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**
	:	**RE: Docket No. 193**

DECLARATION OF SCOTT W. WINN IN SUPPORT OF CONFIRMATION OF THE DEBTORS' AMENDED JOINT PLAN OF REORGANIZATION PURSUANT TO CHAPTER 11 OF THE BANKRUPTCY CODE DATED SEPTEMBER 1, 2015

I, Scott W. Winn, hereby declare that the following is true to the best of my knowledge, information and belief:[2]

1. I am the Chief Restructuring Officer of each of the debtors and debtors in possession (collectively, the "Debtors") in the above-captioned chapter 11 cases (the "Chapter 11 Cases"). On May 5, 2014, I was appointed as Chief Restructuring Officer of the Debtors. In that capacity, I am familiar with the Debtors' day-to-day operations, business and financial affairs and books and records. I am over the age of 18, competent to testify, and authorized to submit this declaration (this "Declaration") on behalf of the Debtors.

[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.

[2] Capitalized terms used but not defined herein shall have the meanings ascribed to them in the *Debtors' Amended Joint Plan of Reorganization Pursuant to Chapter 11 of the Bankruptcy Code Dated September 1, 2015*, [Docket No. 193] (as amended, supplemented, or otherwise modified from time to time, including the Plan Supplement [Docket Nos. 250, 254, & 275 together with any additional amendments or supplements filed prior to the Confirmation Hearing], which is incorporated therein by reference and made part thereof as if set forth therein, the "Plan").

2. The Debtors engaged Zolfo Cooper Management, LLC, of which I am a Senior Managing Director in May, 2014 to assist the Debtors in managing their business and evaluating strategic alternatives. I have over 25 years of professional experience in finance, operations, and strategy, specializing in distressed and underperforming companies. I served as chief restructuring officer of Pacific Energy Resources Ltd., an oil and gas exploration and development company, and I was the management executive at Enron, responsible for leading the efforts to divest non-core businesses, resolve special purpose entities, and managing the chapter 11 processes. I am a graduate of Georgetown University, and I am a business planning and financial restructuring specialist.

3. Except as otherwise indicated herein, all facts set forth in this Declaration are based on my personal knowledge of the Debtors' operations and finances, information gathered from my review of relevant documents, and information supplied to me by other members of the Debtors' management and advisors. If called upon to testify, I could and would testify competently to the facts set forth herein on that basis.

Preliminary Statement

4. On July 15, 2015 (the "Petition Date"), the Debtors filed the Chapter 11 Cases to effectuate a restructuring transaction that was negotiated at arms'-length, in good faith and over an extended period of time by and among the Debtors and a number of their key stakeholders, which transaction is set forth in the Plan and the Restructuring Support Agreement (the "Restructuring Support Agreement"), dated as of July 15, 2015, by and among the Debtors, White Oak Resources VI, LLC ("White Oak"), the Consenting Noteholders, the Secured Lenders and Administrative Agent, and certain of the Equity Holders.

5. Holders of Notes Claims in Class 4 were the only parties entitled to vote on the Plan, and I am advised that the Plan has received unanimous support from the Holders of Notes Claims who voted. Specifically, the Debtors' final voting results on the Plan are as follows:

Class	Number Accepting	Number Rejecting	Amount Accepting	Amount Rejecting
	%	%	%	%
4	66	0	$197,999,000.00	$0.00
	100%	0.00%	100%	0.00%

6. I believe that the Plan maximizes value for creditors and is in the best interest of the Debtors' estates. Further, as set forth more fully in this Declaration and as the Debtors will establish at the Confirmation Hearing, I believe that the Plan satisfies each applicable standard under section 1129, and all other applicable provisions, of the Bankruptcy Code. I therefore respectfully request that the Court confirm the Plan.

The Plan

7. I believe that the Plan: (a) complies with all applicable provisions of the Bankruptcy Code as required by section 1129(a)(1) of the Bankruptcy Code; (b) satisfies the other mandatory requirements of section 1129(a) of the Bankruptcy Code; (c) satisfies the "cram-down" requirements of Section 1129(b) of the Bankruptcy Code; and (d) does not have the principal purpose of avoiding taxes or section 5 of the Securities Act of 1933.

