBLIGATIONS AFTER CLOSING

11.1 Allocation of Revenues.

Milagro is entitled to all Revenues that, in accordance with GAAP, arise out of, are associated with, or relate to periods prior to the Effective Time. Subject to the Closing occurring, White Oak shall be entitled to all Revenues that, in accordance with GAAP, arise out of, are associated with, or relate to periods from and after the Effective Time. Except for amounts accounted for in connection with the Preliminary Settlement Statement or the Final Settlement Statement, if either Party receives funds to which the other Party is entitled pursuant to this **Section 11.1**, such Party shall promptly, and in no event more than thirty (30) days after receipt, deliver such funds to the other Party on an after-tax basis.

11.2 Files and Records.

(a) Within thirty (30) days after the Closing Date, Milagro shall deliver originals of the Records to White Oak (other than division order files, which will be delivered within sixty (60) days following Closing). If only a portion of Milagro's interest in any Property is conveyed, copies of the original files with respect to such Property will be furnished to White Oak. If any Records are solely maintained electronically and are capable of electronic delivery, such Records will be delivered to White Oak in an electronic format determined by Milagro. Milagro, at its sole cost, shall have the right to make copies of all Records delivered to White Oak. With respect to any Asset that Milagro continues to operate after Closing pursuant to the Transition Services Agreement, Milagro may retain all Records relating to such Asset until such time as Milagro ceases to operate such Asset. White Oak and its Affiliates may be required to include statements of revenues and direct operating expenses and other financial information relating to the Assets in documents filed with the United States Securities and Exchange Commission pursuant to the Securities Act of 1933, as amended, or the Security Exchange Act of 1934, as amended, and that such financial statements may be required to be audited. In that regard, Milagro shall reasonably cooperate with White Oak, and provide White Oak reasonable access to such records (to the extent such information is available) and personnel of Milagro as White Oak may reasonably

request to enable White Oak, and its representatives and accountants, at White Oak's sole cost and expense, to create and audit any financial statements that White Oak deems necessary. Notwithstanding anything to the contrary herein, Milagro shall provide White Oak and its independent accountants with reasonable access to any and all existing information, books, records, and documents in Milagro's possession that relate to the Assets (subject to any privilege or confidentiality obligations) and other data delivered to White Oak by Milagro pursuant to the provisions of this Agreement relevant to the periods being audited.

(b) White Oak shall retain, or shall cause its assigns to retain, the Records and make them available to Milagro for review and copying at Milagro's expense for three (3) full calendar years following the Closing Date, in White Oak's office during normal business hours.

11.3 Suspense Funds. All outstanding amounts for which payment has been suspended by Milagro as to any of the Assets (including, but not limited to, suspended Royalties held in the ordinary course of business as a result of title defects or changes of ownership) ("**Suspense Funds**") shall be assumed by White Oak at Closing and White Oak shall be responsible for the payment of such Suspense Funds. Any Suspense Funds assumed by White Oak shall result in a corresponding downward adjustment in Purchase Price in accordance with **Section 3.4(a)(12)**.

11.4 Recordation and Post-Closing Consents.

After Closing, White Oak shall be responsible for filing and recording the documents associated with assignment of the Assets to White Oak and for all costs and fees associated therewith, including filing the assignments with appropriate federal, state and local authorities as required by law and in all applicable counties. As soon as practicable after recording or filing, White Oak shall furnish Milagro with copies of all such recorded filings. White Oak shall be responsible for obtaining all consents and approvals of governmental entities or authorities customarily obtained subsequent to transfer of title and all costs and fees associated therewith.

11.5 Purchase Price Allocation.

The allocation of Purchase Price provided for on **Exhibit G** is intended to comply with the allocation method required by Section 1060 of the Code. White Oak and Milagro shall cooperate to comply with all substantive and procedural requirements of Section 1060 of the Code and regulations thereunder, including the filing by White Oak and Milagro of an IRS Form 8594 with their federal income tax returns for the taxable year in which Closing occurs. White Oak and Milagro agree that each will not take for income tax purposes, or permit any Affiliate to take, any position inconsistent with the allocation of Purchase Price set forth on **Exhibit G**.

11.6 Removal of Milagro's Name.

As soon as practicable after Closing (and in any event within one hundred twenty (120) days after the Closing Date), White Oak shall remove from the Assets all signage

and other references identifying Milagro or any of its Affiliates, and shall replace such signage and other references with such appropriate and necessary signage or other references identifying White Oak as the owner thereof.

11.7 Taxes.

Prior to the Closing Date, Milagro shall be responsible for filing with the Tax authorities the applicable tax returns (including Milagro Tax Returns) for ad valorem, property, severance, production, sales, use and similar Taxes (excluding, for the avoidance of doubt, any income, franchise and similar Taxes ("**Income Taxes**")) based upon or measured by the ownership or operation of the Assets or the production of Hydrocarbons therefrom or the receipt of proceeds therefrom ("**Asset Taxes**") which are required to be filed on or before the Closing Date and paying the Taxes reflected on such tax returns as due and owing, provided that to the extent such Taxes relate to the periods from and after the Effective Time, such payment shall be on behalf of White Oak, and promptly following the Closing Date, White Oak shall pay to Milagro any such Taxes (determined as set forth herein). White Oak shall be responsible for the filing with the appropriate taxing authorities the applicable tax returns for all Asset Taxes beginning on or after the Closing Date and paying the Taxes reflected on such tax returns as due and owing. However, in the event that Milagro is required by applicable law to file a tax return with respect to such Taxes after the Closing Date which includes all or a portion of a Tax period for which White Oak is liable for such Taxes, following Milagro's request, White Oak shall promptly pay to Milagro all such Taxes allocable to the period or portion thereof beginning on or after the Effective Time, whether such Taxes arise out of the filing of an original tax return or a subsequent audit or assessment of Taxes. Milagro shall be entitled to all Tax credits and Tax refunds which relate to any such Taxes allocable to any Tax period, or portion thereof, ending before the Effective Time. Milagro shall be allocated and bear all Asset Taxes attributable to (i) any Tax period ending prior to the Effective Time, and (ii) the portion of any Straddle Period ending immediately prior to the date on which the Effective Time occurs. White Oak shall be allocated and bear all Asset Taxes attributable to (A) any Tax period beginning on or after the Effective Time, and (ii) the portion of any Straddle Period beginning on the date on which the Effective Time occurs.

(a) For purposes of determining the allocations described in **Section 11.7**, (i) Asset Taxes that are attributable to the severance or production of Hydrocarbons shall be allocated to the period in which the severance or production giving rise to such Asset Taxes occurred, (ii) Asset Taxes that are based upon or related to income or receipts or imposed on a transactional basis (other than such Asset Taxes described in clause (i)), shall be allocated to the period in which the transaction giving rise to such Asset Taxes occurred, and (iii) Asset Taxes that are ad valorem, property or other Asset Taxes imposed on a periodic basis pertaining to a Straddle Period shall be allocated between the portion of such Straddle Period ending immediately prior to the date on which the Effective Time occurs and the portion of such Straddle Period beginning on the date on which the Effective Time occurs by prorating each such Asset Tax based on the number of days in the applicable Straddle Period that occur before the date on which the Effective Time occurs, on the one hand, and the number of days in such Straddle Period that

occur on or after the date on which the Effective Time occurs, on the other hand. For purposes of clause (iii) of the preceding sentence, the period for such Asset Taxes shall begin on the date on which ownership of the applicable Assets gives rise to liability for the particular Asset Tax and shall end on the day before the next such date.

(b) To the extent the actual amount of an Asset Tax is not determinable at the Closing or at the time of the determination of the Final Settlement Statement pursuant to **Section 3.4(c)**, as applicable, (i) the Parties shall utilize the most recent information available in estimating the amount of such Asset Tax for purposes of such adjustment, and (ii) upon the later determination of the actual amount of such Asset Tax, timely payments will be made from one Party to the other to the extent necessary to cause each Party to bear the amount of such Asset Tax that is allocable to such Party under **Section 11.7**.

(c) To the extent not otherwise taken into account, paid or filed under **Section 3.4(a)**, White Oak shall be responsible for payment to the applicable taxing authorities of all Asset Taxes that become due and payable on or after the Closing Date; provided that the responsibility for such Asset Taxes shall be as set forth in **Section 11.7**.

(d) All required documentary, filing and recording fees and expenses in connection with the filing and recording of the assignments, conveyances or other instruments required to convey title to the Assets to White Oak shall be borne by White Oak. Any and all sales, use, transfer, stamp, documentary, registration or similar Taxes incurred or imposed with respect to the transactions described in this Agreement (collectively, "**Transfer Taxes**") shall be borne one-half by White Oak and one-half by Milagro.

(e) The Parties shall cooperate fully, as and to the extent reasonably requested by the other Party, in connection with the filing of tax returns and any audit, litigation, or other proceeding with respect to Taxes relating to the Assets. Such cooperation shall include the retention and (upon another Party's request) the provision of records and information that are relevant to any such tax return or audit, litigation or other proceeding and making employees available on a mutually convenient basis to provide additional information and explanation of any material provided under this Agreement. The Parties agree to retain all books and records with respect to Tax matters pertinent to the Assets relating to any taxable period beginning before the Closing Date until the expiration of the statute of limitations of the respective Taxable periods and to abide by all record retention agreements entered into with any governmental authority.

(f) Notwithstanding **Section 11.1** of this Agreement Milagro and White Oak shall use the closing of the books method as of the Closing Date for all Income Tax purposes.

11.8 Operational Transition.

The Parties acknowledge that there is no assurance given by Milagro that White Oak shall succeed Milagro as operator of any Asset where other Persons own interests in the wells located thereon. Rights and obligations associated with operatorship of the Assets are governed by joint operating agreements or similar agreements and will be determined in accordance with the terms of such agreements.

12. RETENTION AND ASSUMPTION OF OBLIGATIONS AND INDEMNIFICATION

12.1 Retention and Assumption of Obligations.

From and after Closing, except to the extent related to or the subject matter of Retained Obligations or Retained Contracts, White Oak assumes and hereby agrees to fulfill, perform, pay and discharge (or cause to be fulfilled, performed, paid and discharged) all obligations and Losses arising from, based upon, related to or associated with (i) the Assets, the operation and ownership of, or conditions first existing, arising or occurring with respect to the Assets after the Effective Time; (ii) notwithstanding the provisions set forth in clause (i) above, the Suspense Funds and the Assigned Contracts, whether arising before, on or after the Closing; (iii) notwithstanding the provisions set forth in clause (i) above, all P&A and Environmental Costs arising on or after the Effective Time; and (iv) notwithstanding the provisions set forth in clause (i) above, all Plugging and Abandonment obligations arising before, on or after the Effective Time (collectively, the "**Assumed Obligations**"). Except for the Assumed Obligations, it is expressly understood and agreed that White Oak shall not assume, be obligated to pay, perform or discharge, and Milagro shall retain, pay, perform and discharge all other obligations and Losses of Milagro, including the following (the "**Retained Obligations**"):

(a) any fines or penalties or other assessments imposed or made by governmental authorities relating to the ownership or operation of the Assets during the period prior to the Effective Time;

(b) any improper payment of Royalties, delay rentals or other similar Lease or Mineral Interest payments attributable to the Assets prior to the Effective Time;

(c) any Taxes attributable to the Assets prior to the Effective Time and Income Taxes prior to the Closing Date;

(d) any liabilities to third parties for personal injury or death attributable to the Assets prior to the Closing Date;

(e) any accounts payable, or unpaid bills or expenses related to Property Costs arising prior to the Effective Time;

(f) the Retained Litigation;

(g) all obligations and liabilities to third parties related to the Assets arising on or before the Effective Time that would have otherwise been extinguished pursuant to the Chapter 11 Cases but for Milagro's failure

to properly notify such third parties of the filing of the Chapter 11 Cases; and

(h) all duties, obligations and liabilities of every kind and character with respect to the Reserved Assets.

