IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:	)	Chapter 11
NEW GULF RESOURCES, LLC, *et al*.	)	Case No. 15-12566 (BLS)
Debtors.[1]	)	Jointly Administered
	)	**RE: Docket Nos. 23, 24, 200, 254, 268, 269**

NOTICE OF FILING OF BLACKLINES OF (1) DEBTORS' FIRST AMENDED PLAN OF REORGANIZATION AND (2) DEBTORS' FIRST AMENDED DISCLOSURE STATEMENT

PLEASE TAKE NOTICE THAT on December 17, 2015, the debtors and debtors in possession in the above-captioned chapter 11 cases (collectively, the "Debtors") filed with the Court the *Debtors' Joint Plan of Reorganization Pursuant to Chapter 11 of the Bankruptcy Code* [Docket No. 23] (the "Plan"), and a related disclosure statement [Docket No. 24] (the "Disclosure Statement").

PLEASE TAKE NOTICE THAT on January 21, 2016, the Debtors filed blacklines of drafts of the *Debtors' First Amended Joint Plan of Reorganization Pursuant to Chapter 11 of the Bankruptcy Code* (the "Draft First Amended Plan") against the Plan and the disclosure statement to the First Amended Plan (the "Draft First Amended Disclosure Statement") (without exhibits) against the Disclosure Statement [D.I. 200].

PLEASE TAKE FURTHER NOTICE THAT on February 3, 2016, the Debtors filed an incremental blackline of a revised draft of the First Amended Plan (the "Revised Draft First Amended Plan") against the Draft First Amended Plan and an incremental blackline of a revised draft of the First Amended Disclosure Statement (without exhibits) (the "Revised Draft First Amended Disclosure Statement") against the Draft First Amended Disclosure Statement [D.I. 254].

PLEASE TAKE FURTHER NOTICE THAT on the date hereof, the Debtors filed the *Debtors' First Amended Joint Plan of Reorganization Pursuant to Chapter 11 of the Bankruptcy Code* [D.I. 268] (the "First Amended Plan") and the disclosure statement to the First Amended Plan [D.I. 269] (the "First Amended Disclosure Statement").

PLEASE TAKE FURTHER NOTICE THAT attached hereto as **Exhibit 1** is a blackline of the First Amended Plan against the Revised Draft First Amended Plan.

[1] The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's federal tax identification number, are: NGR Holding Company LLC (1782), New Gulf Resources, LLC (1365); NGR Finance Corp. (5563) and NGR Texas, LLC (a disregarded entity for tax purposes). The Debtors' mailing address is 10441 S. Regal Boulevard, Suite 210, Tulsa, Oklahoma 74133.

PLEASE TAKE FURTHER NOTICE THAT attached hereto as **Exhibit 2** is a blackline of the First Amended Disclosure Statement against the Revised Draft First Amended Disclosure Statement.

Dated: February 5, 2016
Wilmington, Delaware

YOUNG CONAWAY STARGATT & TAYLOR, LLP

/s/ Justin P. Duda

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EXHIBIT 1

Black of First Amended Plan

~~THIS IS NOT A SOLICITATION OF AN ACCEPTANCE OR REJECTION OF THE PLAN WITHIN THE MEANING OF SECTION 1125 OF THE BANKRUPTCY CODE. ACCEPTANCES OR REJECTIONS MAY NOT BE SOLICITED UNTIL A DISCLOSURE STATEMENT HAS BEEN APPROVED BY THE BANKRUPTCY COURT. THIS DRAFT PLAN HAS NOT BEEN APPROVED BY THE BANKRUPTCY COURT.~~

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

~~In re~~ ~~NEW GULF RESOURCES, LLC, *et al.*,~~ ~~Debtors.~~[1]	~~§~~ ~~§~~ ~~§~~ ~~§~~ ~~§~~ ~~§~~ ~~§~~ ~~§~~	
In re: NEW GULF RESOURCES, LLC, *et al.* Debtors.[1]	)))))))	Chapter 11 Case No. 15-12566 (BLS) Jointly Administered

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

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~~1 The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's federal tax identification number, are: NGR Holding Company LLC (1782), New Gulf Resources, LLC (1365); NGR Finance Corp. (61-1735563) and NGR Texas, LLC (a disregarded entity for tax purposes). The Debtors' mailing address is 10441 S. Regal Boulevard, Suite 210, Tulsa, Oklahoma 74133.~~

[1] The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's federal tax identification number, are: NGR Holding Company LLC (1782), New Gulf Resources, LLC (1365); NGR Finance Corp. (5563) and NGR Texas, LLC (a disregarded entity for tax purposes). The Debtors' mailing address is 10441 S. Regal Boulevard, Suite 210, Tulsa, Oklahoma 74133.

Proposed Co-Counsel to Debtors and Debtors in Possession

Proposed Co-Counsel to Debtors and Debtors in Possession

Dated: February ~~3~~, 5, 2016

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INTRODUCTION

NGR Holding Company LLC and its affiliated Debtors jointly propose the following plan of reorganization under section 1121(a) of chapter 11 of title 11 of the United States Code. Although proposed jointly for administrative purposes, the Plan constitutes a separate Plan for each Debtor for the resolution of outstanding Claims against and Equity Interests in each Debtor pursuant to the Bankruptcy Code. The Debtors seek to consummate the restructuring on the Effective Date of the Plan. Each Debtor is a proponent of the Plan within the meaning of section 1129 of the Bankruptcy Code. The classifications of Claims and Interests set forth in Article III shall be deemed to apply separately with respect to each Plan proposed by each Debtor, as applicable. The Plan does not contemplate substantive consolidation of any of the Debtors.

Reference is made to the Disclosure Statement accompanying the Plan, including the exhibits thereto, for a discussion of the Debtors' history, business, results of operations, and projections for future operations and risk factors, together with a summary and analysis of the Plan.

THIS PLAN SHOULD BE CONSIDERED ONLY IN CONJUNCTION WITH THE DISCLOSURE STATEMENT AND RELATED MATERIALS TRANSMITTED HEREWITH. THE DISCLOSURE STATEMENT IS INTENDED TO PROVIDE YOU WITH INFORMATION YOU NEED TO MAKE AN INFORMED JUDGMENT WHETHER TO ACCEPT OR REJECT THIS PLAN.

ARTICLE I.
DEFINITIONS AND CONSTRUCTION OF TERMS

A. Definitions.

Unless otherwise defined herein, the following terms shall have the respective meanings set forth below:

1. *Accrued Professional Compensation*: means, at any given time, and regardless of whether such amounts are billed or unbilled, all accrued, contingent, and/or unpaid fees and expenses (including success fees) for legal, financial advisory, accounting, and other services, and reimbursement of expenses by any Professional that the Court has not, as of the Effective Date, denied by Final Order (i) all to the extent that any such fees and expenses have not been previously paid (regardless of whether a fee application has been filed for any such amount), (ii) such fees and expenses are allowed pursuant to sections 327, 328, 331, 503(b) or 1103(a) of the Bankruptcy Code, and (iii) after applying the remaining balance of any retainer that has been provided by the Debtors to such Professional. To the extent the Court denies or reduces by a Final Order any amount of a Professional's fees or expenses, then those reduced or denied amounts shall no longer constitute Accrued Professional Compensation.

2. *Ad Hoc Committee*: means the ad hoc committee of certain holders of Second Lien Notes represented by Stroock and Richards, Layton & Finger, PA.

3. *Administrative Claim*: means any right to payment constituting a cost or expense of administration of the Chapter 11 Cases of a kind specified under section 503(b) of the Bankruptcy Code and entitled to priority under sections 507(a)(2), 507(b) or 1114(e)(2) of the Bankruptcy Code, including, but not limited to, (i) any actual and necessary costs and expenses of preserving the Estates, (ii) any actual and necessary costs and expenses of operating the Debtors' businesses during the Chapter 11 Cases, (iii) any indebtedness or obligations assumed by the Debtors during the Chapter 11 Cases in connection with the conduct of its businesses, (iv) all compensation and reimbursement of expenses of Professionals to the extent awarded by the Court, (v) any fees or charges assessed against the Estates under section 1930 of title 28 of the United States Code, (vi) any Claim for goods delivered to the Debtors within twenty days of the Petition Date and entitled to administrative priority pursuant to section 503(b)(9) of the Bankruptcy Code, and (vii) all Transaction Expenses. For the avoidance of doubt, Administrative Claims includes the DIP Loan Claims.

4. *Allowed*: means with respect to any Claim, (i) following the Claims Objection Deadline, any Claim as to which no objection or request for estimation has been filed prior to the Claims Objection Deadline, (ii) a Claim that has been expressly allowed by Final Order, (iii) a Claim as to which the Debtors (with the prior consent of the Requisite Supporting Noteholders) or the Reorganized Debtors expressly agree to the amount, priority, and allowance thereof in writing, or (iv) a Claim that is expressly allowed pursuant to the terms of this Plan. If a Claim is Allowed only in part, any provisions hereunder with respect to Allowed Claims are applicable solely to the Allowed portion of such Claim. For the avoidance of doubt, any Claim that was required to be filed by the Claims Bar Date, but was not timely filed, shall not be Allowed, shall be deemed disallowed pursuant to the Bar Date Order, and the party asserting such Claim shall be forever barred, estopped and enjoined from asserting such Claim against the Debtors, the Reorganized Debtors, any affiliates of the Debtors or the Reorganized Debtors, or any of their respective property, and such Claim shall be deemed discharged as of the Effective Date, unless otherwise ordered by a Final Order of the Bankruptcy Court. Except as otherwise specified in the Plan or any Final Order, the amount of an Allowed Claim shall not include interest on such Claim from and after the Petition Date.

5. *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 Bankruptcy Code section, including Bankruptcy Code sections 502, 510, 542, 544, 545, 547 through 553, and 724(a) or under similar or related state or federal statutes and common law, including fraudulent transfer laws (in each case, excluding any Causes of Action against the Released Parties, which, for the avoidance of doubt, are released under the Plan).

6. *Backstop Agreement*: means that certain Backstop Note Purchase Agreement, dated as of December 15, 2015, between the Debtors and Persons party thereto as "Backstop Parties" thereunder (as may be amended, supplemented, or modified, from time to time, solely in accordance with the terms thereof).

7. *Backstop Agreement Order*: means that certain order of the Bankruptcy Court approving (1) the Debtors' entry into the Backstop Agreement and (2) the Rights Offering Procedures.

8. *Backstop Commitment Notes:* has the meaning given to it in the Backstop Agreement.

9. *Backstop Parties*: has the meaning given to it in the Backstop Agreement.

10. *Ballots*: means each of the ballots distributed with the Disclosure Statement to each holder of an Impaired Claim that is entitled to vote to accept or reject the Plan.

11. *Bankruptcy Code*: means title 11 of the United States Code, 11 U.S.C. §§ 101-1532, as in effect with respect to the Chapter 11 Cases.

12. *Bankruptcy Rules*: means the Federal Rules of Bankruptcy Procedure as promulgated by the United States Supreme Court under section 2075 of title 28 of the United States Code, and local rules of the Court, as the context may require, as in effect with respect to the Chapter 11 Cases.

13. *Bar Date Order*: means the order establishing the Claims Bar Date.

14. *Business Day*: means any day on which commercial banks are open for business, and not authorized to close, in New York, New York, except any day designated as a legal holiday by Bankruptcy Rule 9006(a).

15. *Cash*: means legal tender of the United States of America.

16. *Causes of Action*: means any and all claims, causes of actions, cross-claims, counterclaims, third-party claims, indemnity claims, reimbursement claims, contribution claims, defenses, demands, rights, actions, debts, damages, judgments, remedies, Liens, indemnities, guarantees, suits, obligations, liabilities, accounts, offsets, recoupments, powers, privileges, licenses, and franchises of any kind or character whatsoever, known or unknown, contingent or noncontingent, matured or unmatured, suspected or unsuspected, disputed or undisputed, foreseen or unforeseen, direct or indirect, choate or inchoate, whether arising before, on, or after the Petition Date, including through the Effective Date, in contract or in tort, in law or in equity, or pursuant to any other theory of law (other than Avoidance Actions). For the avoidance of doubt, the term "Causes of Action" shall include: (i) all rights of setoff, counterclaim, or recoupment and claims on contracts or for breaches of duties imposed by law or in equity; (ii) the right to object to Claims; (iii) all claims pursuant to sections 362, 510, 542, 543, 544 through 550, 552 or 553 of the Bankruptcy Code; (iv) all claims and defenses, including fraud, mistake, duress, and usury and any other defenses set forth in section 558 of the Bankruptcy Code; and (v) any state law fraudulent transfer claims.

17. *Chapter 11 Cases*: means the chapter 11 cases commenced by the Debtors.

18. *Claim*: means a "claim," as such term is defined in section 101(5) of the Bankruptcy Code.

19. *Claims Bar Date*: means such date established by order of the Bankruptcy Court by which Proofs of Claim must have been filed.

20. *Claims Objection Deadline*: means the first Business Day that is the later of (i) one-hundred eighty days after the Effective Date, (ii) as to Proofs of Claim filed after the applicable Claims Bar Date, the 60th day after a Final Order is entered by the Bankruptcy Court deeming the late-filed Proof of Claim to be treated as timely filed, or (iii) such other later date the Court may establish upon a motion by the Debtors or the Reorganized Debtors, which motion shall be in form and substance satisfactory to the Requisite Supporting Noteholders and may be approved without a hearing and without notice to any party.

21. *Claims Register*: means the official register of Claims maintained by the Notice and Claims Agent.

22. *Class*: means a group of Claims or Equity Interests classified under the Plan.

23. *Collateral*: means any property, or interest in property, of any of the Debtors' Estates subject to a Lien to secure the payment or performance of a Claim, which Lien has not been avoided or is not subject to avoidance under the Bankruptcy Code or is not otherwise invalid under the Bankruptcy Code or applicable law.

24. *Confirmation*: means the entry of the Confirmation Order on the docket of the Chapter 11 Cases.

25. *Confirmation Date*: means the date of Confirmation.

26. *Confirmation Hearing*: means the hearing held by the Court pursuant to Bankruptcy Rule 3020(b)(2) and section 1128 of the Bankruptcy Code, including any adjournments thereof, at which the Court will consider confirmation of the Plan and other related matters.

27. *Confirmation Order*: means the order entered by the Court confirming the Plan pursuant to section 1129 of the Bankruptcy Code, which order shall be in form and substance consistent with the Restructuring Support Agreement, the Backstop Agreement and otherwise satisfactory to the Requisite Supporting Noteholders and the Debtors.

28. *Court*: means (i) the United States Bankruptcy Court for the District of Delaware, (ii) to the extent there is no reference pursuant to section 157 of title 28 of the United States Code, the United States District Court for the District of Delaware, and (iii) any other court having jurisdiction over the Chapter 11 Cases or proceedings arising therein.

29. *Covered Action*: means any and all claims, liabilities or Causes of Action for any act or omission, transaction, event or other occurrence taking place on or prior to the Effective Date based on, arising under or in any way relating to the Debtors, their affiliates and former affiliates, their limited liability company agreements or other organizational documents, the Prepetition Reorganization, the Chapter 11 Cases, the purchase, sale, transfer, or rescission of the purchase, sale, or transfer of any security, asset, right, or interest of the Debtors or the Reorganized Debtors, the formulation, negotiation, preparation, dissemination, implementation, administration, solicitation, confirmation or consummation of the Chapter 11 Cases, the Plan, the Disclosure Statement, the Organizational Documents of the Reorganized Debtors, the

Restructuring Transactions, the Rights Offering, the sale or issuance of the Rights, the New Equity Interests or the New First Lien Notes or any other debt or security to be offered, issued, or distributed in connection with the Plan, the Restructuring Support Agreement and the Backstop Agreement and the transactions or arrangements contemplated thereby, or any contract, instrument, release or other agreement or document created or entered into in connection with the Plan or any other act taken or omitted to be taken in connection with or in contemplation of the Chapter 11 Cases or the restructuring of the Debtors or Reorganized Debtors.