I. The Plan Complies with All Applicable Provisions of the Bankruptcy Code (Section 1129(a)(1))

8. I believe that the Plan complies with section 1129(a)(1) of the Bankruptcy Code, which I understand requires the Plan to comply with sections 1122 and 1123 of the Bankruptcy Code in all respects. Specifically, it is my understanding that the Plan complies with both sections 1122 and 1123, and all other applicable provisions, of the Bankruptcy Code because the classification provided by the Plan reflects, among other things, different legal rights, priorities,

or interests with respect to the classified Claims, as further discussed herein. Accordingly, I believe the Plan satisfies the requirements of section 1129(a)(1) and merits confirmation.

A. Sections 1122 and 1123(a)(1)

9. It is my understanding that the Plan complies with section 1123(a)(1) of the Bankruptcy Code because Article III of the Plan provides for the separate classification of Claims and Equity Interests as follows:

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)

10. Additionally, I believe that the Plan satisfies the classification requirements set forth in section 1122 of the Bankruptcy Code because I believe that each Class is composed of substantially similar Claims or Equity Interests.

11. I am advised that the Plan appropriately classifies Equity Interests separately from Claims, and all Holders of Equity Interests receive the same treatment under Class 6. It is my understanding that secured Claims are classified separately from General Unsecured Claims because the Debtors' obligations with respect to the former are secured by collateral. I am

advised that secured Claims are further grouped into Classes based on, for instance, the collateral securing the Claim (against which the secured claimant has recourse subject to the provisions of the Bankruptcy Code) and the governing credit documents under which the Claim arises. I therefore believe that the classification of Claims and Equity Interests in the Plan complies with sections 1122 and 1123(a)(1) of the Bankruptcy Code.

B. Sections 1123(a)(2) and 1123(a)(3)

12. I believe that the Plan also satisfies sections 1123(a)(2) and (a)(3) of the Bankruptcy Code. I have been advised that Article III.B of the Plan specifies the Classes of Claims and Equity Interests that are Unimpaired under the Plan, as required by section 1123(a)(2) of the Bankruptcy Code. It is also my understanding that Article III.B of the Plan also specifies the treatment of each Class of Claims and Equity Interests that is Impaired, as required by section 1123(a)(3) of the Bankruptcy Code.

C. Section 1123(a)(4)

13. It is my understanding that the Plan satisfies section 1123(a)(4) of the Bankruptcy Code because Article III.B of the Plan provides the same treatment to each Claim or Equity Interest in each particular Class.

D. Section 1123(a)(5)

14. It is my understanding that section 1123(a)(5) of the Bankruptcy Code has been satisfied because Articles IV, VI, and VII of the Plan, as well as other provisions thereof, satisfy the requirements of section 1123(a)(5) by setting forth specific means for the Plan's execution and implementation, including: (a) the transfer of the Assets to, and the assumption of certain liabilities by, White Oak pursuant to the Contribution Agreement; (b) the dissolution of the Debtors other than MOG, which shall continue as the Reorganized Debtor on and after the Effective Date; (c) the issuance of the Reorganized Debtor Common Stock; (d) the conversion of

MOG to a Delaware limited liability company, New Milagro LLC, and the conversion of the Reorganized Debtor Common Stock into New Holdings Units; (e) the adoption by New Milagro LLC of the New Holdings Operating Agreement; (f) the substantive consolidation of the Debtors' Estates for purposes of Confirmation and Consummation; (g) the sources of consideration for distributions under the Plan, namely from (i) the Cash Payment by White Oak under the Contribution Agreement, (ii) the Rights Offering Proceeds, (iii) funds received from the disposition of the Estate Assets not being acquired by White Oak, (iv) other Cash on hand, and (v) the Reorganized Debtor Common Stock (and the New Holdings Units to be issued in connection with the conversion of the Reorganized Debtor into a Delaware limited liability company, New Milagro LLC, and the immediate conversion of the Reorganized Debtor Common Stock into New Holdings Units on a one-for-one basis); (i) the manner of making distributions of property under the Plan; (j) the general authority for all corporate actions necessary to effectuate the Plan; (k) the exemption from certain taxes and fees to the extent provided herein; (l) the preservation of Causes of Action to the extent not released, exculpated, or enjoined under the Plan; (m) the cancellation of all notes, instruments, certificates, and other documents evidencing Claims or Interests unless otherwise provided in the Plan; and (n) to the extent provided in the Plan, the cancellation of certain Claims and Equity Interests and the securities or indentures related thereto. As such, I believe that Articles IV, VI, and VII of the Plan set forth adequate means of implementation of the Plan. Therefore, it is my belief that the Plan satisfies section 1123(a)(5) of the Bankruptcy Code.