Notwithstanding anything in this Agreement to the contrary, any and all amounts paid or incurred by White Oak or owed to White Oak by Milagro in connection with the matters described in **Sections 5.5(c)**, **6.2(f)** and **12.1(f)** (including, but not limited to, attorney's fees and expenses and amounts paid in compromise or settlement of any and all such matters unless as otherwise set forth in such Section) after the Closing Date shall cause a proportionate reduction in the Company Interests of MOG (including the Capital Account and Sharing Ratio of MOG), its successors or assigns, in accordance with the terms of the Second Amended Company Agreement. Notwithstanding the foregoing, White Oak shall not be entitled to pay or incur any amounts in connection with the matters described in **Section 12.1(f)** unless such amounts are delinquent, a claim, demand or suit has been asserted against White Oak for such delinquent amounts and White Oak has provided Milagro with prompt written notice regarding such claim, demand or suit and a reasonable opportunity to defend against (or otherwise resolve) such claim, demand or suit in a manner that Milagro deems appropriate. No compromise or settlement of the matters set forth in either **Section 5.5(c)** or **12.1(f)** shall be permitted by Milagro, its successors or assigns, without the prior written consent of White Oak (which consent shall not be unreasonably withheld), unless such settlement or compromise includes a complete and unconditional release of White Oak of any and all claims related to or in connection with such matter.

12.2 No Survival of Representations and Warranties of Milagro; No Recourse. The representations and warranties of Milagro contained in **Section 4.1** of this Agreement (other than **Section 4.1(p)** which shall survive the Closing through and including the one (1) year anniversary of the Closing Date) and in the certificate to be delivered by Milagro pursuant to **Section 10.2(o)** shall terminate upon and not survive the Closing and there shall be no liability thereafter in respect thereof, except for the special warranty of title and in the case of fraud or intentional misrepresentation. Each of the covenants of Milagro contained in this Agreement shall terminate upon the Closing except to the extent that performance under such covenant is to take place after Closing, in which case such covenant shall survive the Closing until the earlier of (a) performance of such covenant in accordance with this Agreement or, (b)(i) if time for performance of such covenant is specified in this Agreement, sixty (60) days following the expiration of the time period for such performance or (ii) if time for performance of such covenant is not specified in this Agreement, the expiration of applicable statute of limitations with respect to any claim for any failure to perform such covenant; provided that if a written notice of any claim with respect to any covenant to be performed after Closing is given prior to the expiration of such covenant then such covenant shall survive until, but only for purposes of, the resolution of such claim by final, non-appealable judgment or settlement.

(b) White Oak shall have no recourse against any Milagro Indemnified Party or any of their Affiliates or their respective lenders or creditors from and after the Closing for any liabilities relating to the Assets or this Agreement (including title and environmental matters) or Milagro's breach of any representation, warranty, covenant or other provision of this Agreement (subject, however, to Milagro's liability for its obligation to perform those covenants of Milagro the performance of which is to take place after Closing), except in the case of fraud or intentional misrepresentation.

12.3 Indemnities of White Oak. The representations and warranties of White Oak set forth in **Section 4.2(a)** through **Section 4.2(d)** and **Section 4.2(h)**, shall survive the Closing through and including the one (1) year anniversary of the Closing Date. The representations and warranties of White Oak set forth in **Section 4.2(e)** through **4.2(g)** and **Section 4.2(i)** through **4.2(s)** shall survive the Closing through and including the six (6) month anniversary of the Closing Date (the "**Survival Period**"). Each of the covenants and/or agreements of White Oak contained in this Agreement shall survive the Closing and shall remain in full force and effect through and including the Survival Period, except to the extent that performance under such covenant is to take place after expiration of the Survival Period, in which case such covenant shall survive the expiration of the Survival Period until the earlier of (a) performance of such covenant in accordance with this Agreement or, (b)(i) if time for performance of such covenant is specified in this Agreement, sixty (60) days following the expiration of the time period for such performance or (ii) if time for performance of such covenant is not specified in this Agreement, the expiration of applicable statute of limitations with respect to any claim for any failure to perform such covenant; provided that if a written notice of any claim with respect to any covenant to be performed after expiration of the Survival Period is given prior to the expiration of such covenant then such covenant shall survive until, but only for purposes of, the resolution of such claim by final, non-appealable judgment or settlement. It is expressly agreed and understood that any indemnity obligations of White Oak under **Section 12.3(b)(2)** and **Section 12.3(b)(3)** shall not terminate with respect to any Loss as to which the Indemnified Party shall have given written notice to the Indemnifying Party in accordance with the provisions of this Agreement before the termination of the Survival Period. It is expressly agreed and understood that any indemnity obligations of White Oak under **Section 12.3(b)(1)** shall not terminate with respect to any Loss as to which the Indemnified Party shall have given written notice to the Indemnifying Party in accordance with the provisions of this Agreement before the termination of the one (1) year anniversary of the Closing Date.

(b) Effective as of Closing, subject to the limitations set forth in this Agreement, White Oak and its successors and assigns shall assume and be responsible for, shall pay on a current basis, and hereby agrees to defend, indemnify, hold harmless and forever release Milagro and its

Affiliates, and all of its and their respective equityholders, partners, members, directors, officers, managers, employees, agents and representatives (collectively, the "**Milagro Indemnified Parties**") from and against any and all obligations or Losses, whether or not relating to third party claims or incurred in the investigation or defense of any of the same or in asserting, preserving or enforcing any of their respective rights hereunder, arising from, based upon, related to or associated with:

(1) any breach by White Oak of any of its representations and warranties contained in **Section 4.2(a)** through **Section 4.2(d)** and **Section 4.2(h)**;

(2) any breach by White Oak of any of its representations and warranties contained in **Section 4.2(e)** through **4.2(g)** and **Section 4.2(i)** through **4.2(s)**; or

(3) any breach by White Oak of any of its covenants or agreements under this Agreement.

Notwithstanding anything to the contrary in this Agreement, White Oak's indemnification obligations with respect to **Section 12.3(b)(3)** shall be limited to direct losses paid or payable by Milagro directly to third parties, and shall not include any indirect losses sustained by virtue of any equity ownership of White Oak.

(c) Except for the indemnity obligations set forth in **Sections 5.1**, **7.2** and **12.3**, Milagro shall have no recourse against any White Oak Related Party or any of their Affiliates or their respective lenders or creditors from and after the Closing for any liabilities relating to this Agreement (including title and environmental matters) or White Oak's breach of any representation, warranty, covenant or other provision of this Agreement (subject, however, to White Oak's liability for its obligation to perform those covenants of White Oak the performance of which is to take place after Closing), except in the case of fraud or intentional misrepresentation.

12.4 Indemnification Procedures. All claims for indemnification under this Agreement shall be asserted and resolved pursuant to this **Section 12.4**. Any Milagro Indemnified Party that claims indemnification hereunder is hereinafter referred to as the "**Indemnified Party**" and any person against whom such claims are asserted hereunder is hereinafter referred to as the "**Indemnifying Party**."

(b) In the event that a Milagro Indemnified Party wishes to assert a claim for indemnity hereunder, such Milagro Indemnified Party shall with reasonable promptness, in any event within twenty (20) days of an indemnity claim arising, provide to the Indemnifying Party a written notice of the indemnity claim it wishes to assert on behalf of itself or another Indemnified Party, including the specific details of and specific

basis under this Agreement for its indemnity claim (a "**Claim Notice**"). To the extent that any Losses for which indemnification is sought are asserted against or sought to be collected from an Indemnified Party by a third party, such Claim Notice shall include a copy of all papers served on the applicable Indemnified Party with respect to such claim. The failure of any Milagro Indemnified Party to provide a Claim Notice as provided in this **Section 12.4(b)** shall not relieve the Indemnifying Party of its obligations under this Agreement except to the extent such failure results in insufficient time being available to permit the Indemnifying Party to effectively defend against the claim or otherwise materially prejudices the Indemnifying Party's ability to defend against the claim. The Indemnifying Party shall have thirty (30) days from the personal delivery or receipt of the Claim Notice (the "**Notice Period**") to notify the Indemnified Party (i) whether or not it disputes its liability hereunder with respect to such Losses and/or (ii) with respect to any Losses arising out of, associated with, or relating to third party claims, whether or not it desires, at the sole cost and expense of the Indemnifying Party, to defend the Indemnified Party against any such Losses. With respect to a third party claim, in the event that the Indemnifying Party notifies the Indemnified Party within the Notice Period that it desires to defend the Indemnified Party against such Losses, the Indemnifying Party shall have the right to defend all appropriate proceedings with counsel of its own choosing. If the Indemnified Party desires to participate in, but not control, any such defense or settlement it may do so at its sole cost and expense. If requested by the Indemnifying Party, the Indemnified Party agrees to cooperate with the Indemnifying Party and its counsel in contesting any Losses that the Indemnifying Party elects to contest or, if appropriate and related to the claim in question, in making any counterclaims against the third party asserting such Losses, or any cross-complaint against any third party (other than a Milagro Indemnified Party if the Indemnified Party is a Milagro Indemnified Party). Such cooperation shall include the retention and provision to the Indemnifying Party of all records and other information that are reasonably relevant to the Losses at issue. No third party claim that is the subject of indemnification hereunder may be settled or otherwise compromised without the prior written consent of the Indemnified Party unless such settlement or compromise (i) entails a full and unconditional release of the Indemnified Party without any admission or finding of fault or liability and (ii) does not impose on the Indemnified Party any material non-financial obligation or any financial obligation that is not fully paid by the Indemnifying Party. No Indemnified Party may settle or compromise any third party claim which may be the subject of indemnification hereunder without the prior consent of the Indemnifying Party, which consent shall not be unreasonably withheld or delayed.