30. *Creditors' Committee*: means the official committee of unsecured creditors of the Debtors, if any, appointed by the U.S. Trustee in the Chapter 11 Cases pursuant to section 1102 of the Bankruptcy Code, as may be reconstituted from time to time.

31. *Cure Amount*: has the meaning set forth in Article IX.B.1 hereof.

32. *Cure Claim*: means a Claim in an amount equal to all unpaid monetary obligations under an Executory Contract assumed by the Debtors required to be paid pursuant to section 365 of the Bankruptcy Code, to the extent such obligations are enforceable under the Bankruptcy Code and applicable non-bankruptcy law, or such lesser amount as may be agreed upon by the parties under an Executory Contract, with the consent of the Requisite Supporting Noteholders. Any Cure Claim to which the holder thereof disagrees with the priority and/or amount thereof as determined by the Debtors (with the consent of the Requisite Supporting Noteholders) shall be deemed a Disputed Claim under this Plan.

33. *Cure Objection Deadline*: has the meaning given in the Disclosure Statement Order.

34. *Debtors*: means, collectively NGR Holding Company LLC; New Gulf Resources, LLC; NGR Finance Corp.; and NGR Texas, LLC.

35. *Dilution Events*: means the dilution of New Equity Interests (as applicable) as a result of (i) the conversion of New First Lien Notes to New Equity Interests in accordance with New First Lien Note Documents, and (ii) the awards issued under the Reorganized NGR Holding Management Incentive Plan.

36. *DIP Agent*: has the meaning given in the DIP Loan Documents.

37. *DIP Credit Agreement*: means that certain Senior Secured Debtor in Possession Credit Agreement, dated as of December 21, 2015 between the Debtors, the lenders party thereto and U.S. Bank National Association, as Administrative Agent and as Collateral Agent (as may be amended, supplemented, or modified from time to time, solely in accordance with the terms thereof).

38. *DIP Exchange*: means the surrender and exchange by the DIP Lenders of the principal portion of the DIP Loan Claims for New First Lien Notes, in accordance with and subject to the terms of this Plan.

39. *DIP Exchange Notes*: means New First Lien Notes, in an amount equal to (x) $5,250,000, plus (y) the principal amount outstanding under the DIP Loans on the Effective

Date, issued to the DIP Lenders in connection with the DIP Exchange, in each case, pursuant to the terms and conditions of this Plan (including Article II.B.2 of the Plan).

40. *DIP Lenders*: means the Persons party to the DIP Credit Agreement as "Lenders" thereunder, and each of their respective successors and permitted assigns.

41. *DIP Loans*: means the senior secured, priming, super-priority term loans and all indebtedness and other obligations of the Debtors arising from or under the DIP Credit Agreement and the other DIP Loan Documents, including all "Obligations" as defined in the DIP Credit Agreement.

42. *DIP Loan Claims*: means all Claims held by the DIP Agent and the DIP Lenders on account of, arising under or relating to the DIP Loans, which includes, without limitation, Claims for all principal amounts outstanding, interest, fees, reasonable and documented expenses, costs and other charges of the DIP Agent and the DIP Lenders.

43. *DIP Loan Documents*: has the meaning given in the DIP Order.

44. *DIP Order*: means that certain order of the Bankruptcy Court approving the Debtors' entry into the DIP Loans, which order shall be in form and substance acceptable to the DIP Agent and the DIP Lenders.

45. *Disbursing Agent*: means the entity or entities, which may be a Reorganized Debtor, designated by the Debtors or the Reorganized Debtors, as applicable, with the consent of the Requisite Supporting Noteholders, to distribute the Plan consideration and Distributions provided under the Plan. For the avoidance of doubt, the Indenture Trustees shall serve as Disbursing Agent for the holders of Allowed Claims under each respective indenture.

46. *Disclosure Statement*: means the First Amended Disclosure Statement for Debtors' Joint Plan of Reorganization Pursuant to Chapter 11 of the Bankruptcy Code, in furtherance of this Plan, which shall be in form and substance consistent with the Restructuring Support Agreement and otherwise satisfactory to the Requisite Supporting Noteholders.

47. *Disclosure Statement Motion*: means the motion filed by the Debtors, substantially contemporaneously with the filing of the Chapter 11 Cases, seeking entry of an order (i) scheduling an objection deadline and the Confirmation Hearing, (ii) approving the form and notice of the Confirmation Hearing, (iii) establishing procedures for objections to the Disclosure Statement and the Plan, (iv) approving the Disclosure Statement and Solicitation Procedures, and (v) granting related relief.

48. *Disclosure Statement Order*: means the order approving the Disclosure Statement, approving the Solicitation Procedures, scheduling the Confirmation Hearing and granting related relief, which order shall be in form and substance consistent with the Restructuring Support Agreement and otherwise satisfactory to the Requisite Supporting Noteholders and the Debtors.

49. *Disputed*: means, with respect to any Claim, other than a Claim that has been Allowed pursuant to the Plan or a Final Order, a Claim (i) that is listed in the Schedules as

unliquidated, contingent, or disputed, and as to which no request for payment or proof of Claim has been filed, (ii) as to which a proper request for payment or proof of Claim has been filed, but with respect to which an objection or request for estimation has been filed and has not been withdrawn or determined by a Final Order, (iii) that is disputed in accordance with the provisions of the Plan, or (iv) that is otherwise subject to a dispute that is being adjudicated, determined, or resolved, as of any relevant date, in accordance with applicable nonbankruptcy law, pursuant to Article VIII.A.3.

50. *Distribution*: means a distribution or payment of property or consideration pursuant to the Plan, to take place as provided for herein.

51. *Distribution Record Date*: means, for purposes of making distributions under the Plan, ~~[•]~~2 Business Days following the Confirmation Date, or such other date as provided in the Confirmation Order.

52. *DTC*: means the Depository Trust Company.

53. *Effective Date*: means the date which is the first Business Day selected by the Debtors and the Requisite Supporting Noteholders, on which (a) all of the conditions to the occurrence of the Effective Date specified in Article XI.A hereof have been satisfied or waived in accordance with Article XI.B hereof and (b) no stay of the Confirmation Order is in effect.

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

55. *ENXP*: means Energy & Exploration Partners, LLC.

56. *ENXP Joint Operating Agreements*: means (1) the Operating Agreement dated April 19, 2012, by and between New Gulf Resources, LLC (as successor to Halcon Operating Co., Inc.) and ENXP (as amended, modified or supplemented from time to time prior to the Petition Date), and (2) the Operating Agreement dated June 1, 2012, by and between New Gulf Resources, LLC (as successor to Halcon Operating Co., Inc.) and ENXP (as amended, modified or supplemented from time to time prior to the Petition Date).

57. *ENXP Claims*: means any and all Claims held by ENXP against any of the Debtors arising on account of, arising under or relating to the ENXP Joint Operating Agreements, including, without limitation, any Cure Claims or rejection damage claims, if any, together with any claim under 506(b) of the Bankruptcy Code to the extent included as part of an Allowed ENXP Secured Claim, if any.

58. *ENXP Secured Claim*: means any ENXP Claims that are secured by a valid, perfected and non-avoidable security interest under the ENXP Joint Operating Agreements, as determined by a final, non-appealable, order.

59. *ENXP Unsecured Claim*: means all ENXP Claims that are not ENXP Secured Claims or Administrative Claims.

60. *Equity Interest*: means any "equity security" (as such term is defined in section 101(16) of the Bankruptcy Code), including, without limitation, any issued or unissued capital stock, common units, membership units, preferred units, or other equity, ownership or profits interests, whether or not transferable, and any option, warrant, or right, contractual or otherwise, to acquire any equity, ownership or profits interests (including any stock-based performance award, incentive stock option, restricted stock, restricted stock unit, stock appreciation right, dividend equivalent, or other stock based award).

61. *Equity Release Consent Notice*: means the notice distributed to holders of NGR Holding Equity Interests that provides the holder the option to not grant the voluntary releases provided for in Article VII.F of the Plan.

62. *Estate*: means the estate of any Debtor created in the applicable Debtor's Chapter 11 Case pursuant to section 541 of the Bankruptcy Code.

63. *Exchange Act*: means the Securities Exchange Act of 1934, as amended.

64. *Exculpated Parties*: means (i) each Debtor, (ii) each member of the Creditors' Committee in their capacity as such, and (iii) the current and former officers, directors, managers, professionals, advisors, accountants, attorneys, investment bankers, consultants, employees, agents and other representatives of the Debtors and any Creditors' Committee.

65. *Executory Contract*: means an executory contract or unexpired lease to which one or more Debtors is a party that is subject to assumption or rejection under section 365 of the Bankruptcy Code.

66. Existing Benefits Agreement: means all employment, retirement, severance, indemnification, and similar or related agreements, arrangements, and policies with the members of the Debtors' management team or directors as of the Petition Date.

67. *Fee Claim*: means a Claim for Accrued Professional Compensation.

68. *Final Order*: means an order or judgment of the Court which has not been modified, amended, reversed, vacated, or stayed, and as to which (i) the time to appeal, petition for certiorari, or move for a new trial, stay, reargument, or rehearing has expired and as to which no appeal, petition for certiorari, or motion for new trial, stay, reargument, or rehearing shall then be pending or (ii) if an appeal, writ of certiorari, new trial, stay, reargument, or rehearing thereof has been sought, such order or judgment of the Court shall have been affirmed by the highest court to which such order was appealed, or certiorari shall have been denied, or a new trial, stay, reargument, or rehearing shall have been denied or resulted in no modification of such order, and the time to take any further appeal, petition for certiorari, or move for a new trial, stay, reargument, or rehearing shall have expired, as a result of which such order shall have become final in accordance with Bankruptcy Rule 8002; provided, that the possibility that a motion under Rule 60 of the Federal Rules of Civil Procedure, or any analogous rule under the Bankruptcy Rules, may be filed relating to such order, shall not cause an order not to be a Final Order.

69. *General Unsecured Claim*: means any Claim other than: (a) Secured Claims, Other Secured Claims, and Second Lien Notes Secured Claims; (b) Administrative

Claims; (c) Fee Claims; (d) Priority Tax Claims; (e) Other Priority Claims; (f) ENXP Secured Claim; (g) Interest Suspense Amounts; (h) Intercompany Claims; (i) NGR Equity Interests; (j) Subordinated PIK Notes Claims; and (k) U.S. Trustee Fees, and shall not include Claims that are Disallowed or released, whether by operation of law or pursuant to order of the Bankruptcy Court, written release or settlement, the provisions of this Plan or otherwise. Any ENXP Unsecured Claims shall be General Unsecured Claims.

70. *General Unsecured Creditor Recovery Fund*: means Cash in an amount equal to the lesser of (1) $500,000 or (2) an amount sufficient to satisfy all Allowed General Unsecured Claims in full.

71. *Governmental Unit*: has the meaning set forth in section 101(27) of the Bankruptcy Code.

72. *Impaired*: means, when used with respect to Claims or Equity Interests, Claims or Equity Interests that are "impaired" within the meaning of section 1124 of the Bankruptcy Code.

73. *Indenture Trustees*: means the Second Lien Notes Indenture Trustee and the Subordinated PIK Notes Indenture Trustee, in their respective capacity as such.

74. *Insured Claim*: means any Claim or portion of a Claim that is, or may be, insured under any of the Debtors' insurance policies.

75. *Intercompany Claims*: means any Claim held by any Debtor against any other Debtor.

76. *Intercompany Interests*: means any Equity Interest held by any Debtor in any other Debtor.

77. *Interest Suspense Amount*: means any amount owed by the Debtors on account of a Royalty Interest, an ORRI or a Working Interest that is held in suspense by the Debtors as of the Effective Date.

78. *Lien*: has the meaning set forth in section 101(37) of the Bankruptcy Code.

79. *New Board*: means the board of directors or managers of Reorganized NGR Holding and Reorganized New Gulf to be constituted as of the Effective Date pursuant to Article V.B.

80. *New Common Units*: means the limited liability company interests of Reorganized NGR Holding or Reorganized New Gulf, as determined by the Requisite Supporting Noteholders, and shall be as set forth in the Plan Supplement.

81. *New Equity Interests*: means one or more forms of Equity Interests in either (i) Reorganized NGR Holding, or (ii) Reorganized NGR Holding and Reorganized New Gulf (as shall be determined by the Requisite Supporting Noteholders and as shall be set forth in

the Plan Supplement), in each case, as issued on the Effective Date pursuant to the Plan and all of which shall be deemed validly issued, fully paid and non-assessable.

82. *New ENXP Note*: means a note issued, on the Effective Date, by the Reorganized Debtors in the principal face amount of the Allowed ENXP Secured Claim. The New ENXP Note shall be payable in sixty (60) equal monthly payments beginning on the first Business Day of the month following the Effective Date, be fully amortized over sixty (60) months, and bear interest at a rate of Prime plus two (2.0)% interest per annum or such other rate that shall be ordered by the Bankruptcy Court to comply with section 1129(b)(2)(A)(i)(II). The New ENXP Note may be prepaid at any time without premium or penalty. The form the New ENXP Note will be included in the Plan Supplement.

83. *New First Lien Notes*: means the new 10%/12.5% Senior Secured Convertible PIK Toggle Notes that will be issued by Reorganized New Gulf on the Effective Date, on the terms set forth in the New First Lien Notes Documents, which notes shall be in the original aggregate principal amount equal to the sum of (i) the principal amount of the DIP Exchange Notes, and (ii) $55,000,000, and convertible into New Common Units, in each case, in accordance with and subject to the terms and conditions of the Backstop Agreement and this Plan.

84. *New First Lien Notes Documents*: means, collectively, the New First Lien Notes, the New First Lien Notes Indenture and each other agreement, security agreement, pledge agreement, collateral assignments, mortgages, control agreements, guarantee, certificate, document or instrument executed and/or delivered in connection with any of the foregoing, whether or not specifically mentioned herein or therein, as the same may be modified, supplemented or replaced from time to time in accordance with the terms of the Restructuring Support Agreement, and which shall be in form and substance consistent with the Restructuring Support Agreement and the Backstop Agreement and otherwise satisfactory to the Requisite Supporting Noteholders.

85. *New First Lien Notes Indenture*: means the indenture, to be effective as of the Effective Date, that will govern the New First Lien Notes, which shall be in form and substance consistent with the Restructuring Support Agreement and the Backstop Agreement and otherwise satisfactory to the Requisite Supporting Noteholders, and a draft form of which shall be included in the Plan Supplement.

86. *NGR Holding*: means NGR Holding Company LLC, a Delaware limited liability company, which is treated as a corporation for U.S. federal income tax purposes.

87. *NGR Holding Equity Interest*: means any Equity Interest in NGR Holding.

88. *Notice and Claims Agent*: means Prime Clerk LLC.