E. Section 1123(a)(6)

15. I am advised that section 1123(a)(6) of the Bankruptcy Code requires that a corporate debtor's chapter 11 plan provide for the inclusion in the reorganized debtor's charter of a prohibition against the issuance of non-voting equity securities and related protections for

holders of preferred shares. It is my understanding that the organizational and governance documents for the Reorganized Debtor and New Milagro LLC do not provide for the issuance of non-voting equity securities, to the extent, and for so long as, such issuance is prohibited under section 1123(a)(6) of the Bankruptcy Code. Accordingly, I believe that the requirements of section 1123(a)(6) of the Bankruptcy Code are inapplicable to the Plan.

F. Section 1123(a)(7)

16. It is my understanding that Article IV.N of the Plan provides that 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. Further, also upon the occurrence of the Effective Date, the new board of the Reorganized Debtor will be a five-member board comprising individuals selected as provided in the Company Governance Documents. I believe these actions are consistent with the interests of creditors and equity security holders and with public policy. I therefore believe that the Plan complies with section 1123(a)(7) of the Bankruptcy Code.

G. Section 1123(b) of the Bankruptcy Code and the Plan's Discretionary Provisions

17. I am aware that the Plan includes a number of discretionary provisions as that term is used by section 1123(b) of the Bankruptcy Code. For example, I am advised that under Article III of the Plan, Classes 1, 2, and 3 are Unimpaired because the Plan leaves unaltered the legal, equitable, and contractual rights of the holders of Claims within such Classes. On the other hand, it is my understanding that Classes 4, 5, and 6 are Impaired since the Plan modifies

the rights of the holders of Claims and Equity Interests within such Classes as contemplated in section 1123(b)(1) of the Bankruptcy Code. In addition, and under section 1123(b)(2) of the Bankruptcy Code, it is also my understanding that Article V.A. of the Plan provides for the assumption and assignment of certain Executory Contracts and Unexpired Leases to White Oak, referred to as the Desired 365 Contracts, as set forth in the Contribution Agreement and Article V.A. of the Plan itself. The Plan further provides that all Executory Contracts and Unexpired Leases shall be rejected as of the Effective Date, other than (i) the Desired 365 Contracts; (ii) the Restructuring Support Agreement; (iii) the Contribution Agreement; (iv) any contract, instrument, release, indenture, or other agreement or document entered into in connection with this Plan; or (v) any Executory Contract or Unexpired Lease that is subject to a pending motion to assume or assume and assign.

18. It is my understanding that (i) the Plan provides for the sale of substantially all of the Debtors' assets pursuant to the Contribution Agreement Transaction and effectuates the distribution of the proceeds of the Contribution Agreement Transaction under the Plan and (ii) the provisions of the Plan and this Confirmation Order constitute a good faith compromise and settlement of all Claims, Equity Interests, and controversies relating to the contractual, legal, and subordination rights that a Holder of a Claim or Equity Interest may have with respect to any Allowed Claim or Equity Interest or any distribution to be made on account of such Allowed Claim or Equity Interest. I am advised that the former is consistent with section 1123(b)(4) of the Bankruptcy Code and the latter is in accordance with section 1123(b)(3)(A) of the Bankruptcy Code and Bankruptcy Rule 9019 and in consideration for the distributions and other benefits provided under the Plan.