13. TERMINATION

13.1 Termination.

This Agreement and the transactions contemplated hereby may be terminated at any time prior to Closing:

(a) by the mutual written agreement of White Oak and Milagro;

(b) by written notice from either White Oak or Milagro if Closing has not occurred on or before one hundred twenty (120) days after the filing date of the Chapter 11 Cases; provided the failure of Closing is not the result of the breach by such notifying Party of any terms of this Agreement;

(c) by written notice from either Milagro or White Oak if the aggregate sum of (i) the Title Defect Amounts for all Title Defects timely and properly asserted by White Oak pursuant to **Section 6.2(a)** that are not cured as of Closing and (ii) the Environmental Defect Amounts for all Environmental Defects timely and properly asserted by White Oak pursuant to **Section 7.4(a)** that are not cured as of Closing exceeds Twenty percent (20%) of the unadjusted Purchase Price;

(d) by written notice from either Milagro or White Oak if (i) the filing of the Chapter 11 Cases has not occurred prior to 5:00 pm, central time, on July 31, 2015, or (ii) the Restructuring Support Agreement is terminated;

(e) by written notice from either Party if the other Party has materially breached any of its representations, warranties, covenants or agreements contained in this Agreement such that any of the conditions to Closing set forth in **Article 9** cannot be satisfied on or before one hundred twenty (120) days after the filing date of the Chapter 11 Cases; provided, however the breaching Party shall be provided written notice by the other Party of any such material breach and a reasonable opportunity to cure such breach; or

(f) by written notice from Milagro as contemplated in **Section 5.7**.

Notwithstanding the foregoing, no Party shall be entitled to terminate this Agreement pursuant to clause (b) above if Closing has failed to occur due to a breach by such Party of its agreements or covenants contained herein.

13.2 Liabilities Upon Termination.

(a) Upon termination pursuant to **Section 13.1**, and provided Closing has not occurred due to such Party's breach of any terms of this Agreement, this Agreement shall become void and of no further force or effect (except for the provisions of **Sections 4.1(d), 4.2(d), 4.3, 5.1, 7.1, 7.2, 13.2, 14.6, 14.7, 14.8, 14.10, 14.11, 14.16, 14.17 and 14.18** of this Agreement all of which shall continue in full force and effect) and Milagro shall be free immediately to enjoy all rights of ownership of the Assets and to sell, transfer, encumber or otherwise dispose of the Assets to any party without any restriction under this Agreement, except as provided in this **Article 13**. Notwithstanding the foregoing, the

termination of this Agreement shall not relieve any Party from liability for any willful or negligent failure to perform or observe in any material respect any of its agreements or covenants contained herein which are to be performed or observed at or prior to Closing.

(b) In consideration for White Oak having expended considerable time and expense in connection with the transactions contemplated by this Agreement and the negotiation and due diligence review in connection therewith, including without limitation costs and expenses to be incurred by White Oak after the Execution Date hereof, in the event (i) this Agreement is terminated pursuant to **Section 13.1(b)** or **Section 13.1(d)** and (ii) Milagro closes a transaction with another Person within one (1) year of the Execution Date which results in the sale or transfer of all or a substantial portion of the business, assets or equity interests of Milagro (whether pursuant to a sale of assets or equity interests, merger, recapitalization, consolidation or other business combination), then Milagro shall pay White Oak an amount equal to $1,000,000 (the "**Alternative Transaction Fee**"), as liquidated damages (and not as a penalty). The Parties acknowledge that the extent of damages to White Oak occasioned by the circumstances described in this **Section 13.2(b)** would be impossible or extremely impractical to ascertain and that the Alternative Transaction Fee is a fair and reasonable estimate of such damages under the circumstances. The Alternative Transaction Fee shall be paid by Milagro by wire transfer of immediately available funds to White Oak concurrently with the closing of any such transaction.

14. MISCELLANEOUS

14.1 Schedules and Exhibits.

All schedules (including Post-Signing Information, if any) and exhibits to this Agreement are hereby incorporated by reference herein and constitute a part of this Agreement.

14.2 Expenses and Taxes.

All fees, costs and expenses incurred by White Oak or Milagro in negotiating this Agreement or in consummating the transactions contemplated by this Agreement shall be paid by the Party incurring the same, including legal and accounting fees, costs and expenses.

14.3 Notices.

All notices and communications required or permitted under this Agreement shall be in writing and any communication or delivery hereunder shall be deemed to have been duly made when (a) personally delivered to the individual indicated below, (b) if delivered by facsimile transmission to the individual indicated below, then on the day of transmission if received during business hours or on the next Business Day after transmission if received after business hours or (c) if sent by registered or certified mail,

postage prepaid, when received. Addresses for all such notices and communication shall be as follows:

If to Milagro:

MILAGRO OIL & GAS, INC.
1301 McKinney, Suite 500
Houston, Texas 77010
Attn: Scott Winn
Fax: (212) 213-1749

With copies to (which shall not constitute notice):

Porter Hedges
1000 Main Street, 36th Floor
Houston, TX 77002
Attn: Kevin Poli
Fax: 713.226.6282

Akin Gump Strauss Hauer & Feld LLP
1333 New Hampshire Avenue, N.W.
Washington, DC 20036-1564
Attn: Daniel Fisher
Fax: 202.887.4288

Akin Gump Strauss Hauer & Feld LLP
1111 Louisiana Street, 44TH Floor
Houston, TX 77002-5200
Attn: Cody R. Carper
Fax: 713.236.0822

If to White Oak:

WHITE OAK RESOURCES VI, LLC
12941 North Freeway, Suite 550
Houston, Texas 77060
Attention: Thomas F. Isler, President
Fax Number: (281) 876-2265
Telephone: (281) 876-2025

With copies to (which shall not constitute notice):

Locke Lord LLP
600 Travis, Suite 2800
Houston, Texas 77002
Attn: Mitchell A. Tiras
Fax Number: (713) 229-2674

Telephone: (713) 226-1144

Any Party may, by written notice so delivered to the other Party, change the address or individual to which delivery shall thereafter be made.

14.4 Amendments.

This Agreement may only be amended by a written instrument executed by both Parties.

14.5 Assignment.

Neither Party may assign all or any portion of its rights or delegate all or any portion of its duties hereunder unless it continues to remain liable for the performance of its obligations hereunder and obtains the prior written consent of the other Party (which such consent may be granted or withheld in the sole discretion of the other Party).

14.6 Announcements.

Except as may be required by applicable laws or the applicable rules and regulations of any governmental agency or stock exchange, neither White Oak nor Milagro shall issue any press release or other public disclosure concerning this Agreement or the transactions contemplated hereby (including price or other terms) without the prior written consent of the other Party, which consent shall not be unreasonably withheld.

14.7 GOVERNING LAW; VENUE; JURY TRIAL WAIVER.

THIS AGREEMENT AND THE TRANSACTIONS CONTEMPLATED HEREBY SHALL BE CONSTRUED IN ACCORDANCE WITH, AND GOVERNED BY, THE LAWS OF THE STATE OF TEXAS, WITHOUT GIVING EFFECT TO ITS CONFLICTS OF LAW PROVISIONS; PROVIDED, HOWEVER, THAT NO LAW, THEORY, OR PUBLIC POLICY SHALL BE GIVEN EFFECT WHICH WOULD UNDERMINE, DIMINISH, OR REDUCE THE EFFECTIVENESS OF THE WAIVER OF DAMAGES PROVIDED IN **SECTION 14.10** HEREOF, IT BEING THE EXPRESS INTENT, UNDERSTANDING, AND AGREEMENT OF THE PARTIES THAT SUCH WAIVER IS TO BE GIVEN THE FULLEST EFFECT, NOTWITHSTANDING THE NEGLIGENCE (WHETHER SOLE, JOINT OR CONCURRENT), GROSS NEGLIGENCE, WILLFUL MISCONDUCT, STRICT LIABILITY OR OTHER LEGAL FAULT OF ANY PARTY; PROVIDED, HOWEVER, THAT UPON COMMENCEMENT OF THE CHAPTER 11 CASES THE PARTIES STIPULATE AND AGREE TO SUBMIT TO THE EXCLUSIVE JURISDICTION AND VENUE OF THE BANKRUPTCY COURT WITH RESPECT TO ALL DISPUTES IN ANY WAY ARISING OUT OF OR RELATING TO THIS AGREEMENT FOR SO LONG AS THE CHAPTER 11 CASES REMAIN OPEN. EXCEPT AS SET FORTH IN THE PRECEDING SENTENCE, THE PARTIES STIPULATE AND AGREE TO SUBMIT TO THE EXCLUSIVE JURISDICTION AND VENUE OF THE UNITED STATES DISTRICT COURT AND THE TEXAS STATE DISTRICT COURT SITTING IN HOUSTON, HARRIS COUNTY, TEXAS WITH RESPECT TO ALL DISPUTES IN ANY WAY ARISING OUT OF, ASSOCIATED WITH, OR RELATING TO THIS AGREEMENT. THE PARTIES HEREBY IRREVOCABLY WAIVE ALL RIGHT TO TRIAL BY JURY IN ANY ACTION,

PROCEEDING OR COUNTERCLAIM (WHETHER BASED IN CONTRACT, TORT OR OTHERWISE) ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE ACTIONS OF WHITE OAK, MILAGRO OR ANY INDEMNIFIED PARTY IN THE NEGOTIATION OR PERFORMANCE HEREOF.

14.8 Entire Agreement.

This Agreement (including the Exhibits and Schedules hereto) constitutes the entire understanding among the Parties with respect to the subject matter hereof, superseding all negotiations, prior discussions and prior agreements and understandings relating to such subject matter; provided, however, that the Amended and Restated Confidentiality and Non-Circumvention Agreement, dated effective as of June 24, 2014 (the "**Confidentiality Agreement**"), between the Parties shall remain in force and effect and is not hereby superseded; provided, however, that if Closing occurs, the Confidentiality Agreement shall terminate at Closing, except insofar as it relates to information or data not included in the Assets.

14.9 Parties in Interest.

This Agreement shall be binding upon, and shall inure to the benefit of, the Parties hereto, and their respective successors and assigns, and, except as expressly provided herein with respect to the Milagro Indemnified Parties and the White Oak Related Parties, nothing contained in this Agreement, express or implied, is intended to confer upon any other Person or entity any benefits, rights or remedies.

14.10 WAIVER OF DAMAGES.

NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED HEREIN, NO PARTY SHALL BE LIABLE TO THE OTHER (OR ANY MILAGRO INDEMNIFIED PARTY OR WHITE OAK RELATED PARTY) FOR SPECIAL, INDIRECT, EXEMPLARY OR PUNITIVE DAMAGES ARISING OUT OF, ASSOCIATED WITH, OR RELATING TO THIS AGREEMENT (INCLUDING LOSS OF PROFIT OR BUSINESS INTERRUPTIONS, HOWEVER SAME MAY BE CAUSED) AND EACH PARTY HEREBY WAIVES (ON BEHALF OF THEMSELVES AND ON BEHALF OF THE MILAGRO INDEMNIFIED PARTIES, WITH RESPECT TO MILAGRO, AND WHITE OAK RELATED PARTIES, WITH RESPECT TO WHITE OAK) ALL CLAIMS FOR ANY SUCH DAMAGES.