89. *Organizational Documents*: means the limited liability or corporate organizational documents of each of the Reorganized Debtors, including, without limitation, any charter, bylaws, certificates of incorporation, certificates of formation, shareholder agreements, limited liability company agreements, voting agreements, each, as amended, amended and

restated or otherwise, in each case, as shall be determined by the Requisite Supporting Noteholders, as shall be set forth in the Plan Supplement and as shall be in form and substance satisfactory to the Debtors and the Requisite Supporting Noteholders.

90. *ORRI*: means the contractual right of a counterparty under a contractual assignment of an oil and gas lease to receive from the Debtors' proceeds with respect to producing wells located on the leased lands and lands pooled or unitized therewith.

91. *Other Priority Claim*: means a Claim entitled to priority pursuant to section 507(a) of the Bankruptcy Code, other than (i) an Administrative Claim, or (ii) a Priority Tax Claim.

92. *Other Secured Claim*: means any Claim that is Secured by operation of statute or otherwise, other than the DIP Loan Claims and the Second Lien Note Claims; provided, that any secured tax claim of a Governmental Unit shall be considered Other Secured Claims.

93. *Person*: means any individual, corporation, partnership, limited liability company, association, indenture trustee, organization, joint stock company, joint venture, estate, trust, Governmental Unit or any political subdivision thereof, or any other Entity.

94. *Petition Date*: means the date on which the Debtors commenced the Chapter 11 Cases.

95. *Plan*: means this *Debtors' First Amended Joint Plan of Reorganization Pursuant to Chapter 11 of the Bankruptcy Code*, together with all addenda, exhibits, schedules, or other attachments, if any, including the Plan Supplement, each of which is incorporated herein by reference, and as the same may be amended, modified, or supplemented from time to time in accordance with the terms herein and in the Restructuring Support Agreement, as applicable.

96. *Plan Supplement*: means the compilation of the draft forms of documents, schedules, and exhibits to the Plan to be filed with the Court on notice to parties-in-interest, including, but not limited to, the following, each of which must be in form and substance consistent with the Restructuring Support Agreement and otherwise satisfactory to the Requisite Supporting Noteholders: (i) the Reorganized NGR Holding LLC Agreement; (ii) the Organizational Documents, (iii) the Reorganized NGR Holding Management Incentive Plan; (iv) the Schedule of Rejected Executory Contracts; (v) the New First Lien Notes Indenture and (vi) the New ENXP Note. The Debtors shall file draft forms of the materials comprising the Plan Supplement no later than the Plan Supplement Filing Date.

97. *Plan Supplement Filing Date*: means the date that is seven calendar days prior to the deadline to object to the confirmation of the Plan.

98. *Prepetition First Lien Agent*: means MidFirst Bank, a federally chartered savings association, in its capacity as administrative agent under the Prepetition First Lien Credit Agreement.

99. *Prepetition First Lien Credit Agreement*: means that certain Credit Agreement dated as of June 12, 2014 among New Gulf Resources, LLC, as Borrower, MidFirst Bank, as Administrative Agent and L/C Issuer, and the other Persons party thereto as "Lenders" thereunder, together with all amendments, supplements or other modifications thereto.

100. *Prepetition First Lien Lenders*: means the holders of notes and claims under the Prepetition First Lien Credit Agreement.

101. *Prepetition Reorganization*: means the series of transactions pursuant to which, among other things, NGR Holdings, an entity classified as an association taxable as a corporation for U.S. federal income tax purposes, has become the parent entity of New Gulf through a merger transaction and NGR Holdings guaranteed the Second Lien Notes, as required under the Second Lien Note Indenture.

102. *Prime:* means, as of the date of the entry of the Confirmation Order, the per annum rate last published by The Wall Street Journal as the "prime rate" or the "base rate" in the United States or, if The Wall Street Journal ceases to quote such rate, the highest per annum interest rate last published by the Board of Governors of the Federal Reserve System in Federal Reserve Statistical Release H.15 (519) (entitled "Selected Interest Rates") as the "Bank prime loan" rate or any successor publication of the Federal Reserve System reporting the "Bank prime loan" rate or its equivalent.

103. *Priority Tax Claim*: means any Claim of a governmental unit (as defined in section 101(27) of the Bankruptcy Code) that is entitled to priority in right of payment under sections 502(i) and 507(a)(8) of the Bankruptcy Code.

104. *Pro Rata*: means, with respect to (i) any Claim, the proportion that the amount of such Claim bears to the aggregate amount of all Claims (including Disputed Claims) in the applicable Class or group of Classes, unless the Plan provides otherwise, and (ii) any Equity Interest, the proportion that the amount of such Equity Interest bears to the aggregate amount of all Equity Interests (including Disputed Equity Interests) in the applicable Class or group of Classes, unless the Plan provides otherwise.

105. *Professional*: means any professional employed or retained in the Chapter 11 Cases by Final Order of the Court pursuant to sections 327 or 328 of the Bankruptcy Code.

106. *Proof of Claim*: means a proof of Claim filed against any of the Debtors in the Chapter 11 Cases.

107. *Put Option Notes*: has the meaning set forth in Article IV.D~~.~~ hereof.

108. *Reinstated*: means, with respect to an Allowed Claim, (i) in accordance with section 1124(1) of the Bankruptcy Code, being treated such that the legal, equitable, and contractual rights to which such Claim entitles its holder are left unaltered, or (ii) if applicable under section 1124 of the Bankruptcy Code: (a) having all prepetition and postpetition defaults with respect thereto other than defaults relating to the insolvency or financial condition of the Debtors or their status as debtors under the Bankruptcy Code cured, (b) having its maturity date reinstated, (c) compensating the holder of such Claim for damages incurred as a result of its

reasonable reliance on a provision allowing the Claim's acceleration, and (d) not otherwise altering the legal, equitable and contractual rights to which the Claim entitles the holder thereof.

109. *Rejection Damage Claims*: means Claims for damages, which shall be General Unsecured Claims, arising from the rejection of Executory Contracts pursuant to the Bankruptcy Code and applicable law.

110. *Released Parties*: means each of: (a) the Debtors and Reorganized Debtors; (b) the DIP Agent; (c) the DIP Lenders; (d) the Ad Hoc Committee; (e) the RSA Parties; (f) the Indenture Trustees; (g) the Prepetition First Lien Agent and Lenders; (h) the holders of Second Lien Notes; (i) the holders of Subordinated PIK Notes; (j) the holders of NGR Holding Equity Interests; (k) the Backstop Parties and (l) with respect to each of the foregoing Entities in clauses (a) through (k), such Entity's predecessors, successors and assigns, affiliates, subsidiaries, funds, portfolio companies, management companies, and each of their respective current and former directors, officers, members, employees, partners, managers, independent contractors, agents, representatives, principals, Professionals, consultants, financial advisors, attorneys, accountants, investment bankers, and other professional advisors (with respect to each of the foregoing Entities in clauses (a) through (k), each solely in their capacity as such); *provided however*, that the Released Parties shall not include (x) any Person that receives and returns a Ballot or confirmation notice, as the case may be, indicating that such Person elects to opt out of the Plan releases provided for in Article VIII of the Plan, or (y) to the extent the Bankruptcy Court renders a judgment or determination that such opt-out mechanism is invalid, any Person to whom the opt-election was determined to be invalid and who fails to provide a written consensual release in favor of all the Released Parties that is identical in substance to the releases set forth herein.

111. *Releasing Parties*: means each of: (a) the Debtors and Reorganized Debtors; (b) the DIP Agent; (c) the DIP Lenders; (d) the Ad Hoc Committee; (e) the RSA Parties; (f) the Indenture Trustees; (g) the Prepetition First Lien Agent and Lenders; (h) the holders of Second Lien Notes; (i) the holders of Subordinated PIK Notes; (j) the holders of NGR Holding Equity Interests; (k) the Backstop Parties; and (l)with respect to each of the foregoing Entities in clauses (a) through (k), such Entity's predecessors, successors and assigns, affiliates, subsidiaries, funds, portfolio companies, management companies, and each of their respective current and former shareholders, directors, officers, members, employees, partners, managers, independent contractors, agents, representatives, principals, consultants, financial advisors, attorneys, accountants, investment bankers, and other professional advisors (with respect to each of the foregoing Entities in clauses (a) through (k), each solely in their capacity as such); *provided however*, that the Releasing Parties shall not include (x) any Person that receives and returns a Ballot or confirmation notice, as the case may be, indicating that such Person elects to opt out of the Plan releases provided for in Article VIII of the Plan, or (y) to the extent the Bankruptcy Court renders a judgment or determination that such opt-out mechanism is invalid, any Person to whom the opt-election was determined to be invalid and who fails to provide a written consensual release in favor of all the Released Parties that is identical in substance to the releases set forth herein.

112. *Reorganized Debtors*: means, collectively, each of the Debtors, or any successor thereto by merger, consolidation, or otherwise, on and after the Effective Date, as reorganized under and pursuant to the Plan.

113. *Reorganized New Gulf*: means New Gulf Resources, LLC, on and after the Effective Date, as reorganized under and pursuant to the Plan, and which shall be owned, in whole or in part, by Reorganized NGR Holding and shall be treated as a partnership or disregarded entity for U.S. federal income tax purposes.

114. *Reorganized NGR Holding*: means NGR Holding, on and after the Effective Date, as reorganized pursuant to and under the Plan, and which shall be a parent of the Reorganized Debtors and which shall be treated as a corporation for U.S. federal income tax purposes.

115. *Reorganized NGR Holding LLC Agreement*: means the limited liability company agreement of Reorganized NGR Holding, which shall be in form and substance consistent with the Restructuring Support Agreement and otherwise satisfactory to the Requisite Supporting Noteholders in all respects, and the draft form of which shall be included in the Plan Supplement.

116. *Reorganized NGR Holding Management Incentive Plan*: means that certain management incentive plan described in Article V.C hereof.

117. *Requisite Supporting Noteholders*: has the meaning given in the Restructuring Support Agreement.

118. *Restructuring Expenses*: means the fees and expenses incurred in connection with the Chapter 11 Cases, as well as the funding of obligations necessary to implement the Plan, including, but not limited to, any costs or reserves associated with the New First Lien Notes, the fees due and owing to the U.S. Trustee and the fees and expenses of Professionals and the Ad Hoc Committee.

119. *Restructuring Support Agreement*: means the Restructuring Support Agreement, and all exhibits and schedules attached thereto, dated as of December 15, 2015, among the signatories thereto, as it may be amended, modified or supplemented by the parties thereto in accordance with the terms of such Restructuring Support Agreement, a copy of which Restructuring Support Agreement is attached to the Disclosure Statement as Exhibit ~~[•]~~B, so long as such agreement is in full force and effect.

120. *Restructuring Transactions*: means a description of the material terms of certain of the restructuring transactions to be implemented in connection with the Plan, as shall be set forth in the Plan Supplement and which shall be in form and substance satisfactory to the Requisite Supporting Noteholders.

121. *Rights*: means the non-transferable, non-certificated rights distributed to Rights Offering Participants to purchase New First Lien Notes in connection with the Rights Offering, the Plan, the Backstop Agreement and the Rights Offering Procedures.

122. *Rights Offering*: means the offering of Rights to be conducted by New Gulf to Rights Offering Participants to purchase, on the Effective Date, New First Lien Notes in an aggregate principal amount up to the Rights Offering Amount, all in accordance with the terms of this Plan, the Backstop Agreement and the Rights Offering Procedures.

123. *Rights Offering Amount*: means $50,000,000.

124. *Rights Offering Participants*: means eligible holders of Second Lien Notes Claims as of the Rights Offering Record Date and that vote to accept the Plan and do not opt out of the Releases set forth in the Plan.

125. *Rights Offering Procedures*: means the procedures for conducting the Rights Offering, including the exhibits and annexes thereto, and all amendments, supplements, changes, and modifications thereto, all of which must be satisfactory to the Debtors and the Requisite Supporting Noteholders.

126. *Rights Offering Record Date*: means the record date established to determine the holders of Second Lien Notes Claims that are entitled to receive Rights and participate in the Rights Offering, such date to be set forth in, or determined pursuant to, the Rights Offering Procedures and acceptable to the Requisite Supporting Noteholders.

127. *Royalty and Critical Trade Motion*: means the Debtors' Motion for Entry of Interim and Final Orders (I) Authorizing Debtors to Pay or Honor Prepetition and Post-Petition (A) Obligations to Holders of Royalty Interests and Working Interests and (B) Lease Operating Expenses; and (II) Granting Related Relief, and which shall be in form and substance, and in amounts, satisfactory to the Requisite Supporting Noteholders.

128. *Royalty Interest*: means the contractual right of a lease counterparty to receive from the Debtors' proceeds with respect to producing wells located on the leased lands and lands pooled or unitized therewith.

129. *RSA Parties*: has the meaning given in the Restructuring Support Agreement.

130. *Schedule of Rejected Executory Contracts*: means the schedule of Executory Contracts to be rejected by the Debtors pursuant to the Plan in the form filed with the Bankruptcy Court as part of the Plan Supplement, which schedule shall be satisfactory in form and substance to the Requisite Supporting Noteholders (including with respect to any amendment, modification or supplement thereof).

131. *Schedules*: means the schedules of assets and liabilities, statements of financial affairs, and lists of holders of Claims against the Debtors and Equity Interests, filed with the Court by the Debtors, including any amendments or supplements thereto.

132. *Second Lien Notes*: means the 11.75% Senior Secured Notes due 2019 issued pursuant to the Second Lien Notes Indenture.

131. *Second Lien Notes Claims*: means any and all Claims evidenced by, derived from, based upon, relating to, or arising under the Second Lien Notes and the Second Lien Notes Indenture, including, without limitation, all accrued but unpaid principal, interest, premiums (including the Applicable Premium, as defined therein), fees, costs, expenses, indemnities and other charges thereunder.

132. *Second Lien Notes Indenture*: means that certain Indenture dated May 9, 2014, between New Gulf Resources, LLC, as the Company, NGR Finance Corp., as the Co-Issuer, the guarantors, and The Bank of New York Mellon Trust Company, N.A., as Trustee and Collateral Agent, as amended, supplemented, or modified from time to time prior to the Petition Date, pursuant to which the Second Lien Notes were issued.

133. *Second Lien Notes Indenture Trustee*: means The Bank of New York Mellon Trust Company, N.A., as trustee and collateral agent under the Second Lien Notes Indenture for the Second Lien Notes.

134. *Second Lien Notes Secured Claims*: means any and all Second Lien Notes Claims that are Secured.

135. *Section 510 Claims*: means any (A) any Claim subject to subordination pursuant to section 510(c) of the Bankruptcy Code, or (B) any Claim, whether or not the subject of an existing lawsuit: (a) arising from rescission of a purchase or sale of any securities of any Debtor or an affiliate of any Debtor; (b) for damages arising from the purchase or sale of any such security; (c) for violations of the securities laws, misrepresentations, or any similar Claims, including, to the extent related to the foregoing or otherwise subject to subordination under section 510(b) of the Bankruptcy Code, any attorneys' fees, other charges, or costs incurred on account of the foregoing Claims; or (d) for reimbursement, contribution, or indemnification allowed under section 502 of the Bankruptcy Code on account of any such Claim.

136. *Secured*: means when referring to a Claim: (i) secured by a Lien on property in which any of the Estates has an interest, which Lien is valid, perfected, and enforceable as of the Confirmation Date pursuant to applicable law or by reason of a Court order, or that is subject to setoff pursuant to 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) and 1111(b) of the Bankruptcy Code or (ii) otherwise Allowed pursuant to the Plan as a Claim that is Secured.

137. *Securities Act*: means the Securities Act of 1933, as amended.