19. I am advised that the Plan also includes certain releases (in particular the Debtor Release and the Third Party Release), an exculpation provision, and an injunction provision. I believe that these discretionary provisions are proper because, among other things, they are the product of extensive good faith, arm's-length negotiations, are supported by the Debtors and their key constituents, in exchange for good and valuable consideration, and are essential to the Plan. Accordingly, I believe that the releases, exculpation, and injunction represent critical components of an appropriate Plan and are valid exercises of the Debtors' business judgment.

20. It is my understanding that Article VIII.D of the Plan includes the Debtor Release. I am advised that the Debtor Release is permissible under applicable law for the reasons set forth below.

21. First, I've been advised that the scope of the Debtor Release is appropriately tailored under the facts and circumstances of these Chapter 11 Cases and the Debtor Release appropriately offers protection to parties that constructively participated in the Debtors' chapter 11 process. In addition, I believe that the litigation the Debtors could possibly undertake against the parties otherwise benefitting from the release is not in the best interest of these Estates' various constituencies because the costs involved would likely outweigh any potential benefit from pursuing such Claims. For these and additional reasons, I believe the Debtor Release is an integral part of the Plan.

22. Second, I believe that the Debtor Release is predicated on substantial contributions by the parties benefitting from that release. In the first instance, I am advised that the Debtor Release includes parties that have provided direct benefits to these Chapter 11 Cases through diligently discharging their duties and contributing to the overall success of these Chapter 11 Cases. In addition, it is my understanding that the Released Parties under the Plan

made significant contributions to these Chapter 11 Cases, which includes (i) the Administrative Agent's, Secured Lenders', Consenting Noteholders', and Initial Equity Holders' consent to and support of the Plan and the Debtors' restructuring transaction; (ii) the Administrative Agent's, Secured Lenders', and Second Lien Notes Trustee's prepetition forbearance of remedies for the Debtors' defaults under the Credit Agreement and Second Lien Notes Indenture, as applicable; (iii) the provision by the Administrative Agent of the Debtors' DIP Facility to enable the Debtors to pursue this reorganization; (iv) a more than $2.5 million reduction in the purported Yield Maintenance Premium (as defined in the DIP Credit Agreement) and interest expenses asserted by the Administrative Agent on behalf of the Secured Lenders; (v) the Consenting Noteholders' agreement to exchange their Note Claims for equity interests in the Reorganized Debtor; (vi) the agreement by certain of the Holders of Note Claims to provide necessary funding to the Reorganized Debtor pursuant to the Rights Offering; (vii) the agreement by certain of the Consenting Noteholders to backstop the Rights Offering; (viii) Acon's efforts in facilitating and enabling the Contribution Agreement Transaction; (ix) the agreement of White Oak to enter into the Contribution Agreement and pursue the Contribution Agreement Transaction in the context of a chapter 11 proceeding; (x) the mutual releases of the Holders of Note Claims that do not opt out of the Third Party Releases; (xi) the mutual releases of the Plan Release Consideration Recipients; (xii) the waiver of approximately $17 million in management fee claims by the Initial Equity Holders; and (xiii) the efforts of the majority of the Released Parties, including the Debtors' and other directors, officers and various professionals, in negotiating and effectuating the Plan and the Debtors' largely consensual restructuring. In addition, certain of the Released Parties provided consideration that will establish an avenue for Holders of General Unsecured Claims to obtain a recovery on account of their claims, which otherwise would not be available

to them given the Debtors' capital structure. Moreover, it is my understanding that each Released Party is obliged to mutually release the Debtors and their Estates from causes of action that might otherwise be asserted against the Debtors' Estates. Particularly when measured against the limited value of the released claims or causes at issue, I believe that such agreements constitute substantial consideration supporting the Debtor Release here.

23. Third, I believe that the Debtor Release is absolutely essential to the Plan itself. It is my understanding that the protections offered by the Debtor Release facilitated the participation of many of the Debtors' stakeholders in the negotiations and compromises that led to the Plan. Without the Debtor Release, I do not believe that the manifest benefits arising under the Plan would be possible.