14.11 Waivers.

Any failure by a Party or Parties to comply with any of its or their obligations, agreements or conditions herein contained may be waived in writing, but not in any other manner, by the other Party or Parties to whom such compliance is owed. No waiver of, or consent to a change in, any of the provisions of this Agreement shall be deemed or shall constitute a waiver of, or consent to a change in, other provisions hereof (whether or not similar), nor shall such waiver constitute a continuing waiver unless otherwise expressly provided.

14.12 Further Assurances.

After Closing, Milagro and White Oak shall execute, acknowledge and deliver or cause to be executed, acknowledged and delivered such instruments, and shall take such other action as may be necessary or advisable to carry out their obligations under this Agreement and under any document, certificate or other instrument delivered pursuant hereto. The Parties acknowledge that all oil and gas leases owned by Milagro that are in force and effect as of the Execution Date (except to the extent constituting Reserved Assets) are intended to be transferred to White Oak at Closing. To the extent that any such oil and gas leases are inadvertently omitted from **Exhibit A**, the Parties agree to execute an Assignment, Conveyance and Bill of Sale (substantially in the form of **Exhibit H** attached hereto) as soon as reasonably practicable after the discovery of such omission whereby Milagro will convey all right, title and interest in and to such oil and gas leases to White Oak, with special warranty of title by, through and under Milagro, but not otherwise. Any such oil and gas leases shall be deemed to be Leases for all purposes.

14.13 Severability.

Invalidity of any provisions in this Agreement shall not affect the validity of this Agreement as a whole, and in case of such invalidity, this Agreement shall be construed as if the invalid provision had not been included herein.

14.14 Headings; Terminology; Defined Terms.

Titles and headings in this Agreement have been included solely for ease of reference and shall not be considered in interpretation or construction of this Agreement. All article, section, subsection, clause, schedule and exhibit references used in this Agreement are to articles, sections, subsections, clauses, schedules and exhibits to this Agreement unless otherwise specified. All schedules and exhibits attached to this Agreement constitute a part of this Agreement and are incorporated herein for all purposes. Unless the context of this Agreement clearly requires otherwise (a) the singular shall include the plural and the plural shall include the singular wherever and as often as may be appropriate, (b) the words "includes" or "including" shall mean "includes without limitation" and "including without limitation," (c) the words "hereof," "hereby," "herein," "hereunder" and similar terms in this Agreement shall refer to this Agreement as a whole and not any particular section or article in which such words appear and (d) any reference to a statute, regulation, or law shall include any amendment thereof or any successor thereto. All capitalized terms (including all terms included in ALL CAPS in any portion of this Agreement) shall have the meaning assigned thereto herein.

14.15 Not to be Construed Against Drafter.

Each Party has had an adequate opportunity to review each and every provision of this Agreement and to submit the same to legal counsel for review and advice. Based on the foregoing, the rule of construction, if any, that a contract be construed against the drafter shall not apply to interpretation or construction of this Agreement.

14.16 INDEMNITIES AND CONSPICUOUSNESS OF PROVISIONS.

EXCEPT AS EXPRESSLY PROVIDED OTHERWISE IN THIS AGREEMENT, THE RELEASE, DEFENSE, INDEMNIFICATION AND HOLD HARMLESS

PROVISIONS PROVIDED FOR IN THIS AGREEMENT SHALL BE APPLICABLE WHETHER OR NOT THE CLAIMS, DEMANDS, SUITS, CAUSES OF ACTION, LOSSES, DAMAGES, LIABILITIES, FINES, PENALTIES AND COSTS (INCLUDING ATTORNEYS' FEES AND COSTS OF LITIGATION) IN QUESTION AROSE SOLELY OR IN PART FROM THE ACTIVE, PASSIVE OR CONCURRENT NEGLIGENCE, STRICT LIABILITY, BREACH OF DUTY (STATUTORY OR OTHERWISE), VIOLATION OF LAW, OR OTHER FAULT OF ANY INDEMNIFIED PARTY, OR FROM ANY PRE-EXISTING DEFECT. The Parties agree that provisions of this Agreement in "ALL CAPS" or "bold" type satisfy any requirement of the "express negligence rule" and other requirement at law or in equity that provisions be conspicuously marked or highlighted.

14.17 Waiver of Consumer Rights.

As partial consideration for the Parties entering into this Agreement, each Party can and does hereby waive the provisions of the Texas Deceptive Trade Practices Consumer Protection Act, Article 17.41 *et seq.*, Texas Business and Commerce Code, a law that gives consumers special rights and protection, and all other consumer protection laws of the State of Texas, or of any other state that may be applicable to this transaction, that may be waived by such Party. It is not the intent of either Party to waive and neither Party does waive any law or provision thereof that is prohibited by law from being waived. Each Party represents that it has had an adequate opportunity to review the preceding waiver provision, including the opportunity to submit the same to legal counsel for review and advice and after consultation with an attorney of its own selection voluntarily consents to this waiver, and understands the rights being waived herein.

14.18 No Partnership Created.

It is not the purpose or intention of this Agreement to create (and it shall not be construed as creating) a joint venture, partnership or any type of association, and neither Party is authorized to act as an agent or principal for the other Party with respect to any matter related hereto.

14.19 Counterparts of Assignment.

The Assignment, Conveyance and Bill of Sale in the form attached as **Exhibit H** is intended to assign all of the Assets being assigned pursuant to this Agreement. Certain Assets that are leased from, or require the approval to transfer by, a governmental entity are conveyed under the Assignment, Conveyance and Bill of Sale and also are described and covered by other separate assignments made by Milagro to White Oak on officially approved forms, or forms acceptable to such entity, in sufficient multiple originals to satisfy applicable statutory and regulatory requirements. The interests conveyed by such separate assignments are the same, and not in addition to, the interests conveyed in the Assignment, Conveyance and Bill of Sale.

14.20 Counterpart Execution. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original and all of which together shall constitute but one and the same instrument.

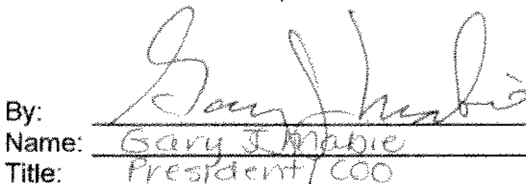
14.21 Disclosure Schedules. All references to Schedules and Disclosure Schedules in **Article IV** of this Agreement refer to Schedules contained in the Disclosure Schedules. The information in the Disclosure Schedules (including Post-Signing Information, if any) constitute exceptions, qualifications and/or supplements to particular representations or warranties of the applicable Party as set forth in this Agreement. The Disclosure Schedules (including the Post-Signing Information, if any) shall not be construed as indicating that any disclosed information is required to be disclosed, and no disclosure shall be construed as an admission that such information is material to, outside the ordinary course of business of, or required to be disclosed by the applicable Party. Capitalized terms used in the Disclosure Schedules and any Post-Signing Information that are not defined therein and are defined in this Agreement shall have the meanings given to them in this Agreement. The captions contained in the Disclosure Schedules and any Post-Signing Information are for the convenience of reference only, and shall not be deemed to modify or influence the interpretation of the information contained in the Disclosure Schedules, any Post-Signing Information or this Agreement. The statements in each Schedule of the Disclosure Schedules (including the Post-Signing Information, if any) qualify and relate to the corresponding provisions in the sections of this Agreement to which they expressly refer and to each other provision in this Agreement to which the applicability of a statement or disclosure in a particular Schedule of the Disclosure Schedules or any Post-Signing Information is reasonably apparent on its face.

[*Signature Page Follows*]

IN WITNESS WHEREOF, each of the Parties has caused this Agreement to be executed as of the date first mentioned above.

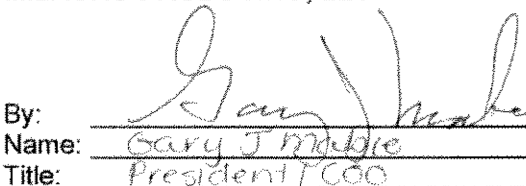
MILAGRO

MILAGRO OIL & GAS, INC.



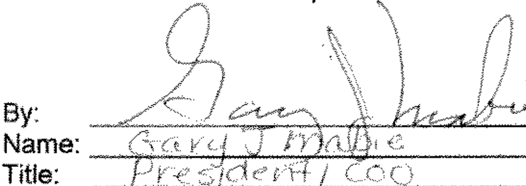
By:
Name: Gary J Mabie
Title: President / COO

MILAGRO PRODUCING, LLC



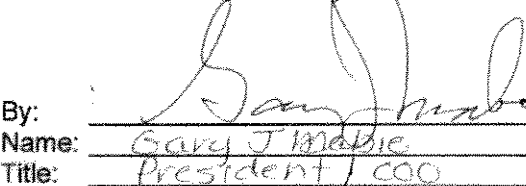
By:
Name: Gary J Mabie
Title: President / COO

MILAGRO RESOURCES, LLC



By:
Name: Gary J Mabie
Title: President / COO

MILAGRO EXPLORATION, LLC



By:
Name: Gary J Mabie
Title: President / COO

WHITE OAK

WHITE OAK RESOURCES VI, LLC

By: ______________________
Name: ______________________
Title: ______________________

IN WITNESS WHEREOF, each of the Parties has caused this Agreement to be executed as of the date first mentioned above.

MILAGRO

MILAGRO OIL & GAS, INC.

By: ____________________________
Name: ____________________________
Title: ____________________________

MILAGRO PRODUCING, LLC

By: ____________________________
Name: ____________________________
Title: ____________________________

MILAGRO RESOURCES, LLC

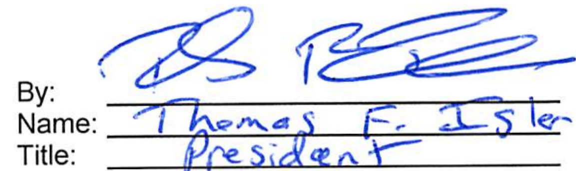
By: ____________________________
Name: ____________________________
Title: ____________________________

MILAGRO EXPLORATION, LLC

By: ____________________________
Name: ____________________________
Title: ____________________________

WHITE OAK

WHITE OAK RESOURCES VI, LLC



By: ____________________________
Name: Thomas F. Isler
Title: President

Schedule 1

Defined Terms

"**365 Contracts**" means all contracts that may be assumed by Milagro pursuant to Section 365 of the Bankruptcy Code.

"**365 Schedule**" has the meaning given thereto in **Section 5.5(a)**.

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

"**Adjusted Equity Component**" has the meaning given thereto in **Section 3.1**.

"**Adjusted Purchase Price**" has the meaning given thereto in **Section 3.1**.

"**Affiliate**" means, with respect to any individual or entity, any other individual or entity that directly or indirectly controls, is controlled by or is under common control with such individual or entity, with "control" in such context meaning the ability to direct the management or policies of an individual or entity through ownership of voting shares or other securities, pursuant to a written agreement, or otherwise. Without limiting the foregoing, with respect to Milagro, the Subsidiaries shall be deemed Affiliates of Milagro.

"**Accounting Referee**" has the meaning given thereto in **Section 3.4(c)**.

"**Additional Equity Contributions**" has the meaning given thereto in **Section 2.4**.