138. *Solicitation Parties*: means each of the following in its capacity as such: (i) the Debtors and the Reorganized Debtors, (ii) the officers, directors, managers, and employees of the Debtors, (iii) the Professionals of the Debtors, and (iv) the RSA Parties, and (v) the Backstop Parties.

139. *Solicitation Procedures*: means the procedures with respect to the solicitation and tabulation of votes to accept or reject the Plan.

140. *Stroock*: means Stroock & Stroock & Lavan LLP.

141. *Subordinated PIK Notes*: means the 10.0%/12.0% Senior Subordinated PIK Toggle Notes due 2019 issued pursuant to the Subordinated PIK Notes Indenture.

142. *Subordinated PIK Notes Claims*: means the Claims evidenced by, derived from, based upon, relating to, or arising from, the Subordinated PIK Notes.

143. *Subordinated PIK Notes Indenture*: means that certain Indenture dated May 9, 2014 between New Gulf Resources, LLC, as the Company, NGR Finance Corp., as the Co-Issuer, the guarantors, and Delaware Trust Company, as ~~Trustee~~successor to the Bank of New York Mellon Trust Company, N.A., as trustee, pursuant to which the Subordinated PIK Notes were issued.

144. *Subordinated PIK Notes Indenture Trustee*: means Delaware Trust Company, as successor to the Bank of New York Mellon Trust Company, N.A., as trustee for the Subordinated PIK Notes.

145. *Transaction Expenses*: means the reasonable and documented fees and expenses of each member of the Ad Hoc Committee (including all Noteholder Fees and Expenses (as defined in the Restructuring Support Agreement)) and the Backstop Parties (including all Transaction Expenses (as defined in the Backstop Agreement)), including, without limitation, the fees and expenses of (i) Stroock, (ii) Richards, Layton & Finger, PA, (iii) Haynes and Boone, LLP, (iv) PJT Partners LP, (v) DeGolyer and MacNaughton Canada Limited, (vi) Interactive Exploration Solutions, Inc., and (vii) such other engineers and/or consultants as may be retained by the Ad Hoc Committee with the consent of the Debtors, such consent not to be unreasonably withheld or delayed

146. *Unimpaired*: means any Class of Claims or Equity Interests that is not Impaired under the Plan.

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

148. *Voting Deadline*: has the meaning given in the Disclosure Statement Order.

149. *Voting Record Date*: has the meaning given in the Disclosure Statement Order.

150. *Working Interests*: means the contractual working interests owned by third parties in the leases and wells operated by the Debtors under joint operating agreements.

B. Interpretation, Application of Definitions, and Rules of Construction.

Except as expressly provided herein, each capitalized term used in the Plan shall either have (i) the meaning ascribed to such term in Article I or (ii) if such term is not defined in Article I, but such term is defined in the Bankruptcy Code or Bankruptcy Rules, the meaning ascribed to such term in the Bankruptcy Code or the Bankruptcy Rules, as the case may be. Meanings of capitalized terms shall be equally applicable to both the singular and plural forms of

such terms. The words "herein," "hereof," and "hereunder" and other words of similar import refer to the Plan as a whole (and, for the avoidance of doubt, the Plan Supplement) and not to any particular section or subsection in the Plan unless expressly provided otherwise. The words "includes" and "including" are not limiting and mean that the things specifically identified are set forth for purposes of illustration, clarity or specificity and do not in any respect qualify, characterize or limit the generality of the class within which such things are included. Captions and headings to articles, sections and exhibits are inserted for convenience of reference only, are not a part of this Plan, and shall not be used to interpret this Plan. The rules of construction set forth in section 102 of the Bankruptcy Code shall apply to this Plan.

C. Computation of Time.

Except as otherwise specifically provided in the Plan, in computing any period of time prescribed or allowed by this Plan, the provisions of Bankruptcy Rule 9006(a) shall apply.

ARTICLE II.
ADMINISTRATIVE CLAIMS, DIP LOAN CLAIMS, FEE CLAIMS, PRIORITY CLAIMS, AND INTEREST SUSPENSE AMOUNTS

In accordance with section 1123(a)(1) of the Bankruptcy Code, Administrative Claims, Fee Claims, DIP Loan Claims, and Priority Tax Claims, each as described below, have not been classified and thus are excluded from the classes of Claims and Equity Interests set forth in Article III.

A. Administrative Claims (Other Than Fee Claims).

Each holder of an Administrative Claim, other than the holder of:

(i) a DIP Claim;

(ii) a Fee Claim;

(iii) an Administrative Claim that has been Allowed on or before the Effective Date;

(iv) an Administrative Claim of a governmental unit (as defined in section 101 (27) of the Bankruptcy Code) not required to be filed pursuant to section 503(b)(1)(D) of the Bankruptcy Code;

(v) an Administrative Claim on account of fees and expenses incurred on or after the Petition Date by ordinary course professionals retained by the Debtors pursuant to an order of the Bankruptcy Court; or

(vi) an Administrative Claim arising, in the ordinary course of business, out of the employment by one or more Debtors of an individual from and after the Petition Date, but only to the extent that such Administrative Claim is solely for outstanding wages, commissions, or reimbursement of business expenses;

must file with the Bankruptcy Court and serve on the Debtors or Reorganized Debtors (as the case may be), the Claims Agent, and the Office of the U.S. Trustee, proof of such Administrative Claim within thirty (30) calendar days after the Effective Date (the "Administrative Bar Date"). Such proof of Administrative Expense Claim must include at a minimum: (i) the name of the applicable Debtor that is purported to be liable for the Administrative Claim and if the Administrative Claim is asserted against more than one Debtor, the exact amount asserted to be owed by each such Debtor; (ii) the name of the holder of the Administrative Claim; (iii) the amount of the Administrative Claim; (iv) the basis of the Administrative Claim; and (v) supporting documentation for the Administrative Claim. For the avoidance of doubt, any deadline for filing Administrative Claims shall not apply to fees payable pursuant to section 1930 of title 28 of the United States Code. FAILURE TO FILE AND SERVE SUCH PROOF OF ADMINISTRATIVE CLAIM TIMELY AND PROPERLY SHALL RESULT IN THE ADMINISTRATIVE CLAIM BEING FOREVER BARRED AND DISCHARGED WITHOUT THE NEED FOR FURTHER ACTION, ORDER OR APPROVAL OF OR NOTICE TO THE BANKRUPTCY COURT.

Each holder of an Allowed Administrative Claim (other than an Administrative Claim that is a Fee Claim or DIP Loan Claim) as of the Effective Date shall receive, in full and final satisfaction, settlement, release, and discharge of, and in exchange for, such Administrative Claim, (i) Cash in an amount equal to the amount of such Allowed Administrative Claim as soon as reasonably practicable after either (a) the Effective Date, if such Administrative Claim is Allowed as of the Effective Date, (b) thirty days after the date such Administrative Claim becomes an Allowed Administrative Claim, if such Administrative Claim is Disputed as of, or following, the Effective Date, or (c) the date such Allowed Administrative Claim becomes due and payable in the ordinary course of business in accordance with the terms, and subject to the conditions, of any agreements governing, instruments evidencing, or other documents relating to, the applicable transaction giving rise to such Allowed Administrative Claim, if such Allowed Administrative Claim is based on liabilities incurred by the Debtors in the ordinary course of their business; or (ii) such other treatment as the Debtors or the Reorganized Debtors, the Requisite Supporting Noteholders and such holder shall have agreed in writing.

All Transaction Expenses shall be paid in full in Cash on the Effective Date (to the extent not previously paid during the course of the Chapter 11 Cases) without the requirement to file a fee application with the Bankruptcy Court or a formal request for payment prior to the Claims Bar Date, and without any requirement for Bankruptcy Court review or approval.

B. DIP Loan Claims.

1. *Allowance*. All DIP Loan Claims are Allowed Claims in the full amount due and owing under the DIP Credit Agreement.

2. *DIP Exchange Notes*. On the Effective Date, subject to the satisfaction or waiver of all conditions precedent to effectiveness herein, (i) the DIP Lenders will surrender all claims for payment of principal of the DIP Loans as of the Effective Date in exchange for New First Lien Notes in an aggregate principal amount equal to the aggregate principal amount of the DIP Loans as of the Effective Date, in full satisfaction of the principal portion of the DIP Loan Claims (ii) the balance of the DIP Loan Claims, including accrued unpaid interest and any other

amounts due under the DIP Credit Agreement, will be satisfied in cash, and (iii) in consideration for the Debtors' right to require the DIP Lenders to surrender all claims for payment of the principal portion of the DIP Loans in exchange for New First Lien Notes as set forth above, the DIP Lenders will receive their respective *pro rata* shares of an additional amount of New First Lien Notes in an aggregate principal amount equal to $5,250,000.

3. *Lien Termination*. Upon the issuance of DIP Exchange Notes in exchange for the principal portion of the Allowed DIP Loan Claims and payment of the balance of the DIP Loan Claims in cash as provided herein, all Liens and security interests granted pursuant to the DIP Loan Documents, whether in the Chapter 11 Cases or otherwise, shall be deemed automatically terminated without any further action required and shall be of no further force or effect.

4. *DIP Lenders' Professional Fees*. To the extent not previously paid, on the Effective Date, the Debtors will pay all of the fees and expenses incurred by the DIP Agent and the DIP Lenders, including the fees and expenses of (a) Stroock, (b) Richards, Layton & Finger, PA, (c) PJT Partners LP, (d) DeGolyer and MacNaughton Canada Limited, (e) Haynes and Boone, LLP, (f) Interactive Exploration Solutions, Inc., and (g) such other engineers and/or consultants retained by the DIP Lenders with the consent of the Debtors, such consent not to be unreasonably withheld, delayed or conditioned.

C. Fee Claims.

5. *Final Fee Applications*. The Bankruptcy Court shall determine the Allowed amounts of Fee Claims after notice and a hearing in accordance with the procedures established by the Bankruptcy Court. The Reorganized Debtors shall pay Fee Claims in Cash in the amount Allowed by Final Order of the Bankruptcy Court. All requests for compensation or reimbursement of Fee Claims shall be filed and served on the Reorganized Debtors, counsel to the Reorganized Debtors, the U.S. Trustee, counsel to the Ad Hoc Committee, and such other entities who are designated by the Bankruptcy Rules, the Confirmation Order, or other order of the Court, no later than sixty (60) calendar days after the Effective Date, unless otherwise agreed by the Debtors with the consent of the Requisite Supporting Noteholders. Holders of Fee Claims that are required to file and serve applications for final allowance of their Fee Claims that do not file and serve such applications by the required deadline shall be forever barred from asserting such Claims against the Debtors, Reorganized Debtors, or their respective properties and affiliates, and such Fee Claims shall be deemed discharged as of the Effective Date. Objections to any Fee Claims must be filed and served on the Reorganized Debtors, counsel to the Reorganized Debtors, counsel to the Ad Hoc Committee, and the requesting party no later than twenty-one (21) calendar days after the filing of the final applications for compensation or reimbursement (unless otherwise agreed by the party requesting compensation of a Fee Claim).

6. *Post-Effective Date Fees and Expenses*. The Reorganized Debtors shall pay in Cash the reasonable legal, professional, or other fees and expenses incurred by the Debtors' Professionals on and after the Effective Date, in the ordinary course of business, and without any further notice to or action, order, or approval of the Court. Upon the Effective Date, any requirement that Professionals comply with sections 327 through 331 of the Bankruptcy Code in seeking retention or compensation for services rendered after such date shall terminate,

and Professionals may be employed by the Reorganized Debtors and paid in the ordinary course of business without any further notice to, or action, order, or approval of, the Court.

D. Priority Tax Claims.

Each holder of an Allowed Priority Tax Claim due and payable on or before the Effective Date shall receive, as determined by the applicable Debtor (with the consent of the Requisite Supporting Noteholders), in full and final satisfaction, settlement, release, and discharge of, and in exchange for, such Priority Tax Claim (i) payment in full in Cash, payable in equal Cash installments made on a quarterly basis in accordance with section 1129(a)(9)(C) of the Bankruptcy Code, over a period not to exceed five years following the Petition Date, plus statutory interest on any outstanding balance from the Effective Date, calculated at the prevailing rate under applicable nonbankruptcy law for each taxing authority and to the extent provided for by section 511 of the Bankruptcy Code, and in a manner not less favorable than the most favored nonpriority General Unsecured Claim provided for by the Plan (other than cash payments made to a class of creditors pursuant to section 1122(b) of the Bankruptcy Code); or (ii) such other treatment as may be agreed upon by such holder, the Debtors and the Requisite Supporting Noteholders or otherwise determined upon a Final Order of the Court.

E. U.S. Trustee Fees.

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

F. Interest Suspense Amounts.

To the extent the Debtors would be authorized to pay Interest Suspense Amounts under the final order approving the Royalty and Critical Trade Motion, and such claims remain outstanding on the Effective Date, the Reorganized Debtors shall be authorized to pay such Interest Suspense Amounts in the ordinary course of business without further order of the Court; provided that such payment shall be subject to the rights and defenses of the Debtors and the Reorganized Debtors with respect to the Claim under applicable nonbankruptcy law; provided, further that, for the avoidance of doubt, in no event shall payment be in excess of 100% of the amount of such holder's Interest Suspense Amounts.

ARTICLE III.
CLASSIFICATION AND TREATMENT OF CLAIMS AND EQUITY INTERESTS

A. Classification of Claims and Equity Interests.

Except for those Claims addressed in Article II, all Claims and Equity Interests are placed in the Classes set forth below. A Claim or Equity Interest is placed in a particular Class solely to the extent that the Claim or Equity Interest falls within the description of that Class, and

the portion of a Claim or Equity Interest which does not fall within such description shall be classified in another Class or Classes to the extent that such portion falls within the description of such other Class or Classes. A Claim is also placed in a particular Class for the purpose of voting, confirmation, and receiving distributions pursuant to the Plan solely to the extent that such Claim is an Allowed Claim in that Class and such Claim has not been paid, released, or otherwise settled before the Effective Date.

All Claims against and Equity Interests in a particular Debtor are placed in classes for each of the Debtors (as designated by subclasses a through d for each of the four Debtors). Specifically, such subclasses represent Claims against and Equity Interests in the Debtors as follows: NGR Holding Company LLC (subclass a), New Gulf Resources, LLC (subclass b); NGR Finance Corp. (subclass c), and NGR Texas (subclass d).

B. Distribution Record Date.

As of the close of business on the Distribution Record Date, the claims register shall be closed, and there shall be no further changes in the record holders of any Claims against the Debtors or Equity Interests. The Reorganized Debtors shall have no obligation to, but may, with the consent of the Requisite Supporting Noteholders, recognize any transfer of any Claims against the Debtors occurring after the Distribution Record Date. The Reorganized Debtors shall instead be entitled to recognize and deal for purposes under the Plan with only those record holders stated on the claims register as of the close of business on the Distribution Record Date.

C. Summary of Classification and Class Identification.

Below is a chart identifying Classes of Claims against and Equity Interests in each Debtor, a description of whether each Class is Impaired or Unimpaired, and each Class's voting rights with respect to the Plan.