24. Fourth, it is my understanding that the Debtors' creditors support the Debtor Release. As set forth above, the Plan was accepted by all of the Holders of Claims in Class 4 who voted on it. I believe that this level of support provides clear evidence that the Plan, including the Releases that are an indispensable Plan feature, maximizes the value of the Estates.

25. Finally, while it is my understanding that the Plan does not provide "full" recoveries to unsecured creditors, the Plan provides an avenue for at least some recovery to that constituency, which is greater than the lack of any recovery at all, which I believe would be the result in the absence of the settlements embodied by the Plan. As noted above, I believe that the creditor recoveries were possible only because of the Debtor Release and the Third Party Release implemented by the Plan—indeed, the relevant Released Parties expressly conditioned successful negotiations on such provisions. I believe that the value arising from this proposition is evident: definite consideration achieved now in exchange for uncertain value only possibly attainable after lengthy and costly litigation. Given the critical nature of the Debtor Release to

the Plan, I believe that the creditors' support for the Plan demonstrates strong support for the Debtor Release. I, thus, believe that the Debtor Release should therefore be approved.

26. It is my understanding that Article VIII.E of the Plan provides narrow and appropriately tailored third party releases that apply only to consenting parties. I believe that the Third Party Release in Article VIII.E of the Plan is fully consensual. I am advised that the only parties who will be bound by the Third Party Release are (i) parties who have agreed to the Third Party Release by executing the Restructuring Support Agreement, (ii) Noteholders who had an opportunity to opt-out of the Third Party Release on their ballot and failed to do so, or (iii) Holders of General Unsecured Claims who are eligible and affirmatively elect to grant the Third Party Release by executing a GUC Third Party Consent. In addition, it is my understanding that the Third Party Release facilitated participation in both the Plan and the Debtors' chapter 11 process generally. Specifically, it is my understanding that the Released Parties under the Plan made significant contributions to these Chapter 11 Cases, including providing debtor-in-possession funding during the Chapter 11 cases and consenting to the use of cash collateral, pursuing and supporting the Contribution Agreement Transaction, and providing funding for the GUC Settlement Payment. As such, I have been advised that the Third Party Release appropriately offers protection to parties who constructively participated in and contributed to the Debtors' chapter 11 process. For these reasons, I believe that the Third Party Releases should be approved.

27. I have been advised that the exculpation provisions set forth in Article VIII.F of the Plan, as modified by the Confirmation Order, are essential to the Plan. I believe the record in these Chapter 11 Cases fully supports the Exculpation and that the Exculpation is appropriately tailored to protect the Exculpated Parties from inappropriate litigation.

28. I am advised that the injunction provisions set forth in Article VIII.G of the Plan are essential to the Plan and are necessary to implement the Plan and to preserve and enforce the Debtor Release, the Third Party Release, and the Exculpation. I believe that the injunction provision is thus a key provision of the Plan because it enforces the release and exculpation provisions that are centrally important to the Plan. Moreover, I believe that this injunction provision is narrowly tailored to achieve its purpose and should be approved.

29. Accordingly, I believe that the discretionary provisions of the Plan, including the Debtor Release, the Third Party Release, the Exculpation, and injunction provisions set forth in Article VIII of the Plan, should be approved in connection with Confirmation of the Plan.

II. The Plan Satisfies the Other Mandatory Requirements of Section 1129(a) of the Bankruptcy Code

A. Section 1129(a)(2)

30. It is my understanding that the Debtors, as proponents of the Plan, have complied with all applicable provisions of the Bankruptcy Code as required by section 1129(a)(2) of the Bankruptcy Code, including sections 1122, 1123, 1124, 1125, 1126, and 1128, and Bankruptcy Rules 3017, 3018, and 3019.

B. Section 1129(a)(3)

31. I believe that the Plan was proposed in good faith, with the legitimate purpose of maximizing stakeholder value, and not by any means forbidden by law. I believe that the Plan is the product of arm's length negotiations by and among the Debtors, White Oak, the Initial Equity Holders, the Secured Lenders, the Consenting Noteholders, the Second Lien Notes Trustee, the Administrative Agent, and certain other stakeholders. I am advised that the Plan has also received unanimous support from those Holders of Claims in Class 4 who voted. As such, I

understand that the Plan will achieve a result consistent with the objectives and purposes of section 1129(a)(3) of the Bankruptcy Code.