"**Additional Interest**" has the meaning given thereto in **Section 6.2(b)**.

"**Additional Interest Amount**" has the meaning given thereto in **Section 6.2(b)**.

"**Aggregate Environmental Defect Deductible**" means One Million Dollars ($1,000,000).

"**Aggregate Title Defect Deductible**" means One Million Dollars ($1,000,000).

"**Allocated Value**" means, with respect to a specific Property, that portion of the Purchase Price allocated to such Asset as set forth on **Exhibit G**.

"**Alternative Transaction Fee**" has the meaning given thereto in **Section 13.2(b)**.

"**Amended Company Agreement**" has the meaning given thereto in the recitals.

"**Assessment**" has the meaning given thereto in **Section 7.1**.

"**Asset Taxes**" has the meaning given thereto in **Section 11.7**.

"**Assets**" has the meaning given thereto in **Section 2.2**.

"**Assigned Contracts**" has the meaning given thereto in **Section 2.2(i)**.

"**Assumed Obligations**" has the meaning given thereto in **Section 12.1**.

"**Audit Period**" has the meaning given thereto in **Section 3.4(c)**.

"**Audit Report**" has the meaning given thereto in **Section 3.4(c)**.

"**Bankruptcy Code**" means Title 11 of the United States Code, as amended.

"**Bankruptcy Court**" has the meaning given thereto in the recitals.

"**Break-Up Fee**" has the meaning given thereto in **Section 3.3**.

"**Business Day**" means any day, other than Saturday or Sunday, on which commercial banks are open for commercial business with the public in Houston, Texas.

"**Capital Account**" has the meaning given thereto in the Second Amended Company Agreement.

"**Cash Payment Cap**" has the meaning given thereto in **Section 3.1**.

"**Casualty Loss**" has the meaning given thereto in **Section 5.4**.

"**Chapter 11 Cases**" has the meaning given thereto in the recitals.

"**Claim Notice**" has the meaning given thereto in **Section 12.4(b)**.

"**Closing**" has the meaning given thereto in **Section 2.5**.

"**Closing Date**" has the meaning given thereto in **Section 2.5**.

"**Code**" has the meaning given thereto in **Section 4.1(a)(1)**.

"**Company Interest**" shall have the meaning given thereto in the Second Amended Company Agreement.

"**Confidentiality Agreement**" has the meaning given thereto in **Section 14.8**.

"**Confirmation Hearing**" means the hearing to approve the transactions contemplated by this Agreement pursuant to the Plan.

"**Cure Costs**" means, with respect to any Desired 365 Contract, any and all amounts necessary to cure all defaults, if any, and to pay all losses that have resulted from defaults under such Desired 365 Contract.

"**Debt**" has the meaning given thereto in **Section 4.1(n)**.

"**Deemed Note Payment Amount**" has the meaning given thereto in **Section 3.2(b)**.

"**Deemed Equity Value**" has the meaning given thereto in **Section 2.4**.

"**Defect Deadline**" has the meaning given thereto in **Section 6.2(a)**.

"**Defensible Title**" has the meaning given thereto in **Section 6.1(a)**.

"**Desired 365 Contract**" has the meaning given thereto in **Section 5.5(b)**.

"**Effective Time**" has the meaning given thereto in **Section 2.5**.

"**Employees**" has the meaning given thereto in **Section 8**.

"**Encumbrances**" has the meaning given thereto in **Section 6.1(b)**.

"**Environmental Defect**" has the meaning given thereto in **Section 7.3(a).**

"**Environmental Defect Amount**" has the meaning given thereto in **Section 7.3(b)**.

"**Environmental Laws**" has the meaning given thereto in **Section 7.3(c)**.

"**Environmental Valuation Referee**" has the meaning given thereto in **Section 7.4(e)**.

"**Equipment**" has the meaning given thereto in **Section 2.2(h)**.

"**Execution Date**" has the meaning given thereto in the preamble.

"**Final Order**" has the meaning given thereto in the recitals.

"**Final Settlement Statement**" has the meaning given thereto in **Section 3.4(c)**.

"**GAAP**" means generally accepted accounting principles in effect in the United States, as amended from time to time, using the accrual method of accounting.

"**Hard Consent**" has the meaning given thereto in **Section 5.3(d)**.

"**Hydrocarbons**" has the meaning given thereto in **Section 2.2(e)**.

"**Imbalances**" has the meaning given thereto in **Section 2.2(j)**.

"**Income Taxes**" has the meaning given thereto in **Section 11.7**.

"**Indemnified Party**" has the meaning given thereto in **Section 12.4(a)**.

"**Indemnifying Party**" has the meaning given thereto in **Section 12.4(a).**

"Individual Environmental Defect Threshold" means Fifty Thousand Dollars ($50,000) per occurrence.

"Individual Title Defect Threshold" means Fifty Thousand Dollars ($50,000) per occurrence.

"**Knowledge**" means (i) with respect to Milagro, the actual knowledge of the following officers and employees of Milagro: Gary Mabie, Marshall Munsell, Carol Cooley, Bill Anderson, Bill Brown, Mike Stolte, David Lalor, Ed Wells and the knowledge that each such Person would have reasonably obtained in the performance of each such person's

duties as an officer or employee of Milagro, and (ii) with respect to White Oak, the actual knowledge of the following officers and employees of White Oak: Thomas F. Isler, R. M. Rayburn, Jr., Scott Nonhof, Shawn Barnhart or Joe Lauer, and the knowledge that each such Person would have reasonably obtained in the performance of each such person's duties as an officer or employee of White Oak.

"**Leases**" has the meaning given thereto in **Section 2.2(a)**.

"**LIBOR Rate**" means the rate for deposits in United States Dollars for a period of three (3) months appearing on Reuters Screen LIBOR01 Page (or on any successor or substitute page of such service, or any successor to or substitute for such service) as of the applicable date, plus five percent (5%) per annum.

"**Losses**" means all losses, damages, claims, demands, suits, causes of action, costs, expenses, charges, liabilities, fines, penalties and sanctions of every kind and character, including reasonable attorney's fees, court costs and costs of investigation.

"**Material Adverse Effect** means any violation, event, change, occurrence, development or other matter that individually or in the aggregate, has or is reasonably expected to have, a material adverse effect upon the financial condition, capitalization, assets, Losses, financial performance, business or operating results of White Oak or Milagro (as applicable) taken as a whole, except any adverse effect related to or resulting from (i) changes in general business or economic conditions in the United States or globally, (ii) national or international political or social conditions, including the engagement by the United States in hostilities or the escalation thereof, whether or not pursuant to the declaration of a national emergency or war, or the occurrence or the escalation of any military or terrorist attack upon the United States, or any of its territories, possessions, or diplomatic or consular offices or upon any military installation, equipment or personnel of the United States, (iii) changes relating to oil and gas industry (including changes in the price(s) of oil, natural gas or NGLs or in the costs associated with drilling for, producing, gathering, transporting or fractionating oil or natural gas), (iv) financial, banking, or securities markets (including any disruption thereof and any decline in the price of any security or any market index), (v) changes in GAAP, (vi) changes in applicable laws, (vii) the taking of any action contemplated by this Agreement or the other agreements contemplated hereby or the announcement of this Agreement, the other agreements contemplated hereby or the transactions contemplated hereby or thereby, (viii) with respect to Milagro only, any adverse change in or effect on the business of Milagro that is caused by the Chapter 11 Cases or the Plan or (ix) any adverse change in or effect on the business of White Oak or Milagro (as applicable) that is caused by any delay in consummating the Closing after November 15, 2015, as a result of any violation or breach by the other Party of any covenant, representation or warranty contained in this Agreement which has prevented the satisfaction of any condition to the obligations of such Party at the Closing.

"**Milagro**" has the meaning given thereto in the preamble.

"**Milagro Capital Account Balance**" has the meaning given thereto in **Section 2.4**.

"**Milagro Environmental Dispute Notice**" has the meaning given thereto in **Section 7.4(f)**.

“**Milagro Exploration**” has the meaning given thereto in the preamble.

“**Milagro Indemnified Parties**” has the meaning given thereto in **Section 12.3**.

“**Milagro Interests**” has the meaning given thereto in **Section 2.4**.

“**Milagro Producing**” has the meaning given thereto in the preamble.

“**Milagro Resources**” has the meaning given thereto in the preamble.

“**Milagro Senior Secured Debt**” or “**Senior Secured Debt**” means all obligations of Milagro for borrowed money under the Second Amended and Restated First Lien Credit Agreement, dated as of September 4, 2014 by and among Milagro Exploration and Milagro Producing, as borrowers, MOG, as guarantor, and the various financial institutions and other persons from time to time parties thereto as the lenders, and the administrative agent.

“**Milagro Tax Returns**” has the meaning given thereto in **Section 4.1(j)**.

“**Milagro Title Dispute Notice**” has the meaning given thereto in **Section 6.2(g)**.

“**Mineral Interests**” has the meaning given thereto in **Section 2.2(b)**.

“**MOG**” has the meaning given thereto in the preamble.

“**MOG Loan**” has the meaning given thereto in **Section 2.4**.

“**Net Revenue Interest**” or **“NRI”** means, with respect to any Unit or Well, the decimal interest in and to all Hydrocarbons produced and saved or sold from or allocated to such Unit or Well after giving effect to all royalties, overriding royalties, production payments, carried interests, net profits interests, reversionary interests and other burdens upon, measured by or payable out of production therefrom.

“**NORM**” means naturally occurring radioactive material.

“**Note Purchase**” has the meaning given thereto in **Section 3.2(b)**.

“**Notes**” has the meaning given thereto in **Section 3.2(b)**.

“**Notice Period**” has the meaning given thereto in **Section 12.4(b)**.

“**Operating Agreement**” has the meaning given thereto in **Section 5.5(b)**.

“**Organizational Documents**” means, with respect to any Person (other than a natural person), the certificate or articles of incorporation or organization of such Person and any limited liability company, operating or partnership agreement, by-laws or similar documents or agreement relating to the legal organization of such Person.

“**Original Agreement**” has the meaning given thereto in the recitals.

“**Paid-Off Senior Debt**” has the meaning given thereto in **Section 3.2(a)**.

"**Person**" shall mean any individual or entity, including any corporation, limited liability company, partnership (general or limited), joint venture, association, joint stock company, trust, unincorporated organization or government authority (including any board, political subdivision or other body thereof).

"**Permitted Assignees**" shall mean the class of creditors set forth on **Schedule 3.4(e)**

"**Permitted Encumbrances**" has the meaning given thereto in **Section 6.1(c)**.

"**Phase II Assessment**" has the meaning given thereto in **Section 7.1**.

"**Plan**" has the meaning given thereto in the recitals.

"**Plugging and Abandonment**" and "**Plug and Abandon**" and its derivatives mean all plugging, replugging, abandonment, equipment removal, disposal or restoration associated with the Assets, including all plugging and abandonment, removal, surface restoration, site clearance and disposal of the wells, well cellars, structures and personal property located on or associated with the Assets, the removal and capping of all associated flowlines, field transmission and gathering lines, the removal of underwater obstructions, pit closures, the restoration of the surface, site clearance, and any disposal of related waste materials, including NORM and asbestos, all in accordance with applicable laws and the terms and conditions of the Leases, beneficial interests, easements and Assigned Contracts.