Class	Claim or Interest	Status	Voting Rights
1	Other Priority Claims	Unimpaired	Deemed to Accept
2	Other Secured Claims	Unimpaired	Deemed to Accept
3	Second Lien Notes Claims	Impaired	Entitled to Vote
4(b)	ENXP Secured Claims	Impaired	Entitled to Vote
5	General Unsecured Claims	Impaired	Entitled to Vote
6	Subordinated PIK Note Claims	Impaired	Entitled to Vote
7	Section 510 Claims	Impaired	Deemed to Reject
8	Intercompany Claims	Unimpaired	Deemed to Accept
9	Intercompany Interests	Unimpaired	Deemed to Accept
10	NGR Holding Equity Interests	Impaired	Deemed to Reject

Section 1129(a)(10) of the Bankruptcy Code shall be satisfied, for the purposes of Confirmation, by acceptance of the Plan by an Impaired Class of Claims against each such Debtor; provided, however, that in the event no holder of a Claim with respect to a specific

voting Class timely submits a Ballot indicating acceptance or rejection of the Plan, such Class will be deemed to have accepted the Plan. The Debtors hereby request that the Court confirm the Plan pursuant to section 1129(b) of the Bankruptcy Code with respect to any rejecting Class of Claims or Equity Interests.

D. Treatment of Classified Claims and Equity Interests.

7. *Class 1 - Other Priority Claims (Subclasses 1a-1d)*.

(a) *Classification*: Class 1 consists of Other Priority Claims.

(b) *Treatment*: Except to the extent that a holder of an Allowed Other Priority Claim and the Debtors (with the consent of the Requisite Supporting Noteholders) agree in writing to less favorable treatment, in full and final satisfaction, settlement, release, and discharge of, and in exchange for, each Allowed Other Priority Claim, each holder of an Allowed Other Priority Claim shall receive (i) payment in Cash in an amount equal to such Allowed Other Priority Claim as soon as practicable after the later of (a) the Effective Date and (b) thirty days after the date when such Other Priority Claim becomes an Allowed Other Priority Claim or (ii) such other treatment, as determined by the Debtors (with the prior written consent of the Requisite Supporting Noteholders), that will render it Unimpaired pursuant to section 1124 of the Bankruptcy Code.

(c) *Voting*: Class 1 is Unimpaired by the Plan, and each holder of a Class 1 Other Priority Claim is conclusively presumed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, holders of Class 1 Other Priority Claims are not entitled to vote to accept or reject the Plan.

8. *Class 2 - Other Secured Claims (Subclasses 2a-2d)*.

(a) *Classification*: Class 2 consists of Other Secured Claims.

(b) *Treatment*: Except to the extent that a holder of an Allowed Other Secured Claim and the Debtors (with the prior written consent of the Requisite Supporting Noteholders) agree in writing to less favorable treatment, in full and final satisfaction, settlement, release and discharge of and in exchange for such Other Secured Claim, each holder of an Allowed Other Secured Claim shall, as determined by the Debtors (with the prior written consent of the Requisite Supporting Noteholders), receive (i) Cash in an amount equal to such Allowed Other Secured Claim, including any interest on such Allowed Other Secured Claim, if such interest is required to be paid pursuant to sections 506(b) and/or 1129(a)(9) of the Bankruptcy Code, as soon as practicable after the later of (a) the Effective Date, and (b) thirty days after the date such Other Secured Claim becomes an Allowed Other Secured Claim, (ii) the Collateral securing its Allowed Other Secured Claim as soon as practicable after the later of (a) the Effective Date and (b) thirty days after the date such Other Secured Claim becomes an Allowed Other Secured Claim, or (iii) such other treatment, as determined by the Debtors (with the prior written consent of the Requisite Supporting Noteholders) that will render it Unimpaired pursuant to section 1124 of the Bankruptcy Code.

(c) *Voting*: Class 2 is Unimpaired by the Plan, and each holder of a Class 2 Other Secured Claim is conclusively presumed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, holders of Class 2 Other Secured Claims are not entitled to vote to accept or reject the Plan.

9. *Class 3 - Second Lien Notes Claims (Subclasses 3a-3d)*.

(a) *Classification*: Class 3 consists of Second Lien Notes Claims.

(b) *Allowance*: The Second Lien Notes Claims shall be deemed Allowed in the aggregate principal amount of at least approximately $365 million, *plus* the Applicable Premium (as referred to in the Second Lien Note Indenture) in the amount of not less than $63 million, *plus* accrued but unpaid interest, *plus* any other amounts due under the Second Lien Notes Indenture, including, without limitation, all unpaid principal, interest (including at the default rate), premiums, any reimbursement obligations (contingent or otherwise), any fees, expenses and disbursements (including, without limitation, attorneys' fees, financial advisors' fees, related expenses and disbursements), indemnification obligations, any other charges, amounts and costs of whatever nature owing, whether or not contingent, whenever arising, accrued, accruing, due, owing or chargeable in respect thereof, including all "Guaranteed Obligations" as defined in the Second Lien Note Indenture.

(c) *Treatment*: In full and final satisfaction, settlement, release, and discharge of, and in exchange for, each Allowed Second Lien Notes Claim, each holder of an Allowed Second Lien Notes Claim will be entitled to receive its Pro Rata share of:

(i) on the Effective Date, 87.5% of the New Equity Interests that are issued and outstanding as of the Effective Date (subject to dilution by the Dilution Events);

(ii) the Rights, subject to and in accordance with the Rights Offering Procedures; and

(iii) on the Effective Date, if and only if the class of Subordinated PIK Notes Claims does not vote to accept the Plan, an additional 7.5% of the New Equity Interests (subject to dilution by the Dilution Events).

(d) *Voting*: Class 3 is Impaired. Holders of Class 3 Second Lien Notes Claims are entitled to vote to accept or reject the Plan.

10. *Class 4(b) - ENXP Secured Claim* .

(a) *Classification*: Class 4(b) consists of the ENXP Secured Claim (if any).

(b) Treatment: Except to the extent the Debtors and the holder of the ENXP Secured Claim (with the prior written consent of the Requisite Supporting Noteholders) agree in writing to different treatment, the holder of the Allowed ENXP Secured Claim, shall

receive, in full and final satisfaction, settlement, release, and discharge of, and in exchange for, the Allowed ENXP Secured Claim: (i) if the ENXP Joint Operating Agreements are assumed, no additional consideration beyond any Cure Amount as determined by the Bankruptcy Court; or (ii) if the ENXP Joint Operating Agreements are not assumed, the New ENXP Note.

(c) *Preservation of Liens*: Any Lien securing an Allowed ENXP Secured Claim shall be retained until such time that such Allowed ENXP Secured Claim is paid in full.

(d) *Voting*: Class 4(b) is Impaired. The holder of the Class 4(b) ENXP Secured Claim is entitled to vote to accept or reject the Plan.

11. *Class 5 - General Unsecured Claims (Subclasses 5a-5d)*.

(a) *Classification*: Class 5 consists of General Unsecured Claims.

(b) *Treatment*: In full and final satisfaction, settlement, release, and discharge of, and in exchange for, each Allowed General Unsecured Claim, as soon as practicable after the later of (a) the Effective Date, and (b) thirty days after the date such General Unsecured Claim becomes an Allowed Claim each holder of an Allowed General Unsecured Claim shall, and only to the extent such holder's Allowed General Unsecured Claim was not previously paid, receive its Pro Rata share of the General Unsecured Creditor Recovery Fund; *provided, however*, that in no event shall such distribution be in excess of 100% of the amount of such holder's Allowed General Unsecured Claim.

(c) *Voting*: Class 5 is Impaired. Holders of Class 5 General Unsecured Claims are entitled to vote to accept or reject the Plan

12. *Class 6 - Subordinated PIK Notes Claims (Subclasses 6a-6d)*.

(a) *Classification*: Class 6 consists of Subordinated PIK Notes Claims.

(b) *Allowance*: The Subordinated PIK Notes Claims shall be deemed Allowed in the aggregate principal amount of at least approximately $162 million, *plus* accrued but unpaid interest, *plus* any other amounts due under the Subordinated PIK Notes Indenture, including, without limitation, all unpaid principal, interest (including at the default rate), premiums, any reimbursement obligations (contingent or otherwise), any fees, expenses and disbursements (including, without limitation, attorneys' fees, financial advisors' fees, related expenses and disbursements), indemnification obligations, any other charges, amounts and costs of whatever nature owing, whether or not contingent, whenever arising, accrued, accruing, due, owing or chargeable in respect thereof, including all "Guaranteed Obligations" as defined in the Subordinated PIK Notes Indenture.

(c) *Treatment*: In full and final satisfaction, settlement, release, and discharge of, and in exchange for, each Allowed Subordinated PIK Notes Claim, on the Effective Date, each holder of an Allowed Subordinated PIK Notes Claim will be entitled to receive:

~~(i) if Class 6 votes to accept the Plan, its Pro Rata share of 12.5% of the New Equity Interests that are issued and outstanding as of the Effective Date (subject to dilution by the Dilution Events); or~~

(i) ~~(ii) if Class 6 does not vote to accept the Plan, its Pro Rata share of 5~~if Class 6 votes to accept the Plan, its Pro Rata share of 12.5% of the New Equity Interests that are issued and outstanding as of the Effective Date (subject to dilution by the Dilution Events); or

(ii) if Class 6 does not vote to accept the Plan, its Pro Rata share of 5% of the New Equity Interests that are issued and outstanding as of the Effective Date (subject to dilution by the Dilution Events).

(d) *Voting*: Class 6 is Impaired. Holders of Class ~~7~~6 Subordinated PIK Notes Claims are entitled to vote to accept or reject the Plan.

13. *Class 7 - Section 510 Claims (Subclasses 7a-7d)*.

(a) *Classification*: Class 8 consists of Section 510 Claims.

(b) *Treatment*: On the Effective Date, all Section 510 Claims shall be cancelled and discharged and shall be of no further force or effect, and holders of Section 510 Claims shall not receive or retain any property under the Plan on account of such Claims.

(c) *Voting*: Class 7 is Impaired. Holders of Class 8 Section 510 Claims are conclusively presumed to have rejected the Plan pursuant to section 1126(g) of the Bankruptcy Code. Therefore, holders of Class 7 Section 510 Claims are not entitled to vote to accept or reject the Plan.

14. *Class 8 - Intercompany Claims (Subclass 8a-8d)*

(a) *Classification*: Class 8 consists of Intercompany Claims.

(b) *Treatment*: In full and final satisfaction, settlement, release, and discharge of, and in exchange for, each Allowed Intercompany Claim, on the Effective Date, each Allowed Intercompany Claim shall be Reinstated. Subject to the Restructuring Transactions, on and after the Effective Date, the Reorganized Debtors will be permitted to transfer funds between and among themselves as they determine to be necessary or appropriate to enable the Reorganized Debtors to satisfy their obligations under the Plan.

(c) *Voting*: Class 8 is Unimpaired. Holders of Class 8 Intercompany Claims are conclusively presumed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, holders of Class 8 Intercompany Claims are not entitled to vote to accept or reject the Plan

15. *Class 9 - Intercompany Interests (Subclasses 9a-9d)*.

(a) *Classification*: Class 9 consists of Intercompany Interests.

(b) *Treatment*: On the Effective Date, subject to the Restructuring Transactions, the Intercompany Interests shall be Reinstated.

(c) *Voting*: Class 9 is Unimpaired. Holders of Class 9 Intercompany Interests are conclusively presumed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, holders of Class 9 Intercompany Interests are not entitled to vote to accept or reject the Plan.

16. *Class 10 - Prepetition Equity Interests (Subclasses 10a-10d)*.

(a) *Classification*: Class 10 consists of NGR Holding Equity Interests.

(b) *Treatment*: On the Effective Date, NGR Holding Equity Interests shall be cancelled and discharged and shall be of no further force or effect, whether surrendered for cancellation or otherwise, and holders of NGR Holding Equity Interests shall not receive or retain any property under the Plan on account of such NGR Holding Equity Interests.

(c) *Voting*: Class 10 is Impaired. Holders of Class 10 NGR Holding Equity Interests are conclusively presumed to have rejected the Plan pursuant to section 1126(g) of the Bankruptcy Code. Therefore, holders of Class 10 NGR Holding Equity Interests are not entitled to vote to accept or reject the Plan.

E. Special Provision Regarding Unimpaired and Reinstated Claims.

Nothing herein shall be deemed to affect, diminish, or impair the Debtors' or the Reorganized Debtors' rights and defenses, both legal and equitable, with respect to any Reinstated Claim or Unimpaired Claim, including, but not limited to, legal and equitable defenses to setoffs or recoupment against Reinstated Claims or Unimpaired Claims. Except as otherwise specifically provided in this Plan, nothing herein shall be deemed to be a waiver or relinquishment of any Claim, Cause of Action, right of setoff, or other legal or equitable defense which the Debtors had immediately prior to the Effective Date against, or with respect to, any Claim left Unimpaired or Reinstated by this Plan. Except as otherwise specifically provided in this Plan, the Reorganized Debtors shall have, retain, reserve, and be entitled to assert, all such Claims, Causes of Action, rights of setoff, and other legal or equitable defenses which they had immediately prior to the Effective Date fully as if the Chapter 11 Cases had not been commenced, and all of the Debtors' legal and equitable rights with respect to any Reinstated Claim or Claim left Unimpaired by this Plan may be asserted by the Reorganized Debtors after the Confirmation Date and the Effective Date to the same extent as if the Chapter 11 Cases had not been commenced.

F. Voting of Claims.

Each holder of an Allowed Claim in an Impaired Class of Claims that is not deemed to have rejected the Plan, and that held such Claim as of the Voting Record Date, shall

be entitled to vote to accept or reject the Plan. The instructions for completion of the Ballots are set forth in the instructions accompanying each Ballot. The Solicitation Procedures are described in the Disclosure Statement.

G. Nonconsensual Confirmation.

The Debtors intend to request confirmation of the Plan under section 1129(b) of the Bankruptcy Code with respect to any Impaired Class that has not accepted or is deemed to have rejected the Plan pursuant to section 1126 of the Bankruptcy Code.

H. Elimination of Vacant Classes

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

ARTICLE IV.
MEANS FOR IMPLEMENTATION OF THE PLAN

A. Operations Between the Confirmation Date and Effective Date

During the period from the Confirmation Date through and until the Effective Date, the Debtors may continue to operate their businesses as debtors in possession, subject to all applicable orders of the Bankruptcy Court, the Bankruptcy Code, and any limitations set forth herein or in the Confirmation Order, the Restructuring Support Agreement, and the Backstop Agreement.

B. Issuance of New Equity Interests.

On the Effective Date, the applicable Reorganized Debtors are authorized to issue or cause to be issued the New Equity Interests in accordance with the terms of this Plan and the Organizational Documents, without the need for any further corporate or shareholder action. All of the New Equity Interests, issuable under the Plan, and all New Common Units (as defined in the Backstop Agreement issuable upon conversion of the New First Lien Notes that are issued under the Plan or pursuant to the Backstop Agreement, when so issued, shall be duly authorized, validly issued, fully paid, and non-assessable, and not to have been issued in violation of any preemptive rights, rights of first refusal or similar rights or any applicable law.

Upon the Effective Date, (i) the New Equity Interests shall not be registered under the Securities Act, and shall not be listed for public trading on any securities exchange, and (ii) none of the Reorganized Debtors will be a reporting company under the Exchange Act. The distribution of New Equity Interests pursuant to the Plan may be made by delivery of one or more certificates representing such New Equity Interests as described herein, by means of book-entry registration on the books of the transfer agent for shares of New Equity Interests or by means of book-entry exchange through the facilities of a transfer agent satisfactory to the Debtors and the

Requisite Supporting Noteholders in accordance with the customary practices of such agent, as and to the extent practicable.