C. Section 1129(a)(4)

32. It is my understanding that all payments promised or received, made, or to be made by the Debtors in connection with services provided or for costs or expenses incurred in connection with the Chapter 11 Cases, including for professionals, are subject to the review by and approval of the Bankruptcy Court. Among other things, Article II.D of the Plan requires Professionals seeking professional fees arising before the Effective Date to file requests for allowance of those fees with the Court no later than the first Business Day that is 30 days after the Effective Date, and Professional Fee Claims ultimately remain subject to approval of this Court. Therefore, it is my understanding that the Plan complies with the requirements of section 1129(a)(4) of the Bankruptcy Code.

D. Section 1129(a)(5)

33. The identities and affiliations of the individuals proposed to serve, as of the Effective Date, as members of the new board of managers of the Reorganized Debtor will be identified at or prior to the Confirmation Hearing. It is my understanding that the appointment of such individuals to such positions is consistent with the interests of holders of Claims and Equity Interests and public policy, thereby satisfying section 1129(a)(5) of the Bankruptcy Code. Accordingly, I believe that the Plan complies with section 1129(a)(5) of the Bankruptcy Code.

E. Section 1129(a)(6)

34. I have been informed that section 1129(a)(6) of the Bankruptcy Code requires, with respect to a debtor whose rates are subject to governmental regulation following confirmation, that appropriate governmental approval be obtained for any rate change provided for in the plan, or that such rate change be expressly conditioned on such approval. Because the

Debtors are not subject to any such regulation and the Plan does not propose any rate changes, it is my understanding that section 1129(a)(6) does not apply to the Plan.

F. Section 1129(a)(7)

35. It is my understanding that the Plan satisfies the "best interests of creditors" test of section 1129(a)(7) of the Bankruptcy Code. I believe that Exhibit D to the Disclosure Statement and the facts and circumstances of these Chapter 11 Cases establish that Holders of Allowed Claims or Equity Interests within each Class will not receive less value under the Plan on account of such Claim or Equity Interest, as of the Effective Date, than the amount such Holder would receive if the Debtors were liquidated on the Effective Date under chapter 7 of the Bankruptcy Code. Indeed, I am advised that Holders of Allowed General Unsecured Claims who are Eligible Plan Release Consideration Recipients that consent to become Releasing Parties would not be entitled to any recovery but for the GUC Settlement Payment.

36. I believe that the overwhelming number of votes in support of the Plan demonstrates that the Debtors' creditors fully expect to recover as much or more value under the Plan on account of their Claims, as of the Effective Date, than the amount they would receive if the Debtors were liquidated on the Effective Date under chapter 7 of the Bankruptcy Code. I therefore believe that the Plan is in the best interests of all creditors and accordingly satisfies section 1129(a)(7) of the Bankruptcy Code.

G. Section 1129(a)(8)

37. It is my understanding that section 1129(a)(8) of the Bankruptcy Code requires that each class of claims and interests established under a chapter 11 plan either accept the plan or not be impaired under the plan. I am advised that Class 4 voted to accept the Plan. On the other hand, it is my understanding that Classes 5 and 6 (collectively, the "Deemed Rejecting Classes") did not accept the Plan because each is deemed to have rejected the Plan.

Nevertheless, although the Debtors have not satisfied section 1129(a)(8) of the Bankruptcy Code, I am advised that the Court may still confirm the Plan because it does not discriminate unfairly against any Class and treats the Deemed Rejecting Classes fairly and equitably, thus satisfying section 1129(b) of the Bankruptcy Code.