"**Post-Signing Information**" has the meaning given thereto in **Section 5.7**.

"**Preferential Rights**" has the meaning given thereto in **Section 5.3(a)**.

"**Preliminary Purchase Price**" has the meaning given thereto in **Section 3.4(b).**

"**Preliminary Settlement Statement**" has the meaning given thereto in **Section 3.4(b)**.

"**Properties**" means any Lease, Well, Unit or Mineral Interest having an Allocated Value set forth on **Exhibit G**.

"**Property Costs**" means any and all costs, expenses, capital expenditures and charges that arise out of, are associated with, or relate to the use, ownership or operation of the Assets including, but not limited to, any joint interest billings, lease operating expenses, P&A and Environmental Costs, lease rental and maintenance costs, shut-in royalties, leasehold payments, Taxes, drilling expenses, workover expenses, geological, geophysical and any other exploration or development expenditures chargeable under applicable operating agreements or other agreements consistent with the standards establishes by the Council of Petroleum Accountants Societies, Inc., and amounts paid for insurance deductibles. For purposes of this Agreement, Property Costs arising out of, associated with, or relating to work performed prior to the Effective Time shall, to the extent such work was actually performed prior to the Effective Time, be deemed to arise out of the period of time prior to the Effective Time; and Property Costs arising out of, associated with, or relating to work performed from and after the Effective Time shall, to the extent such work was actually performed on and after the Effective Time, be deemed to arise out of the period of time from and after the Effective Time.

"**Purchase Price**" has the meaning given thereto in **Section 3.1**.

"**P&A and Environmental Costs**" means all costs arising out of, associated with, or relating to work in connection (i) the Plugging and Abandonment of any of the Assets or (ii) any remediation or environmental clean-up relating to any of the Assets.

"**Records**" has the meaning given thereto in **Section 2.2(k)**.

"**Remediation**" has the meaning given thereto in **Section 7.3(d)**.

"**Retained Contracts**" has the meaning given thereto in **Section 2.3(f)**.

"**Retained Litigation**" means all pending or threatened suits, arbitrations, actions or litigation against Milagro including, but not limited to, all suits, arbitrations, actions or litigation set forth on **Exhibit M.**

"**Retained Obligations**" has the meaning given thereto in **Section 12.1**.

"**Reserved Assets**" has the meaning given thereto in **Section 2.3**.

"**Restructuring Support Agreement**" means the Restructuring Support Agreement dated July 15, 2015 between White Oak, Milagro and other parties thereto. "**Revenues**" means proceeds received from the sale of Hydrocarbons and all other proceeds arising out of, associated with, or relating to the ownership or operation of the Assets (net of any royalties, overriding royalties or other burdens on or payable out of production, gathering, processing and transportation costs and any production, sale or excise Taxes or similar Taxes). For purposes of this Agreement, Revenues attributable to the sale of Hydrocarbons produced prior to the Effective Time or attributable to any service provided prior to the Effective Time shall be deemed to arise out of the period of time prior to the Effective Time and Revenues attributable to the sale of Hydrocarbons produced from and after the Effective Time or attributable to any service provided from and after the Effective Time shall be deemed to arise out of the period of time from and after the Effective Time.

"**Royalties**" means all royalties, overriding royalties, rentals, shut-in royalties, production payments and other royalties with respect to production attributable to the interests in the Leases, Mineral Interests, the Units and Wells.

"**Second Amended Company Agreement**" has the meaning given thereto in the recitals.

"**Securities Act**" has the meaning given thereto in **Section 4.1(p)**.

"**Senior Debt**" has the meaning given thereto in **Section 3.2(a)**.

"**Senior Debt Payoff Letters**" has the meaning given thereto in **Section 3.2(a)**.

"**Sharing Ratio**" has the meaning given thereto in the Second Amended Company Agreement.

"**Straddle Period**" means any Tax period beginning before and ending after the Effective Time.

"**Subsidiaries**" has the meaning given thereto in the preamble.

"**Surface Fee Lands**" has the meaning given thereto in **Section 2.2(g)**.

"**Surface Use Agreements**" has the meaning given thereto in **Section 2.2(f)**.

"**Survival Period**" has the meaning given thereto in **Section 12.3(a)**.

"**Suspense Funds**" has the meaning given thereto in **Section 11.3**.

"**Taxes**" means any taxes, assessments and other governmental charges imposed by any governmental authority, including net income, gross income, profits, gross receipts, license, employment, stamp, occupation, premium, alternative or add-on minimum, ad valorem, real property, personal property, transfer, real property transfer, value added, sales, use, environmental (including Taxes under Section 59A of the Code), customs, duties, capital stock, franchise, excise, withholding, social security (or similar), unemployment, disability, payroll, windfall profit, severance, production, estimated or other tax, including any interest, penalty or addition thereto, whether disputed or not, and any expenses incurred in connection with the determination, settlement or litigation of the Tax liability.

"**Title Defect**" has the meaning given thereto in **Section 6.1(d).**

"**Title Defect Amount**" has the meaning given thereto in **Section 6.1(e)**.

"**Title Valuation Referee**" has the meaning given thereto in **Section 6.2(f)**.

"**Transfer Taxes**" has the meaning given thereto in **Section 11.7(d)**.

"**Transition Services Agreement**" has the meaning given thereto in **Section 10.2(g)**.

"**Units**" has the meaning given thereto in **Section 2.2(c)**.

"**Wells**" has the meaning given thereto in **Section 2.2(d).**

"**White Oak**" has the meaning given thereto in the preamble.

"**White Oak Audited Financial Statements**" has the meaning given thereto in **Section 4.2(q)**.

"**White Oak Financial Statements**" has the meaning given thereto in **Section 4.2(q)**.

"**White Oak Related Parties**" means White Oak and its Affiliates, and all of its and their respective equityholders, partners, members, directors, officers, managers, employees, agents and representatives.

"**White Oak Tax Returns**" has the meaning given thereto in **Section 4.2(j).**

"**White Oak Unaudited Financial Statements**" has the meaning given thereto in **Section 4.2(q)**.

"**Working Interest**" means the operating interest in a Lease or Mineral Interest that entitles the owner to conduct operations for the exploration, development, and production of Hydrocarbons, and that obligates the owner to bear his or its proportionate share of the costs and expenses of such operations.

[Schedules and Exhibits to Contribution Agreement Omitted]

Exhibit B to Restructuring Support Agreement – Backstop Commitment Letter

(Intentionally Omitted: See Exhibit F to the Disclosure Statement)

Exhibit C to Restructuring Support Agreement – Substantially Final Plan

(Intentionally Omitted: See Exhibit A to the Disclosure Statement)

Exhibit D to Restructuring Support Agreement – Substantially Final Disclosure Statement

(Intentionally Omitted)

EXHIBIT D

Unaudited Liquidation Analysis of the Debtors

[*to be provided*]

EXHIBIT E

Pro Forma Consolidated Balance Sheet and Comparison of Total Proved PV10 to Assumed Plan Values

[*to be provided*]

EXHIBIT F

Backstop Commitment Letter

Execution Version

July 15, 2015

Milagro Holdings, LLC
1301 McKinney, Suite 500
Houston, TX 77010
Attention: Gary Mabie
Email: gmabie@milagroexploration.com

Re: Backstop Commitment

Ladies and Gentleman:

Reference is hereby made to the restructuring (the "***Restructuring***") of the outstanding obligations of Milagro Holdings, LLC ("***Milagro Holdings***") and each of its direct and indirect subsidiaries (collectively with Milagro Holdings, the "***Company***") contemplated by that certain restructuring support agreement, dated as of the date hereof (together with all exhibits, annexes, and schedules thereto, in each case as may be amended or otherwise modified from time to time in accordance with the terms thereof, the "***Restructuring Support Agreement***"), by and among the Company and the other parties named therein, pursuant to which the Company has agreed to commence voluntary reorganization cases (the "***Chapter 11 Cases***") under chapter 11 of title 11 of the United States Code in the United States Bankruptcy Court for the District of Delaware (the "***Bankruptcy Court***") to effectuate a restructuring transaction pursuant to a pre-arranged plan of reorganization (the "***Plan***"), which is attached to the Restructuring Support Agreement as Exhibit C thereto. Capitalized terms used but not otherwise defined in this letter agreement (this "***Backstop Letter Agreement***") will have the meanings ascribed to them in the Plan. The Company and each of the parties set forth on Schedule 1 attached hereto (each a "***Backstop Purchaser***" and, collectively, the "***Backstop Purchasers***") hereby agree as follows:

The Plan proposes, among other things, that each Holder of a Notes Claim that is an accredited investor will have the opportunity to purchase, contemporaneously with the Effective Date, common stock (the "***Reorganized Debtor Common Stock***") in Milagro Oil & Gas, Inc., a wholly owned subsidiary of Milagro Holdings, which shares of common stock will be immediately converted to New Holdings Units as set forth in the Plan.

1. To provide assurances that the Rights Offering will be fully subscribed, the undersigned Backstop Purchasers hereby agree as follows:

a. Subject to the terms and conditions herein, each Backstop Purchaser hereby severally, and not jointly and severally, agrees to commit to purchase, contemporaneously with the Effective Date, shares of Reorganized Debtor Common Stock in an amount equal to the product of (i) the percentage set forth opposite such Backstop Purchaser's name on Schedule 1 under the heading "Backstop Commitment" multiplied by (ii) the total number of Rights Interests that were not purchased by Holders of Notes Claims as part of the Rights Offering (the Backstop Purchasers' commitments pursuant to this Section 1(a), the "***Backstop Commitment***"). Notwithstanding the foregoing, the aggregate purchase price of all Rights Interests to be sold pursuant to the Rights Offering shall not exceed $20,000,000 without the prior written consent of each Backstop Purchaser, and the

parties hereto agree that the size of the Rights Offering (and thus the Backstop Commitment) is subject to reduction as provided in Article IV.E.3 of the Plan.

b. Each Backstop Purchaser shall satisfy any or all of its respective Backstop Commitment obligations set forth in Section 1(a) by funding, or causing one or more of its Affiliates to fund, its respective Backstop Commitment obligations in cash in accordance with the terms of the Plan.

c. In exchange for each Backstop Purchaser's Backstop Commitment pursuant to Section 1(a), the Company agrees to provide each Backstop Purchaser, contemporaneously with the Effective Date, Reorganized Debtor Common Stock equal to such Backstop Purchaser's *pro rata* portion (based on its share of the Backstop Commitment) of 5% of the Reorganized Debtor Common Stock to be initially offered in connection with the Rights Offering regardless of whether such amount is reduced as provided in Article IV.E.3 of the Plan (each such Backstop Purchaser's respective fee, a "***Commitment Fee***," and all such fees, the "***Commitment Fees***"), which immediately following the Effective Date shall be converted into New Holdings Units.