C. New First Lien Notes.

On the Effective Date, the applicable Reorganized Debtors are authorized, without the need for any further corporate or limited liability company action, to enter into the New First Lien Notes Indenture, the other New First Lien Notes Documents and any ancillary documents necessary or appropriate to satisfy the conditions to effectiveness of the Plan and/or the Backstop Agreement that relate to the New First Lien Notes, and to issue the New First Lien Notes. The proceeds of the New First Lien Notes shall be used to pay the Restructuring Expenses and provide the Reorganized Debtors with working capital for their post-Effective Date operations and for other general corporate purposes. The indebtedness, liabilities and other obligations under the New First Lien Notes Documents shall be secured by first priority security interests in and Liens on all of the assets of the Reorganized Debtors, as set forth in and subject to the New First Lien Notes Documents. The First Lien Notes shall be issued in a minimum denomination of $1,000 and integral multiples of $1,000.

In consideration for the Debtors' right to require the DIP Lenders to surrender all claims for payment of principal of the DIP Loans in exchange for DIP Exchange Notes as set forth above, the DIP Lenders will receive, on the Effective Date, their respective pro rata shares of an additional amount of New First Lien Notes in an aggregate principal amount equal to $5,250,000. The balance of the DIP Loan Claims, including accrued unpaid interest and any other amounts due under the DIP Credit Agreement, will be paid in cash. The remaining balance of the New First Lien Notes will be issued on the Effective Date in accordance with the Rights Offering, pursuant to the Backstop Agreement and the Plan.

D. Rights Offering.

Prior to the Effective Date, the Debtors shall conduct the Rights Offering in accordance with the Backstop Agreement Order and the Rights Offering Procedures. Rights Offering Participants shall have the right, subject to the terms of the Rights Offering Procedures and the Plan, to exercise Rights to purchase up to their Pro Rata share of $50 million of original principal amount of New First Lien Notes. Subject to the terms and conditions of the Backstop Agreement, the Backstop Parties shall backstop the full amount of the New First Lien Notes offered for sale in the Rights Offering (not to exceed the Rights Offering Amount) through the commitment to exercise the Rights issued to them in their capacity as Rights Offering Participants and purchase all of the New First Lien Notes that are not subscribed for by other Rights Offering Participants in the Rights Offering.

In consideration for the right of New Gulf to call the commitments of the Backstop Parties under the Backstop Agreement to purchase all of the Unsubscribed Notes (as defined in the Backstop Agreement) in accordance with and subject to the terms of the Backstop Agreement, the Debtors shall be required to issue to the Backstop Parties (or their designees) an additional amount of New First Lien Notes in an aggregate principal amount equal to $5,000,000 (the "Put Option Notes"), as described in and subject to the terms and conditions set forth in the Bankruptcy Agreement.

E. **Exemption from Registration.** To the extent securities were offered prior to the filing of the Plan, such securities were offered in reliance on the exemption provided by Section 4(a)(2) of the Securities Act. The offer, issuance, sale and distribution under the Plan of the (a) New Equity Interests, (b) Rights and (c) New First Lien Notes issued in the DIP Exchange and (d) the issuance of New Equity Interests in connection with any conversion of the New First Lien Notes issued in the DIP Exchange, shall all be exempt from registration under Section 5 of the Securities Act and any other applicable securities laws under, and to the extent provided by, Section 1145 of the Bankruptcy Code. The issuance and distribution of the Backstop Commitment Notes, the Put Option Notes and the New First Lien Notes issued in the Rights Offering to Rights Offering Participants, as well as any New Equity Interests into which such notes are converted, will be exempt from registration under the Securities Act and any other applicable securities laws under Section 4(a)(2) of the Securities Act and/or Regulation D thereunder or section 1145 of the Bankruptcy Code.

F. **Cancellation of Certain Indebtedness, Agreements, and Existing Securities.**

On the Effective Date, except for the purposes of evidencing a right to a distribution under this Plan, and except as otherwise specifically provided for in the Plan, (i) the Restructuring Support Agreement, the Prepetition First Lien Credit Agreement, the Second Lien Note Indenture and the Notes Documents (as defined in the Second Lien Notes Indenture), the Subordinated PIK Notes Indenture and the Note Documents (as defined in the Subordinated PIK Notes Indenture), and any other certificate, note, bond, indenture, or other instrument or document directly or indirectly evidencing or creating any indebtedness or obligation of any of the Debtors giving rise to any Claim (except such certificates, notes, or other instruments or documents evidencing indebtedness or obligations of any Debtors that are specifically Reinstated pursuant to the Plan), (ii) all Equity Interests of the Debtors (excluding Intercompany Interests) and any certificate or other instrument or document directly or indirectly evidencing or creating any Equity Interest in any of the Debtors as of immediately prior to the Effective Date, (iii) all registration rights, preemptive rights, rights of first refusal, rights of first offer, co-sale rights and other investor rights governing or relating to any of the indebtedness, obligations, Equity Interests or other items described in any of clauses (i) or (ii) above, and (iv) all obligations and liabilities arising under, related to, or in connection with, any of the items described in any of clauses (i)-(iii) above, in any such case, shall be deemed automatically extinguished, cancelled and of no further force and effect, without any further act or action under any applicable agreement, law, regulation, order or rule, and the Debtors and the Reorganized Debtors shall not have any continuing obligations thereunder or with respect thereto; and the obligations of any of the Debtors and the Reorganized Debtors pursuant, relating, or pertaining to any agreements, indentures, purchase agreements, certificates of incorporation, certificates of formation, by-laws, limited liability company agreements or similar documents governing or evidencing any of the items described in clauses (i)-(iv) above shall be released and discharged; and the holders of or parties to, or beneficiaries of, any of the items described in clauses (i) – (iv) above, will have no rights arising from or relating to, and will not be entitled to the benefits of, any such items or the cancellation thereof, except the rights expressly provided for pursuant to this Plan; *provided, however*, that, notwithstanding the occurrence of the Effective Date, any such indenture or agreement that governs the rights of the holder of a Claim shall continue in effect solely for purposes of allowing holders of such Claims to receive distributions under the Plan as provided herein subject to each Indenture Trustee's rights under sections 6.10 and 7.07 of the Second Lien

Notes Indenture and the Subordinated PIK Notes Indenture, as applicable, to recover its compensation, reimbursement of expense and indemnification from the distributions to the holders of Second Lien Notes Claims or Subordinated PIK Notes Claims, as applicable; *provided*, *however*, that the subordination provisions contained in the Subordinated PIK Notes Indenture shall remain in full force and effect (except to the extent necessary to enable the holders of Subordinated PIK Notes to receive and retain the distributions set forth in Article IIID.6 hereof, it being understood that all rights and remedies of the Second Lien Notes Indenture Trustee and the holders of Second Lien Notes with respect to subordination are otherwise expressly preserved). For the avoidance of doubt, nothing in this section shall affect the discharge of or result in any obligation, liability, or expense of the Debtors or the Reorganized Debtors, or affect the discharge of Claims or Equity Interests pursuant to the Bankruptcy Code, the Confirmation Order, or the Plan, or result in any additional obligation, expense, or liability of the Debtors or the Reorganized Debtors.

Upon the payment or other satisfaction of an Allowed Other Secured Claim, the holder of such Allowed Other Secured Claim shall deliver to the Debtors or Reorganized Debtors (as applicable) any Collateral or other property of the Debtors held by such holder, and any termination statements, instruments of satisfactions, or releases of all security interests with respect to its Allowed Other Secured Claim that may be required in order to terminate any related financing statements, mortgages, mechanic's liens, or *lis pendens*.

G. Intercompany Interests.

Subject to the Restructuring Transactions, the Intercompany Interests shall be retained shall continue in place, solely for the purpose of maintaining the existing corporate structure of the Debtors and the Reorganized Debtors.

H. Continued Corporate Existence and Vesting of Assets.

Except as otherwise provided herein, each Debtor will, as a Reorganized Debtor, continue to exist after the Effective Date as a separate legal entity, with all of the powers of such a legal entity, in accordance with the applicable laws of the respective jurisdictions in which they are incorporated or organized and pursuant to such Reorganized Debtors' Organizational documents and without prejudice to any right to alter or terminate such existence (whether by merger, dissolution or otherwise) under applicable law. On or after the Effective Date, each Reorganized Debtor, in its sole and exclusive discretion, may take such action as permitted by applicable law and such Reorganized Debtor's Organizational Documents, as such Reorganized Debtor may determine is reasonable and appropriate, including, but not limited to, causing: (i) a Reorganized Debtor to be merged into another Reorganized Debtor, or its Subsidiary and/or affiliate; (ii) a Reorganized Debtor to be dissolved; (iii) the legal name of a Reorganized Debtor to be changed; or (iv) the closure of a Reorganized Debtor's case on the Effective Date or any time thereafter.

Except as otherwise provided herein, on the Effective Date, all property of each Debtor's Estate, including any property held or acquired by each Debtor or Reorganized Debtor under the Plan or otherwise, will vest in such Reorganized Debtor free and clear of all Claims, Liens, charges, other encumbrances, Equity Interests, and other interests, except for the Liens and

Claims established under the Plan; *provided that* nothing in this Article IV.G shall limit the ability under the Bankruptcy Code of any party-in-interest to object to any Claim prior to the Claims Objection Deadline unless otherwise ordered by the Bankruptcy Court; *provided, further, however,* that the Debtors and the Reorganized Debtors waive and release any Causes of Action against any of the Released Parties as provided for in Article VII.E. hereof.

On and after the Effective Date, each Reorganized Debtor may operate its business and may use, acquire, and dispose of property and maintain, prosecute, abandon, compromise, settle or otherwise dispose any Claims or Causes of Action without supervision or approval by the Court and free of any restrictions of the Bankruptcy Code or Bankruptcy Rules, subject only to those restrictions expressly imposed by the Plan or the Confirmation Order as well as the documents and instruments executed and delivered in connection therewith, including the documents, exhibits, instruments, and other materials comprising the Plan Supplement. Without limiting the foregoing, the Reorganized Debtors may pay the charges that they incur from and after the Effective Date for Fee Claims, disbursements, expenses, or related support services (including fees relating to the preparation of Professional fee applications) without application to, or the approval of, the Court.

On the Effective Date or as soon as reasonably practicable thereafter, the Reorganized Debtors may take all actions as may be necessary or appropriate to effect any transaction described in, approved by, contemplated by, or necessary to effectuate the Plan and the Restructuring Transactions, including: (1) the execution and delivery of appropriate agreements or other documents of merger, consolidation, restructuring, conversion, disposition, transfer, dissolution or liquidation containing terms that are consistent with the terms of the Plan and that satisfy the applicable requirements of applicable law and any other terms to which the applicable entities may agree, including, without limitation, the New First Lien Notes and the New First Lien Note Documents; (2) the execution and delivery of appropriate instruments of transfer, assignment, assumption or delegation of any asset, property, right, liability, debt or obligation on terms consistent with the terms of the Plan and having other terms for which the applicable parties agree; (3) the filing of appropriate certificates or articles of incorporation, reincorporation, merger, consolidation, conversion or dissolution pursuant to applicable state law; and (4) all other actions that the applicable entities determine to be necessary or appropriate, including making filings or recordings that may be required by applicable law.

I. Retention of Avoidance Actions.

As of the Effective Date, all Avoidance Actions shall revest exclusively in the Reorganized Debtors; *provided*, *however*, that the Debtors and the Reorganized Debtors waive and release any Causes of Action against any of the Released Parties as provided for in Article VII.E. hereof.

J. Preservation of Causes of Action.

In accordance with section 1123(b) of the Bankruptcy Code, and except as expressly provided in Article VII.E. herein, the Reorganized Debtors shall retain all Causes of Action, if any, described in the Plan Supplement. Nothing contained in this Plan or the Confirmation Order shall be deemed a waiver or relinquishment of any claim, Cause of Action,

right of setoff, or other legal or equitable defense of any Debtor that is not specifically waived or relinquished by this Plan. The Reorganized Debtors shall have, retain, reserve, and be entitled to assert, all such claims, Causes of Action, rights of setoff, and other legal or equitable defenses that any Debtor had immediately before the Effective Date as fully as if the Chapter 11 Cases had not been commenced, and all of the Reorganized Debtors' legal and equitable rights respecting any claim that is not specifically waived or relinquished by this Plan may be asserted after the Effective Date to the same extent as if the Chapter 11 Cases had not been commenced. No Person may rely on the absence of a specific reference in the Plan or the Disclosure Statement to any Cause of Action against them as any indication that the Debtors or the Reorganized Debtors, as applicable, will not pursue any and all available Causes of Action against such Person. The Debtors or the Reorganized Debtors, as applicable, expressly reserve all rights to prosecute any and all Causes of Action against any Person, subject to the terms of the Plan. From and after the Effective Date, the Reorganized Debtors shall have the exclusive right, authority, and discretion to determine and to initiate, file, prosecute, enforce, abandon, settle, compromise, release, withdraw, or litigate to judgment any Cause of Action and to decline to do any of the foregoing without further notice to or action, order, or approval of the Court. The Reorganized Debtors are deemed representatives of the Estates for the purpose of prosecuting any Claim or Cause of Action and any objections to Claims pursuant to 11 U.S.C. § 1123(b)(3)(B).

K. Claims Incurred After the Effective Date.

Claims incurred by the Debtors after the Effective Date may be paid by the Reorganized Debtors in the ordinary course of business and without application for or Court approval, subject to any agreements with such holders of a Claim and applicable law.

L. Corporate Action.

Each of the matters provided for by the Plan involving the corporate or limited liability company structure of the Debtors or the Reorganized Debtors, and any action under the Plan to be taken by or required of the Debtors of the Reorganized Debtors, whether taken prior to or as of the Effective Date, including, without limitation, (a) the adoption and filing of the Organizational Documents for each of the other Reorganized Debtors; (b) the authorization, issuance, and distribution of New Equity Interests and any other securities and instruments; (c) the adoption, assumption or assignment, as applicable, of Executory Contracts; (d) implementation of the Reorganized NGR Holding Management Incentive Plan; (e) the selection of officers or directors/managers, and (f) the issuance of the New First Lien Notes, the entry into the New First Lien Notes Indenture and the execution and delivery of the New First Lien Notes Documents, and implementation of the Restructuring Transactions shall each be authorized and approved in all respects, without any requirement of further action by any of the Debtors' or Reorganized Debtors' boards of directors or managers, as applicable, or security holders.

The Debtors, the Reorganized Debtors, and the Disbursing Agent, as applicable, shall be authorized to execute, deliver, file, and record such documents (including the Plan Documents), contracts, instruments, releases and other agreements and take such other action as may be necessary to effectuate and further evidence the terms and conditions of the Plan, without the necessity of any further Bankruptcy Court, corporate, board or security holder approval or action. In addition, the selection of the Persons who will serve as the initial directors, officers

and managers of the Reorganized Debtors as of the Effective Date shall be deemed to have occurred and be effective on and after the Effective Date without any requirement of further action by the board of directors, board of managers, or stockholders of the applicable Debtor or Reorganized Debtor.

ARTICLE V.
PROVISIONS REGARDING CORPORATE GOVERNANCE OF THE REORGANIZED DEBTOR

A. Organizational Documents.

On the Effective Date, the Organizational Documents of each of the Reorganized Debtors shall be deemed authorized in all respects. To the extent applicable, the Organizational Documents for the Reorganized Debtors shall prohibit the issuance of nonvoting equity securities only so long as, and to the extent that, the issuance of nonvoting equity securities is prohibited by the Bankruptcy Code (and any material changes in the form or the classification of Reorganized NGR Holding and/or Reorganized New Gulf shall be addressed in the Plan Supplement).