H. Section 1129(a)(9)

38. I have been advised that section 1129(a)(9) of the Bankruptcy Code requires that persons holding claims entitled to priority under section 507(a) receive specified cash payments under a plan, unless they agree to different treatment. It is my understanding that Article II of the Plan provides that Holders of Allowed Administrative Claims, Allowed Priority Tax Claims, Allowed Professional Fee Claims, DIP Claims, and Other Priority Claim will receive a cash distribution in full satisfaction of their Claims. I believe that the Plan therefore satisfies the requirements of section 1129(a)(9) of the Bankruptcy Code.

I. Section 1129(a)(10)

39. I have been informed that section 1129(a)(10) of the Bankruptcy Code requires that if a class of claims is impaired under a plan, at least one impaired class of claims must accept the plan, excluding acceptance by any insider. It is my understanding that Class 4 voted to accept the Plan. As such, I believe that at least one Impaired Class of Claims has accepted the Plan for each Debtor, determined without including any acceptance of the Plan by any insider (as defined by the Bankruptcy Code). Accordingly, I believe that the Plan satisfies the requirements of section 1129(a)(10) of the Bankruptcy Code.

J. Section 1129(a)(11)

40. It is my understanding that section 1129(a)(11) of the Bankruptcy Code requires that the Bankruptcy Court determine that Confirmation is not likely to be followed by the liquidation or further financial reorganization of the Debtors unless contemplated by the Plan.

Here, I believe that the Debtors' Plan provides a straightforward and sound mechanism for its implementation. It is my belief that the financial projections set forth in Exhibit B to the Disclosure Statement: (a) are reasonable, persuasive, credible, and accurate as of the dates such evidence was prepared; (b) utilize reasonable and appropriate methodologies and assumptions; (c) establish that the Plan is feasible and Confirmation of the Plan is not likely to be followed by the liquidation, or the need for further financial reorganization, of the Debtors or the Reorganized Debtor, except as provided for in the Plan; and (d) establish that the Debtors or Reorganized Debtor will have sufficient funds available to meet their obligations under the Plan. I therefore believe that the Reorganized Debtor will have sufficient funds to satisfy all requirements and obligations under the Plan. Accordingly, I believe that the Plan satisfies the feasibility requirements of section 1129(a)(11) of the Bankruptcy Code.

K. Section 1129(a)(12)

41. It is my understanding that Article II.E of the Plan provides that fees payable under 28 U.S.C. § 1930(a) will be paid by the Reorganized Debtor. Accordingly, I believe that the Plan satisfies section 1129(a)(12) of the Bankruptcy Code.

L. Sections 1129(a)(13)–(16)

42. It is my understanding that section 1129(a)(13) of the Bankruptcy Code requires chapter 11 plans to continue all retiree benefits (as defined in section 1114 of the Bankruptcy Code). It is my understanding that the Debtors do not have any remaining obligations to pay retiree benefits (as defined in section 1114 of the Bankruptcy Code) and that, therefore, section 1129(a)(13) of the Bankruptcy Code is inapplicable to these Chapter 11 Cases or the Plan. Likewise, I am advised that sections 1129(a)(14) and (15) of the Bankruptcy Code apply only to debtors that are individuals and thus do not apply here. Finally, I am advised that section

1129(a)(16) of the Bankruptcy Code applies only to debtors that are nonprofit entities or trusts and thus does not apply here.

III. The Plan Complies with the Cram-Down Requirements of Section 1129(b) of the Bankruptcy Code

43. I am informed that, although the Plan does not satisfy section 1129(a)(8) of the Bankruptcy Code, the Court may confirm the Plan if it does not "discriminate unfairly" and provides "fair and equitable" treatment to each rejecting Impaired Class pursuant to section 1129(b) of the Bankruptcy Code. Under the Plan, none of the Deemed Rejecting Classes will receive any distribution. Further, no Class will receive more than the full amount of their Claims. Accordingly, I believe the Plan satisfies the "fair and equitable" treatment requirement of section 1129(b) of the Bankruptcy Code. Finally, each creditor entitled to a recovery under the Plan either will receive or had the opportunity to receive the same distribution afforded to similarly situated creditors.