2. This Backstop Letter Agreement is delivered pursuant to the Plan.

3. The agreements and obligations of the Backstop Purchasers hereunder, including the Backstop Commitment, are expressly conditioned upon and subject to the satisfaction or written waiver by each Backstop Purchaser, at each Backstop Purchaser's sole discretion, at or prior to the Effective Date of each of the following conditions:

a. all of the covenants and obligations that the Company is required to comply with or to perform pursuant to this Backstop Letter Agreement and the Plan at or prior to the Effective Date shall have been complied with and performed in all material respects;

b. The Company shall have paid each Backstop Purchaser such Backstop Purchaser's respective Commitment Fee;

c. the Bankruptcy Court shall have entered the Confirmation Order, which Confirmation Order shall be acceptable to each of the Backstop Purchasers (the Plan in the form confirmed by the Bankruptcy Court, the "***Confirmed Plan***"), such Confirmation Order shall not be subject to any stay, such Confirmation Order shall authorize the Company to execute this Backstop Letter Agreement and such Confirmation Order shall authorize and approve the transactions contemplated herein, including the payment of the Commitment Fees and all other consideration and fees contemplated herein and the indemnification provisions set forth herein;

d. the Company shall not have entered into any agreement, understanding or commitment with respect to the Backstop Commitment, including the payment of any fees related thereto, containing terms or conditions more favorable to the counterparty thereto than the terms and conditions set forth in this Backstop Letter Agreement and the Plan; and

e. the Confirmation Order shall not have been revoked pursuant to an order of the Bankruptcy Court and the Restructuring Support Agreement shall not have been terminated.

4. Whether or not the transactions contemplated hereby are consummated, the Company, jointly and severally, agrees to: (x) pay all reasonable and documented fees, expenses, disbursements and charges of the Backstop Purchasers incurred previously or in the future relating to the preparation and negotiation of this Backstop Letter Agreement or the Plan (including in connection with the enforcement or protection of any rights and remedies hereunder or thereunder) and (y) indemnify, defend, and hold harmless each Backstop Purchaser and each of such Backstop Purchaser's respective affiliates, officers, directors, members, managers, partners, stockholders, and equity holders, any affiliates, employees, attorneys, advisors, agents and other representatives of the foregoing, and each of their respective successors and assigns (each an "***Indemnified Person***") from and against, and shall promptly reimburse each Indemnified Person for, any and all losses, damages, liabilities, costs, and expenses, including

interest, court costs, and reasonable attorneys' and advisors' fees and expenses ("***Losses***"), relating to, arising out of, resulting from, or in connection with any action, suit, or proceeding by a third party arising out of or related to this Backstop Letter Agreement, the Plan, the matters and transactions contemplated hereby or thereby, the proposed Backstop Commitment, the use of proceeds thereunder or any claim, litigation, investigation or proceeding relating to any of the foregoing, regardless of whether any of such Indemnified Persons is a party thereto; provided, however, that the foregoing indemnity shall not, as to any Backstop Purchaser, apply to Losses to the extent they are determined by a final order of a court of competent jurisdiction to have resulted from the fraud, willful misconduct or gross negligence of such Backstop Purchaser. Notwithstanding any other provision of this Backstop Letter Agreement, no Indemnified Person will be liable for any special, indirect, consequential or punitive damages in connection with its activities related to the Backstop Letter Agreement, including the Backstop Commitment. The terms set forth in this paragraph shall survive termination of this Backstop Letter Agreement and shall remain in full force and effect regardless of whether the Plan or the Restructuring is consummated.

5. This Backstop Letter Agreement may be terminated as follows:

a. by the written mutual consent of each of the parties hereto;

b. subject to Section 6 hereof, by a party upon a breach by any other party hereto (such breaching party, the "***Breaching Party***") of any of the agreements, undertakings, representations, warranties or covenants of the Breaching Party set forth in this Backstop Letter Agreement, which breach remains uncured for a period of five (5) business days after the receipt of written notice thereof unless waived by each of the other parties in their sole discretion;

c. automatically upon the revocation of the Confirmation Order pursuant to an order of the Bankruptcy Court;

d. automatically upon the termination of the Restructuring Support Agreement;

e. subject to Section 6 hereof, upon the occurrence of a Material Adverse Effect (as defined in the Contribution Agreement), by any Backstop Purchaser providing written notice of termination;

f. automatically upon termination of the Contribution Agreement; or

g. in the event that the projected cash needs at closing exceed the cash available to the Company at Closing, including from the Rights Offering, by any Backstop Purchaser providing written notice of termination subject to Section 6 hereof.

Except for the obligations of the parties hereto pursuant to Section 4, which shall survive the termination of this Backstop Letter Agreement, upon the termination of this Backstop Letter Agreement pursuant to this Section 5, this Backstop Letter Agreement shall be void and of no further force or effect, each party shall be released from its commitments, undertakings and agreements under or related to this Backstop Letter Agreement, including the Backstop Commitment, and there shall be no liability or obligation on the part of any party. This Backstop Letter Agreement is conditioned upon the consummation of the transactions contemplated by the Plan and this Backstop Letter Agreement and the obligations hereunder, including the Backstop Commitment, shall become null and void, and shall have no effect whatsoever, without any action on the part of any person or entity upon the revocation of the Plan by a final order of the Bankruptcy Court. Upon termination of this Backstop Letter Agreement, any and all consents, tenders, waivers, forbearances and votes delivered by any Party prior to such termination shall be deemed, for all purposes, to be null and void *ab initio* and shall not be considered or otherwise used in any manner by any of the parties hereto or any other third party. For the avoidance of doubt, the automatic stay arising pursuant to section 362 of the Bankruptcy Code shall be deemed waived or modified for purposes of providing notice or exercising rights hereunder.

6.

a. If, at any time before two business days prior to the Effective Date, any Backstop Purchaser terminates this Backstop Letter Agreement as to itself pursuant to Section 5, each non-terminating Backstop Purchaser shall have one business day to agree to purchase the number of shares of Reorganized Debtor Common Stock that such terminating Backstop Purchaser was obligated to purchase in an amount equal to (i) the percentage set forth opposite such non-terminating Backstop Purchaser's name on Schedule 1 under the heading "Backstop Commitment", as adjusted such that the sum of all non-terminating Purchaser's Backstop Commitments equals 100%, multiplied by (ii) the number of Rights Interests which such terminating Backstop Purchaser or Backstop Purchasers failed or refused to purchase on such date, or this Backstop Letter Agreement shall be automatically terminated, and such participating Backstop Purchaser shall also be entitled to the applicable share of the Commitment Fees.

b. If any Backstop Purchaser does not agree to purchase its share of the terminating Backstop Purchaser's Rights Interests in accordance with Section 6(a), then any other non-terminating Backstop Purchaser or Backstop Purchasers may purchase any shares of Reorganized Debtor Common Stock not purchased by any other non-terminating Backstop Purchaser divided between the purchasing non-terminating Backstop Purchasers as determined by the formula set forth in Section 6(a) (with any non-purchasing non-terminating Backstop Purchaser deemed to be a terminating Backstop Purchaser for the purposes of such calculation), even if such purchase is in excess of the *pro rata* portion of the Rights Interests of such Backstop Purchaser, and such participating Backstop Purchaser shall also be entitled to the applicable share of the Commitment Fees.

7. This Backstop Letter Agreement (a) is not assignable by any of the parties hereto without the prior written consent of each of the other parties and any purported assignment without such consent shall be null and void *ab initio*, and (b) except as set forth in Section 4, is intended to be solely for the benefit of the parties and is not intended to confer any benefits upon, or create any rights in favor of, any person or entity other than such parties. Notwithstanding the foregoing, the Backstop Purchasers may assign all or any portion of their obligations hereunder to an affiliate of the Backstop Purchasers without the consent of any party; provided, however, that the Backstop Purchaser shall not be relieved of its obligations hereunder in the event that its assignee(s) does not fulfill the obligations hereunder so assigned.

8. This Backstop Letter Agreement sets forth the agreement of the Backstop Purchasers to fund the Backstop Commitment on the terms described herein. This Backstop Letter Agreement constitutes the entire understanding among the parties with respect to the subject matter hereof and replaces and supersedes all prior agreements and understandings, both written and oral, between the Parties with respect to the subject matter hereof and shall become effective and binding upon the mutual exchange of fully executed counterparts by each of the Parties; provided, however, that each Backstop Purchaser's obligations hereunder, including the Backstop Commitment, shall only become effective and binding on such Backstop Purchaser upon the entry of the Confirmation Order.

9. This Backstop Letter Agreement shall be governed by and construed in accordance with the internal laws of the state of New York, without regard to any conflicts of law provisions which would require the application of the law of any other jurisdiction. By its execution and delivery of this Backstop Letter Agreement, each of the parties hereby irrevocably and unconditionally agrees that any legal action, suit, dispute or proceeding arising under, out of or in connection with this Backstop Letter Agreement

shall be brought in the federal or state courts of competent jurisdiction located in the state and county of New York or in the Bankruptcy Court (for so long as the Company is subject to the jurisdiction of the Bankruptcy Court) and each of the parties hereto irrevocably accepts and submits itself to the exclusive jurisdiction of such courts, generally and unconditionally, and waives any objections as to venue or inconvenient forum. 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 TRANSACTIONS CONTEMPLATED HEREBY. Notwithstanding the foregoing consent to jurisdiction, following the commencement of the Chapter 11 Cases and so long as the Bankruptcy Court has jurisdiction over the Chapter 11 Cases, each of the parties agrees that the Bankruptcy Court shall have exclusive jurisdiction with respect to any matter under or arising out of or in connection with this Backstop Letter Agreement, and hereby submits to the jurisdiction of the Bankruptcy Court.

10. This Backstop Letter Agreement may not be amended or waived except in writing signed by each of the parties hereto; provided, however, if a particular Backstop Purchaser does not consent to an amendment or waiver request from the Company, this Backstop Letter Agreement may be amended or a provision hereof may be waived if all other Backstop Purchasers consent to such amendment or waiver and such other Backstop Purchasers agree to assume all obligations, including the Backstop Commitment, of the non-consenting Backstop Purchaser, and shall be entitled to the applicable Commitment Fees (in which case, such non-consenting Backstop Purchaser will be relieved of its Backstop Commitment Obligations and not be entitled to any Commitment Fees); provided further that, to the extent a provision of this Backstop Letter Agreement is waived or amended pursuant to this sentence and in accordance with this Section 10, then such non-consenting Backstop Purchaser shall no longer be a party to this Backstop Letter Agreement and such Backstop Letter Agreement shall be terminated as to such non-consenting Backstop Purchaser. This Backstop Letter Agreement may be executed in any number of counterparts, each of which will be an original, and all of which, when taken together, will constitute one agreement. Delivery of an executed counterpart of this Backstop Letter Agreement by facsimile or portable document format (PDF) will be effective as delivery of a manually executed counterpart of this Backstop Letter Agreement.