B. Appointment of Officers and Directors.

As of the Effective Date, the term of the current members of the board of directors or managers of NGR Holding shall be deemed to have expired and such members shall be deemed removed from such board, without further action by or notice to any Person. On the Effective Date, the initial directors or managers of the New Board shall consist of seven (7) directors/managers, including the Chief Executive Officer of Reorganized NGR Holding, three (3) directors/managers designated by Värde Partners, Inc., one (1) director/manager designated by Millstreet Capital Management LLC, one (1) director/manager designated by PennantPark Investment Corporation, and one (1) independent director/manager satisfactory to the Ad Hoc Committee. Commencing on the Effective Date, each of the directors of each of the Reorganized Debtors shall serve pursuant to the terms of the applicable organizational documents of such Reorganized Debtor and may be replaced or removed in accordance with such organizational documents.

The Plan Supplement shall identify the members of the boards of directors of the New Board, as applicable, of the Reorganized Debtors.

On the Effective Date, the executive officers of Reorganized NGR Holding shall be those executive officers that were employed by NGR Holding immediately prior to the occurrence of the Effective Date, subject to the execution of amended and restated employment contracts (to the extent applicable) that are acceptable to such employee and the New Board.

C. Reorganized NGR Holding Management Incentive Plan.

A new management incentive program (the "MIP") shall be implemented immediately following the Effective Date. The MIP will provide for equity and/or equity-based awards, subject to the terms and conditions provided in the MIP and any individual award agreements. The pool available for grants of awards under the MIP will be equal to 9% in the aggregate of the new equity interests (on a fully diluted basis and not subject to dilution as of any

Dilution Events) as of the Effective Date. The New Board (in consultation with the CEO) of Reorganized NGR Holding shall grant one half of the MIP pool (4.5% of the new equity interests) to the Executive Team (as defined below) on or as soon as administratively practicable after the Effective Date, and such awards shall vest one-third at grant and one-third on each of the first and second anniversaries of such grant, subject to such terms and conditions as provided under the MIP and individual award agreements. 25% of the MIP pool (2.25% of the new equity interests) will be available for grants to certain non-executive employees following emergence pursuant to and subject to guidelines established by the New Board in consultation with the CEO and shall contain such vesting provisions and other terms and conditions as determined by the New Board, in consultation with the CEO. The remaining portion of the MIP pool (i.e., 2.25% of the new equity interests) shall be available for awards, as determined by the New Board in its discretion after the Effective Date to the Executive Team and shall vest based on such terms and conditions determined by the New Board at the time of grant. For purposes of the MIP, "Executive Team" shall refer to Chairman and CEO; SVP & Chief Financial Officer; SVP Geology & Geophysics; SVP Drilling & Completions; SVP Production Operations Engineering; and VP Strategic Planning & Development. In addition, the MIP shall provide that awards shall provide that awards shall allow for net settlement to satisfy any required tax withholding not to exceed the statutory minimum and shall vest on a change in control that occurs while a grantee is employed by the Company. The material terms and conditions of the MIP will be included in the Plan Supplement.

D. Indemnification of Directors, Officers, and Employees.

From and after the Effective Date, indemnification obligations owed by NGR Holding to directors, managers, officers, or employees of the Debtors who served or were employed by any Debtor on or after May 1, 2014, to the extent provided in the articles or certificate of formation or limited liability company agreement of NGR Holding in effect as of immediately prior to the Petition Date, will be deemed assumed pursuant to the Plan and shall survive Confirmation of the Plan, and, for the avoidance of doubt, the Reorganized Debtors shall indemnify all such directors, managers, officers or employees for any claims or liabilities resulting from Covered Actions arising from NGR Holding's limited liability company agreement, except for fraud, gross negligence or willful misconduct, each as determined by a final non-appealable order. The Reorganized Debtors shall obtain a directors and officers tail policy providing for such continuing coverage for a period of seven years following the Effective Date on substantially the same terms as existed as of the Petition Date.

ARTICLE VI.
CONFIRMATION OF THE PLAN

A. Conditions to Confirmation.

The following are conditions to the entry of the Confirmation Order, unless such conditions, or any of them, have been satisfied or duly waived in accordance with Article VI.B:

17. The Court shall have approved the Disclosure Statement, which shall be in form and substance consistent with the Restructuring Support Agreement and otherwise satisfactory to the Requisite Supporting Noteholders.

18. The Confirmation Order shall be in form and substance consistent with the Restructuring Support Agreement and otherwise satisfactory to the Debtors and the Requisite Supporting Noteholders.

19. The Plan shall be in form and substance consistent with the Restructuring Support Agreement and otherwise satisfactory to the Debtors and the Requisite Supporting Noteholders, it being understood that the draft Plan dated December 17, 2015 is satisfactory to the Requisite Supporting Noteholders.

20. The Plan Supplement shall be in form and substance consistent with the Restructuring Support Agreement and otherwise satisfactory to the Debtors and the Requisite Supporting Noteholders.

21. The Restructuring Support Agreement shall not have been terminated in accordance with the terms thereof, and the Restructuring Support Agreement shall be in full force and effect.

22. The Backstop Agreement shall not have been terminated in accordance with the terms thereof, and the Backstop Agreement shall be in full force and effect.

23. The DIP Order and the DIP Agreement shall be in full force and effect in accordance with their terms and no Termination Event (as defined in the DIP Order) or Event of Default (as defined in the DIP Agreement) shall have occurred or be continuing; and

24. The Schedule of Rejected Executory Contracts is in form and substance satisfactory to the Debtors and the Requisite Supporting Noteholders.

B. Waiver of Conditions Precedent to Confirmation.

The Debtors, with the prior written consent of the Requisite Supporting Noteholders, may waive the conditions set forth in Article VI.A above at any time without leave or order of the Court and without any formal action.

C. Binding Effect

Except as otherwise provided in section 1141(d)(3) of the Bankruptcy Code and subject to the occurrence of the Effective Date, on and after the Confirmation Date, the provisions of this Plan shall bind any holder of a Claim against, or Interest in, the Debtors and inure to the benefit of and be binding on such holder's respective successors and assigns, whether or not the Claim or Interest of such holder is impaired under this Plan and whether or not such holder has accepted this Plan.

D. Vesting of Assets.

On the Effective Date, pursuant to sections 1141(b) and (c) of the Bankruptcy Code, and except as otherwise provided in this Plan, the property of each Estate shall vest in the applicable Reorganized Debtor, free and clear of all Claims, Liens, encumbrances, charges, and other Interests, except as provided herein or in the Confirmation Order. The Reorganized

Debtors may operate their businesses and may use, acquire, and dispose of property free of any restrictions of the Bankruptcy Code or the Bankruptcy Rules and in all respects as if there were no pending case under any chapter or provision of the Bankruptcy Code, except as provided herein.

ARTICLE VII.
SETTLEMENT, RELEASE, INJUNCTION AND RELATED PROVISIONS

A. General Settlement of Claims and Interests.

Pursuant to section 363 of the Bankruptcy Code and Bankruptcy Rule 9019 and in consideration for the distributions and other benefits provided pursuant to the Plan, the provisions of the Plan shall constitute a good faith compromise of all Claims, Equity Interests and controversies relating to the contractual, legal, and subordination rights that a holder of a Claim may have with respect to any Allowed Claim, or any Distribution to be made on account of such Allowed Claim, subject in each case to Article IV.E. hereof.

Without limiting the foregoing, the provisions of the Plan shall, upon consummation, constitute a good faith compromise and settlement, pursuant to Bankruptcy Rule 9019 and section 1123 of the Bankruptcy Code, among the Debtors and the Ad Hoc Committee of all disputes among the parties, including those arising from, or related to the Second Lien Notes Claims. In the event that, for any reason, the Confirmation Order is not entered or the Effective Date does not occur, the Debtors and the Ad Hoc Committee reserve all of their respective rights with respect to any and all disputes that would have been resolved and settled under the Plan had the Effective Date occurred.

The entry of the Confirmation Order shall constitute the Court's approval of each of the compromises and settlements embodied in the Plan, and the Court's findings shall constitute its determination that such compromises and settlements are in the best interests of the Debtors, their Estates, creditors, and other parties-in-interest, and are fair, equitable, and within the range of reasonableness. The Plan and the Confirmation Order shall have res judicata, collateral estoppel, and estoppel (judicial, equitable, or otherwise) effect with respect to all matters provided for, or resolved pursuant to, the Plan and/or the Confirmation Order, including, without limitation, the release, injunction, exculpation, discharge, and compromise provisions contained in the Plan and/or the Confirmation Order. The provisions of the Plan, including, without limitation, its release, injunction, exculpation and compromise provisions, are mutually dependent and non-severable.

B. Subordination of 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, subject in each case to Article IV.E. hereof. However, the Debtors (with the consent of the Requisite Supporting Noteholders) reserve the right to reclassify any Allowed Claim or Equity Interest in

accordance with any contractual, legal or equitable subordination relating thereto, unless otherwise provided in a settlement agreement concerning such Allowed Claim.

C. Discharge of the Debtors.

Pursuant to section 1141(d) of the Bankruptcy Code, and except as otherwise specifically provided in the Plan or in any contract, instrument, or other agreement or document created or assumed pursuant to 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, 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, the Reorganized Debtors 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, Equity Interests and Causes of Action, including demands, liabilities and Causes of Action that arose before the Effective Date, any contingent or non-contingent liability, whether on account of representations or warranties issued or otherwise, whether on or 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 deemed to be satisfied, discharged and released in full, and the Debtors' liability with respect thereto, shall be extinguished completely, including 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 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; 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 holders of such Claims and Equity Interests shall be precluded from ever asserting against the Debtors, the Debtors' Estates, the Reorganized Debtors, their successors, assigns and affiliates, 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 occurrence of the Effective Date.

Upon the Effective Date, all Claims and Causes of Action against any Debtor related to or arising from any act, omission, transaction, event or other occurrence taking place on or prior to the Effective Date in any way relating to a non-Debtor affiliate and/or subsidiary of the Debtors, shall receive the classification and treatment provided for such Claims in the Plan and shall be discharged and all holders thereof forever precluded and enjoined, pursuant to sections 105, 524, 1141 of the Bankruptcy Code, from prosecuting or asserting any such discharged Claim and Cause of Action against any Reorganized Debtor.

D. Release of Liens.

Except (a) with respect to the Liens securing the indebtedness, obligations, and liabilities under the New First Lien Notes Documents, and (b) as otherwise expressly

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, and other security interests against any property of the Debtors' Estates (including all liens provided for in the DIP Order on account of the DIP Loan Claims) shall be fully released and discharged, and all of the right, title, and interest of any holder of such mortgages, deeds of trust, Liens, pledges, and other security interests shall revert to the Reorganized Debtors and each of their successors and assigns.

E. Releases by the Debtors.

For good and valuable consideration (including the service of the Released Parties to facilitate the reorganization of the Debtors, the implementation of the restructuring contemplated by the Restructuring Support Agreement and the Plan and the compromises contained herein), the adequacy of which is hereby confirmed, and except as otherwise specifically provided in the Plan, on and after the Effective Date, the Debtors, the Reorganized Debtors and the Debtors' Estates, including any successor to the Debtors or any Estate representative, shall be deemed to conclusively, absolutely, unconditionally, irrevocably and forever release, waive and discharge all claims, interests, obligations, suits, judgments, damages, demands, debts, rights, remedies, Causes of Action and liabilities that could have been asserted by or on behalf of the Debtors or their Estates or Reorganized Debtors, whether directly, indirectly, derivatively or in any representative or any other capacity, against the Released Parties (and each such Released Party shall be deemed forever released, waived and discharged by the Debtors and Reorganized Debtors), whether liquidated or unliquidated, fixed or contingent, matured or unmatured, known or unknown, foreseen or unforeseen, existing as of the Effective Date 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 taking place on or prior to the Effective Date in any way relating the Covered Actions, provided, however, that the foregoing shall not operate to waive or release (i) any Causes of Action, if any, expressly set forth in and preserved by the Plan or the Plan Supplement (with the consent of the Requisite Supporting Noteholders); (ii) any Causes of Action arising from fraud, gross negligence, or willful misconduct as determined by final non-appealable order; and/or (iii) the rights of the Debtors or the Reorganized Debtors to enforce the Plan and the contracts, instruments, releases and other agreements or documents delivered under or in connection with the Plan or assumed pursuant to the Plan or assumed pursuant to final non-appealable order. The foregoing release shall be effective as of and subject to the occurrence of the Effective Date without further notice to or order of the Bankruptcy Court, act or action under applicable law, regulation, order, or rule or the vote, consent, authorization or approval of any person and the Confirmation Order will permanently enjoin the commencement, prosecution or continuation by any person or entity, whether directly, derivatively or otherwise, of any Claims, obligations, suits, judgments, damages, demands, debts, rights, Causes of Action, or liabilities released pursuant to this release.

F. Releases by Certain Holders of Claims and Equity Interests.

For good and valuable consideration (including the service of the Released Parties to facilitate the reorganization of the Debtors, the implementation of the restructuring contemplated by the Restructuring Support Agreement and the Plan and the compromises contained herein), the adequacy of which is hereby confirmed, and except as otherwise specifically provided in the Plan, on and after the Effective Date, to the fullest extent permitted by applicable law, each of the Releasing Parties shall be deemed to conclusively, absolutely, unconditionally, irrevocably and forever release, waive and discharge all claims, interests, obligations, suits, judgments, damages, demands, debts, rights, remedies, Causes of Action and liabilities that could have been asserted by or on behalf of the Debtors or their Estates or Reorganized Debtors, whether directly, indirectly, derivatively or in any representative or any other capacity, against the other Released Parties (and each such other Released Party shall be deemed forever released, waived and discharged by the other Released Parties), whether liquidated or unliquidated, fixed or contingent, matured or unmatured, known or unknown, foreseen or unforeseen, existing as of the Effective Date 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 taking place on or prior to the Effective Date in any way relating to the Covered Actions; provided, however, that the foregoing shall not operate to waive or release (i) any Causes of Action, if any, expressly set forth in and preserved by the Plan or the Plan Supplement (with the consent of the Requisite Supporting Noteholders); (ii) any Causes of Action arising from fraud, gross negligence, or willful misconduct as determined by final non-appealable order; and/or (iii) the rights of the Debtors or the Reorganized Debtors to enforce the Plan and the contracts, instruments, releases and other agreements or documents delivered under or in connection with the Plan or assumed pursuant to the Plan or assumed pursuant to final non-appealable order. The foregoing release shall be effective as of and subject to the occurrence of the Effective Date without further notice to or order of the Bankruptcy Court, act or action under applicable law, regulation, order, or rule or the vote, consent, authorization or approval of any person and the Confirmation Order will permanently enjoin the commencement, prosecution or continuation by any person or entity, whether directly, derivatively or otherwise, of any Claims, obligations, suits, judgments, damages, demands, debts, rights, Causes of Action, or liabilities released pursuant to this release. Each Person providing releases under the Plan, including the Debtors, the Reorganized Debtors, the Estates and the Releasing Parties, shall be deemed to have granted the releases set forth in those sections notwithstanding that such Person may hereafter discover facts in addition to, or different from, those which it now knows or believes to be true, and without regard to the subsequent discovery or existence of such different or additional facts, and such Person expressly waives any and all rights that it may have under any statute or common law principle which would limit the effect of such releases to those claims or causes of action actually known or suspected to exist at the time of execution of such release.