IV. The Plan Complies with Section 1129(c) of the Bankruptcy Code

44. I have been advised that the Court may only confirm one chapter 11 plan. As the Plan is the only chapter 11 plan filed in these Chapter 11 Cases, I have been advised that 1129(c) has been met.

V. The Principal Purpose of the Plan is not the Avoidance of Taxes, as Required Under Section 1129(d) of the Bankruptcy Code

45. The Plan has not been filed for the purpose of avoidance of taxes or the application of section 5 of the Securities Act of 1933, as amended. Moreover, no party that is a governmental unit, or any other entity, has requested that the Bankruptcy Court decline to confirm the Plan on the grounds that the principal purpose of the Plan is the avoidance of taxes or the avoidance of the application of section 5 of the Securities Act of 1933. Accordingly, I

believe that the Debtors have satisfied what I understand to be the requirements of section 1129(d) of the Bankruptcy Code.

VI. The Contribution Agreement

46. I believe that the Contribution Agreement was negotiated, proposed, and entered into by the Debtors and White Oak without collusion, in good faith, and from arm's-length bargaining positions. I believe that the consideration being received by the Debtors under the Contribution Agreement for the Assets constitutes reasonably equivalent value and fair consideration, and the terms of the Contribution Agreement are fair and reasonable. Furthermore, it is my understanding that White Oak has at all times proceeded in good faith in all respects in connection with the Debtors' Chapter 11 Cases in that, among other things: (a) White Oak recognized that the Debtors were free to deal with any other interested party, (b) White Oak in no way induced or caused the chapter 11 filings by the Debtors, and (c) all payments to be made by White Oak in connection with the Contribution Agreement Transaction have been disclosed. It is my belief that White Oak has not acted in a collusive manner with any person and the aggregate purchase price paid by White Oak for the assets White Oak is acquiring was not controlled by any outside agreement. In addition, I have been advised that White Oak is not an "insider" of the Debtors, as that term is defined in section 101(31) of the Bankruptcy Code. I have been advised that neither the Debtors nor White Oak have engaged in any conduct that would cause or permit the Contribution Agreement to be avoided under section 363(n) of the Bankruptcy Code.

VII. Modifications to the Plan

47. I understand that the Bankruptcy Code and the Bankruptcy Rules allow a plan proponent to modify its plan at any time before confirmation. As such, I understand that the Debtors modified the Plan, as set forth in the Confirmation Order, by clarifying the exculpation

provision provided in Article VIII.F of the Plan. I believe that the modifications are immaterial. Moreover, I understand that each of the RSA Notice Parties had notice and opportunity to object to the modifications, but did not do so.

VIII. Substantive Consolidation

48. Based on my review of the Plan and my personal knowledge of the Debtors, substantive consolidation is appropriate, because, among other reasons, the Debtors historically operated on a consolidated basis. Further, it is my understanding that, with two exceptions, all of the employees within the Debtors' enterprise are employed, under a co-employment relationship with Insperity PEO Services, L.P., by Milagro Exploration, LLC ("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, LLC and Milagro Resources, LLC. Based on my experience as the Debtors' CRO, I believe that almost all outward facing activities by the Debtors are conducted by Milagro Exploration, which provides 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. It is also my understanding that the Debtors 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. For these reasons, it is my belief that substantive consolidation is appropriate.

49. I have also been informed that creditors will not be harmed by substantive consolidation. I believe that 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, LLC). 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. I have been informed that those

Noteholders who chose to vote on the Plan voted unanimously to approve the Plan, including substantive consolidation, and no party in interest has objected to substantive consolidation under the Plan. 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, I 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, I 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. Accordingly, I am informed and believe that substantive consolidation of the Estates is justified.

IX. Conclusion

50. I believe that the Plan is in the best interests of the Debtors, their Estates and Creditors, and other interested parties in the Chapter 11 Cases, and respectfully request that the Bankruptcy Court enter an order confirming the Plan.

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Pursuant to 28 U.S.C. § 1746, I declare under penalty of perjury that the foregoing is true and correct to the best of my knowledge, information, and belief.

Dated: October 6, 2015

/s/ Scott W. Winn

Scott W. Winn
Chief Restructuring Officer