11. This Backstop Letter Agreement and the Plan are part of a proposed settlement of matters that could otherwise be the subject of litigation among the parties. Nothing herein shall be deemed an admission of any kind. Pursuant to Federal Rule of Evidence 408 and any applicable state rules of evidence, this Backstop Letter Agreement and the Plan and all negotiations relating thereto shall not be admissible into evidence in any proceeding other than a proceeding to enforce the terms of this Backstop Letter Agreement.

12. 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 transactions contemplated hereby. Further, each of the parties hereto shall take such action (including executing and delivering any other agreements and making and filing any required regulatory filings) as may be reasonably necessary and appropriate to carry out the purposes and intent of this Backstop Letter Agreement.

13. Notwithstanding anything to the contrary contained herein, the obligations of each Backstop Purchaser hereunder are several, and not joint and several, and consequently each Backstop Purchaser shall have no liability or obligation with respect to any breach by any other party. Except as provided in Section 6, no Backstop Purchaser shall be required to purchase or subscribe for any equity other than its *pro rata* portion of the Reorganized Debtor Common Stock nor shall any Backstop Purchaser be required to pay any money, consideration, or exchange any claims whatsoever which are owing from, or to be transferred from or by, any other party. Nothing in this Backstop Letter Agreement shall be deemed to constitute a joint venture or partnership between any of the parties nor constitute any party as the agent of any other party for any purpose.

14. Each party confirms that it has made its own decision to execute this Backstop Letter Agreement based upon its own independent assessment of documents and information available to it, as it has deemed appropriate.

15. Each party acknowledges that it has had the opportunity to be represented by counsel in connection with this Backstop Letter Agreement and the transactions contemplated by this Backstop Letter Agreement. Accordingly, any rule of law or any legal decision that would provide any party with a defense to the enforcement of the terms of this Backstop Letter Agreement against such party based upon lack of legal counsel shall have no application and is expressly waived.

16. Each Backstop Purchaser certifies and represents to the Company that it is an “accredited investor” as defined in Rule 501 of Regulation D promulgated under the Securities Act. Such Backstop Purchaser is acquiring the Securities for its own account or accounts managed by it, for investment and not with a view toward distribution within the meaning of the Securities Act. Such Backstop Purchaser’s financial condition is such that it is able to bear the risk of holding the Securities for an indefinite period of time and the risk of loss of its entire investment. Such Backstop Purchaser has sufficient knowledge and experience in investing in companies similar to the Company so as to be able to evaluate the risks and merits of its investment in the Company. The decision by such Backstop Purchaser to subscribe for Securities and execute this Backstop Letter Agreement has not been based upon any verbal or written representation (other than those in this Backstop Letter Agreement and the Plan Documents) made by or on behalf of the Company or any employee or agent of the Company. Such Backstop Purchaser has been afforded the opportunity to ask questions of and receive answers from the management of the Company concerning this investment, has been furnished all materials related to the business, finances and operations of the Company which it has requested of the Company, and has sought such accounting, legal and tax advice as it deems appropriate in connection with its proposed investment under this Backstop Letter Agreement. Such Investor acknowledges that the Company will rely upon the truth and accuracy of the foregoing as well as the other representations, warranties and other agreements of such Backstop Purchaser in connection with the transactions described in this Backstop Letter Agreement.

17. Except as expressly provided in this Backstop Letter Agreement, (a) nothing herein is intended to, or does, in any manner waive, limit, impair or restrict the ability of each party to protect and preserve its rights, remedies and interests, including claims against or interests in the Company or other parties, or its full participation in any bankruptcy proceeding, and (b) the parties each fully preserve any and all of their respective rights, remedies, claims and interests upon a termination of this Backstop Letter Agreement. Further, nothing in this Backstop Letter Agreement shall be construed to prohibit any party hereto from appearing as a party-in-interest in any matter to be adjudicated in the Chapter 11 Cases, so long as such appearance and the positions advocated in connection therewith are consistent with this Backstop Letter Agreement, the Restructuring Support Agreement, the Restructuring and the Plan, and are not for the purpose of, and could not reasonably be expected to have the effect of, hindering, delaying or preventing the consummation of the Restructuring.

18. Time is of the essence in the performance of the obligations of each of the parties. The words “hereof,” “herein” and “hereunder” and words of like import used in this Backstop Letter Agreement shall refer to this Backstop Letter Agreement as a whole and not to any particular provision of this Backstop Letter Agreement. References to any Articles, Sections and Schedules are to such Articles, Sections and Schedules of this Backstop Letter Agreement unless otherwise specified. All Schedules annexed hereto or referred to herein (including any exhibits, schedules or attachments thereto) are hereby incorporated in and made a part of this Backstop Letter Agreement as if set forth in full herein. Any singular term in this Backstop Letter Agreement shall be deemed to include the plural, and any plural term the singular. Whenever the words “include,” “includes” or “including” are used in this Backstop Letter Agreement, they shall be deemed to be followed by the words “without limitation,” whether or not they are in fact followed by those words or words of like import. “Writing,” “written” and comparable terms refer to printing, typing and other means of reproducing words (including electronic media) in a

visible form. Any reference to "business day" means any day, other than a Saturday, a Sunday or any other day on which commercial banks are open for commercial business with the public in New York, New York are closed for business as a result of federal, state or local holiday and any other reference to day means a calendar day.

19. Except as otherwise agreed in writing by the parties hereto or as required by the Plan, the Company shall not (a) use the name of any Backstop Purchaser in any press release without such Backstop Purchaser's prior written consent or (b) disclose to any person or entity, other than legal, accounting, financial and other advisors to the Company, the principal amount or percentage of the Backstop Commitment held by any Backstop Purchaser or any of its respective subsidiaries or affiliates; provided, however, that that the Company shall be permitted to file a complete copy of this Backstop Letter Agreement with the Bankruptcy Court with schedules hereto redacted.

20. Notwithstanding anything to the contrary herein, nothing in this Backstop Letter Agreement shall create any additional fiduciary obligations on the part of the Company or any members, managers or officers of the Company or their affiliated entities, in such person's or entity's capacity as a member, manager or officer of the Company or their affiliated entities that such entities did not have prior to the execution of this Backstop Letter Agreement.

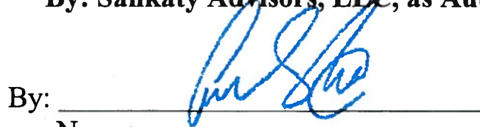
21. This Backstop Letter Agreement, including the transactions contemplated herein, is the product of negotiations among the parties, together with their respective representatives. Notwithstanding anything herein to the contrary, this Backstop Letter Agreement is not, and shall not be deemed to be, 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. The Company will not solicit acceptances of the Plan from any party until such party has been provided with copies of a Disclosure Statement containing adequate information as required by section 1125 of the Bankruptcy Code.

If the foregoing is in accordance with your understanding of our agreement, please sign this Backstop Letter Agreement in the space indicated below and return it to us.

[Remainder of Page Left Intentionally Blank]

Sincerely,

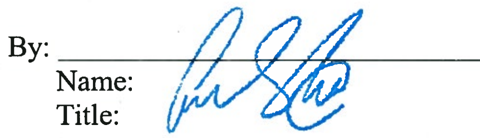
Drawbridge Investment Limited
By: Sankaty Advisors, LLC, as Authorized Agent

By: 
Name:
Title:
Andrew S. Viens
Executive Vice President

Sankaty Managed Account (UCAL), L.P.

By:
Name:
Title: Andrew S. Viens
Executive Vice President

Sankaty High Income Partnership, L.P.

By: 
Name:
Title:
Andrew S. Viens
Executive Vice President

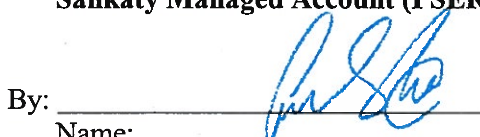
Future Fund Board of Guardians
By: Sankaty Advisors, LLC, as Investment Manager

By:
Name:
Title: Andrew S. Viens
Executive Vice President

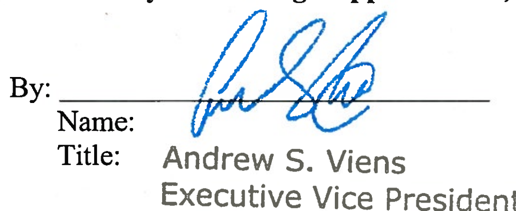
Sankaty Credit Opportunities III, L.P.

By:
Name:
Title: Andrew S. Viens
Executive Vice President

Sankaty Managed Account (PSERS), L.P.

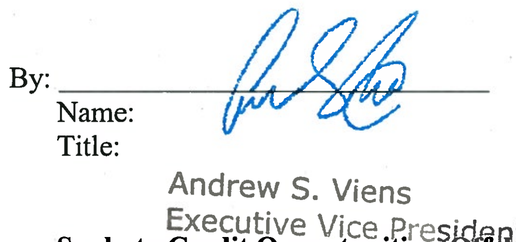
By: 
Name:
Title: Andrew S. Viens
Executive Vice President

Sankaty Drawbridge Opportunities, L.P.



By: ______________________
Name: Andrew S. Viens
Title: Executive Vice President

Sankaty Credit Opportunities IV, L.P.



By: ______________________
Name: Andrew S. Viens
Title: Executive Vice President

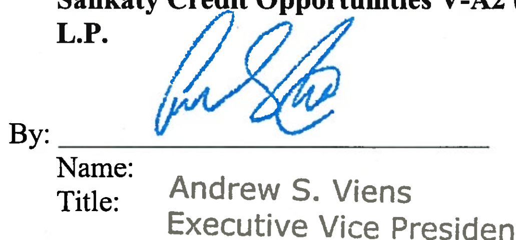
Sankaty Credit Opportunities (Offshore Master) IV, L.P.

By: ______________________
Name: Andrew S. Viens
Title: Executive Vice President

Sankaty Credit Opportunities V-A, L.P.

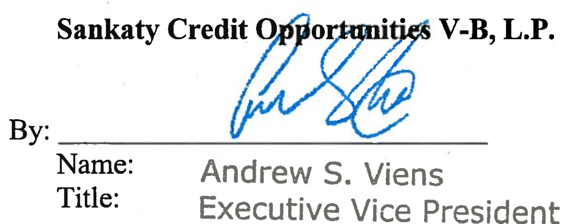
By: ______________________
Name: Andrew S. Viens
Title: Executive Vice President

Sankaty Credit Opportunities V-A2 (Master), L.P.



By: ______________________
Name: Andrew S. Viens
Title: Executive Vice President

Sankaty Credit Opportunities V-B, L.P.



By: ______________________
Name: Andrew S. Viens
Title: Executive Vice President

Sankaty Credit Opportunities V-B2 (Master), L.P.

By:
Name:
Title:
Andrew S. Viens
Executive Vice President

Acknowledged, Agreed, and Accepted:

MILAGRO HOLDINGS:

MILAGRO HOLDINGS, LLC, on behalf of itself and each of its direct and indirect subsidiaries

By: ______________________
Name: Gary J. Mabie
Its: President / COO

EXHIBIT G

Rights Offering Procedures

[*to be provided*]