G. Exculpation.

Notwithstanding anything herein to the contrary, the Exculpated Parties shall neither have nor incur any liability to any holder of any Claim or Interest or any

other party in interest, or any of their respective agents, employees, representatives, financial advisors, attorneys, or agents acting in such capacity, or affiliates, or any of their successors or assigns, for any act or omission in connection with, or arising out of or related to any act taken or omitted to be taken in connection with any Covered Action; provided that nothing in the foregoing "Exculpation" shall exculpate any Entity from any liability resulting from any act or omission that is determined by Final Order to have constituted fraud, willful misconduct, gross negligence, or criminal conduct; 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.

Notwithstanding anything herein to the contrary, as of the Effective Date, pursuant to section 1125(e) of the Bankruptcy Code, the Solicitation Parties upon appropriate findings of the Bankruptcy Court will be deemed to have solicited acceptance of the Plan in good faith and in compliance with the applicable provisions of the Bankruptcy Code, and to have participated in good faith and in compliance with the applicable provisions of the Bankruptcy Code, in the offer, issuance, sale, or purchase of a security, offered or sold under the Plan of a Reorganized Debtor, and shall not be liable to any Person on account of such solicitation or participation.

In addition to the protections afforded in this Article VII to the Exculpated Parties and the Solicitation Parties, and not in any way reducing or limiting the application of such protections, the Bankruptcy Court shall have exclusive jurisdiction over any and all Causes of Action asserted against any Debtor or Solicitation Party for Covered Actions that are not otherwise exculpated, released or enjoined by this Plan.

H. Injunction.

EXCEPT AS OTHERWISE EXPRESSLY PROVIDED IN THE PLAN, THE PLAN SUPPLEMENT OR RELATED DOCUMENTS, AS OF THE CONFIRMATION DATE, BUT SUBJECT TO THE OCCURRENCE OF THE EFFECTIVE DATE, ALL PERSONS WHO HAVE HELD, HOLD, OR MAY HOLD CLAIMS OR EQUITY INTERESTS ARE PERMANENTLY ENJOINED, FROM AND AFTER THE CONFIRMATION DATE, FROM TAKING ANY OF THE FOLLOWING ACTIONS AGAINST, AS APPLICABLE, THE DEBTORS, THE REORGANIZED DEBTORS, THE RELEASED PARTIES, THE EXCULPATED PARTIES OR THE SOLICITATION PARTIES OR ANY OF THEIR PROPERTY, OR ANY DIRECT OR INDIRECT TRANSFER OF ANY PROPERTY OF, OR DIRECT OR INDIRECT SUCCESSOR IN INTEREST TO, ANY OF THE FOREGOING PERSONS OR ENTITIES: (1) COMMENCING OR CONTINUING IN ANY MANNER ANY ACTION OR OTHER PROCEEDING OF ANY KIND ON ACCOUNT OF OR IN CONNECTION WITH OR WITH RESPECT TO ANY SUCH CLAIMS, CAUSES OF ACTION, OR EQUITY INTERESTS; (2) ENFORCING, ATTACHING, LEVYING, COLLECTING, OR OTHERWISE RECOVERING BY ANY MANNER OR MEANS ANY JUDGMENT, AWARD, DECREE, OR ORDER AGAINST SUCH RELEASED PARTIES ON ACCOUNT OF OR IN CONNECTION WITH OR WITH RESPECT TO ANY SUCH CLAIMS, CAUSES OF ACTION, OR EQUITY INTERESTS; (3) CREATING, PERFECTING, OR ENFORCING ANY ENCUMBRANCE OF ANY KIND AGAINST SUCH RELEASED

PARTIES OR AGAINST THE PROPERTY OR ESTATES OF SUCH RELEASED PARTIES ON ACCOUNT OF OR IN CONNECTION WITH OR WITH RESPECT TO ANY SUCH CLAIMS, CAUSES OF ACTION, OR EQUITY INTERESTS; (4) ASSERTING ANY RIGHT OF SETOFF, SUBROGATION, OR RECOUPMENT OF ANY KIND AGAINST ANY OBLIGATION DUE FROM ANY OF THE DEBTORS OR REORGANIZED DEBTORS OR AGAINST THE PROPERTY OR INTERESTS IN PROPERTY OF ANY OF THE DEBTORS OR REORGANIZED DEBTORS ON ACCOUNT OF OR IN CONNECTION WITH OR WITH RESPECT TO ANY SUCH CLAIMS, CAUSES OF ACTION, OR EQUITY INTEREST; (5) COMMENCING OR CONTINUING IN ANY MANNER ANY ACTION OR OTHER PROCEEDING OF ANY KIND ON ACCOUNT OF OR IN CONNECTION WITH OR WITH RESPECT TO ANY SUCH CLAIMS, CAUSES OF ACTION, OR EQUITY INTERESTS RELEASED, SETTLED, OR DISCHARGED PURSUANT TO THE PLAN OR CONFIRMATION ORDER, (6) ACTING OR PROCEEDING IN ANY MANNER, IN ANY PLACE WHATSOEVER, THAT DOES NOT CONFORM TO OR COMPLY WITH THE PROVISIONS OF THIS PLAN TO THE FULL EXTENT PERMITTED BY APPLICABLE LAW; AND (7) COMMENCING OR CONTINUING, IN ANY MANNER OR IN ANY PLACE, ANY ACTION THAT DOES NOT COMPLY WITH OR IS INCONSISTENT WITH THE PROVISIONS OF THIS PLAN; PROVIDED, HOWEVER, THAT NOTHING CONTAINED HEREIN SHALL PRECLUDE SUCH PERSONS FROM EXERCISING THEIR RIGHTS, OR OBTAINING BENEFITS, PURSUANT TO AND CONSISTENT WITH THE TERMS OF THIS PLAN.

By accepting Distributions pursuant to this Plan, each holder of an Allowed Claim or Interest will be deemed to have specifically consented to the Injunctions set forth in this Section.

I. Injunction Against Interference with Plan.

Upon the entry of the Confirmation Order, all holders of Claims and Interests and other parties in interest, along with their respective present or former affiliates, employees, agents, officers, directors, or principals, shall be enjoined from taking any actions to interfere with the implementation or consummation of this Plan.

J. Limitations on Exculpations and Releases.

Notwithstanding anything contained herein to the contrary, the releases and exculpation contained herein do not release any obligations of any party arising under this Plan or any document, instrument or agreement (including those set forth in the New First Lien Notes Documents and the Plan Supplement) executed to implement the Plan.

K. Preservation of Insurance.

The Debtors' discharge, exculpation and release, and the release in favor of the Released Parties, as provided herein, shall not, except as necessary to be consistent with this Plan, diminish or impair the enforceability of any insurance policy that may provide coverage for claims against the Debtors, the Reorganized Debtors, their current and former directors and officers, or any other Person.

ARTICLE VIII.
DISTRIBUTIONS UNDER THE PLAN

A. Procedures for Treating Disputed Claims.

25. *Objections to Claims*. Except insofar as a Claim is Allowed under the Plan, the Debtors, the Reorganized Debtors, and any other party in interest shall be entitled to object to Claims. Any objections to Claims shall be filed and served by the Claims Objection Deadline. Any Claims not objected to by the Claims Objection Deadline shall be deemed Allowed unless such period is extended upon approval of the Bankruptcy Court.

26. *Expungement and Disallowance of Claims*.

(a) *Paid, Satisfied, Amended, Duplicate or Superseded Claims*: Any Claim that has been paid, satisfied, amended, duplicated or superseded, may be adjusted or expunged on the Claims Register by the Reorganized Debtors on or after 30 calendar days after the date on which notice of such adjustment or expungement has been filed with the Bankruptcy Court, without the need for the Debtors to have filed an objection to such claim, and without any further action, order or approval of the Bankruptcy Court.

(b) *Claims by Persons From Which Property Is Recoverable*: Unless otherwise agreed to by the Reorganized Debtors or ordered by the Bankruptcy Court, any Claims held by any Person or Entity from which property is recoverable under sections 542, 543, 550 or 553 of the Bankruptcy Code, or that is a transferee of a transfer avoidable under sections 522(f), 522(h), 544, 545, 547, 548, 549 or 724(a) of the Bankruptcy Code, shall be deemed disallowed pursuant to section 502(d) of the Bankruptcy Code, and any holder of such Claim may not receive any Distributions on account of such Claim until such time as such Cause of Action against that Person or Entity has been resolved.

(c) *Indemnification Claims*: All Claims filed on account of an indemnification obligation to a director, officer or employee shall be deemed satisfied and expunged from the Claims Register as of the Effective Date, to the extent such indemnification obligation is assumed (or honored or reaffirmed, as the case may be) pursuant to the Plan, without any further notice to or action, order or approval of the Bankruptcy Court.

(d) *Untimely Claims*: Any Claim that was required to be filed by the Claims Bar Date, but was not timely filed, shall not be Allowed, shall be deemed disallowed, and shall be forever barred, estopped and enjoined from asserting such Claim against the Debtors or the Reorganized Debtors, their respective affiliates, or their respective property, and such Claim shall be deemed discharged as of the Effective Date, unless otherwise ordered by a Final Order of the Bankruptcy Court.

27. *Amendments to Proofs of Claim*. On or after the Effective Date, a Proof of Claim may not be amended (other than solely to update or correct the name or address of the holder of such Claim) without the prior authorization of the Bankruptcy Court or the Reorganized Debtors, as applicable, and any such amended Proof of Claim filed without such prior authorization shall be deemed disallowed in full and expunged without any further notice to or action, order or approval of the Bankruptcy Court.

28. *No Distributions Pending Allowance*. If an objection to a Claim or a portion thereof is filed as set forth in Article VIII herein or the Claim otherwise remains a Disputed Claim, except as otherwise provided in a Final Order of the Bankruptcy Court, no payment or Distribution provided under the Plan shall be made on account of such Claim or portion thereof, as applicable, unless and until such Disputed Claim becomes an Allowed Claim.

29. *Distributions After Allowance*. To the extent that a Disputed Claim ultimately becomes an Allowed Claim, Distributions (if any) shall be made to the holder of such Allowed Claim in accordance with the applicable provisions of the Plan and any order of the Court.

30. *Administration Responsibilities*. Except as otherwise specifically provided in the Plan, after the Effective Date the Reorganized Debtors, with the consent of the Requisite Supporting Noteholders, shall have the sole authority to (a) file, withdraw or litigate to judgment objections to Claims, (b) settle or compromise any Disputed Claim without any further notice to or action, order or approval of the Bankruptcy Court, and (c) administer and adjust, or cause to be administered and adjusted, the Claims Register to reflect any such settlements or compromises without any further notice to or action, order or approval of the Bankruptcy Court; *provided that* nothing in this Article VIII.8 shall limit the ability under the Bankruptcy Code of any party-in-interest to object to any Claim prior to the Claim Objection Bar Date unless otherwise ordered by the Bankruptcy Court.

B. Allowed Claims.

31. *Delivery of Distributions in General*. Except as otherwise provided herein, Distributions under the Plan shall be made by the Disbursing Agent to the holders of Allowed Claims in all Classes for which a Distribution is provided in this Plan at the addresses set forth on the Schedules or in the Debtors' books and records, as applicable, unless such addresses are superseded by Proofs of Claim or transfers of Claim filed pursuant to Bankruptcy Rule 3001 by the Distribution Record Date (or at the last known addresses of such holders if the Debtors or the Reorganized Debtors have been notified in writing of a change of address).

32. *Delivery of Distributions to Holders of Second Lien Notes Claims and Subordinated PIK Notes Claims*. The Indenture Trustees shall act as Disbursing Agents for the purposes of Distributions to be made hereunder on account of each Second Lien Notes Claim and Subordinated PIK Notes Claim in accordance with the terms of the Second Lien Notes Indenture or the Subordinated PIK Notes Indenture (as applicable and other than any subordination provisions therein) and the Plan. Notwithstanding anything in the Plan to the contrary, and without limiting the exculpation and release provisions of the Plan, the Indenture Trustees shall not have any liability to any Person with respect to Distributions made or directed to be made by the Indenture Trustees.

33. *Distribution of Cash*. Any payment of Cash by the Reorganized Debtors pursuant to the Plan shall be made at the option and in the sole discretion of the Reorganized Debtors by (i) a check drawn on, or (ii) wire transfer from, a domestic bank selected by the Reorganized Debtors.

34. *Unclaimed Distributions of Cash*. Any Distribution of Cash under the Plan that is unclaimed after six months after it has been delivered (or attempted to be delivered) shall, pursuant to section 347(b) of the Bankruptcy Code, become the property of the Reorganized Debtors notwithstanding any state or other escheat or similar laws to the contrary, and the entitlement by the holder of such unclaimed Allowed Claim to such Distribution shall be extinguished and forever barred.

35. *Distributions of New Equity Interests*. On or about the Effective Date, the Disbursing Agent shall distribute the New Equity Interests in accordance with Article IV.B of this Plan.

36. *Unclaimed Distributions of New Equity Interests*. Any Distribution of New Equity Interests under the Plan that is unclaimed after six months after it has been delivered (or attempted to be delivered) shall be retained by the Reorganized Debtors, notwithstanding any state or other escheat or similar laws to the contrary, and the entitlement by the holder of such Allowed Claim to such Distribution or any subsequent Distribution on account of such Allowed Claim shall be extinguished and forever barred.

37. *Saturdays, Sundays, or Legal Holidays*. If any payment, Distribution or act under the Plan is required to be made or performed on a date that is not a Business Day, then the making of such payment or Distribution or the performance of such act may be completed on the next succeeding Business Day, and shall be deemed to have been completed as of the required date.

38. *Fractional New Equity Interests and De Minimis Distributions*. Notwithstanding any other provision in the Plan to the contrary, no fractional units of New Equity Interests shall be issued or distributed pursuant to the Plan. Whenever any Distribution of a fraction of a unit of New Equity Interests would otherwise be required under the Plan, the actual Distribution made shall reflect a rounding of such fraction to the nearest whole unit (up or down), with half units or less being rounded down and fractions in excess of a half of a unit being rounded up. No consideration will be provided in lieu of fractional units that are rounded down. Fractional units of New Equity Interests that are not distributed in accordance with this Article VII.B.8 shall be cancelled. The Reorganized Debtors shall not be required to, but may in their sole and absolute discretion, make any payment on account of any Claim in the event that the costs of making such payment exceeds the amount of such payment.

39. *Distributions to Holders of Claims:*

(a) *Initial Distribution to Claims Allowed as of the Effective Date*. On or as soon as reasonably practicable after the Effective Date, or as otherwise expressly set forth in the Plan, the Disbursing Agent shall distribute Cash, New Equity Interests, or Collateral, as the case may be, to the holders of Allowed Claims as contemplated herein.

(b) *Claims Allowed after the Effective Date*. Each holder of a Claim that becomes an Allowed Claim subsequent to the Effective Date shall receive the Distribution to which such holder of an Allowed Claim is entitled as set forth in Article III, and Distributions to such holder shall be made in accordance with the provisions of this Plan. As soon as practicable

after the date that the Claim becomes an Allowed Claim, the Reorganized Debtors shall provide to the holder of such Claim the Distribution (if any) to which such holder is entitled under this Plan as of the Effective Date, without any interest to be paid on account of such Claim.

40. *Special Rules for Distributions to Holders of Disputed Claims*. Notwithstanding any provision otherwise in the Plan and except as otherwise agreed to by the relevant parties, no partial payments and no partial Distributions shall be made with respect to a Disputed Claim until all such disputes in connection with such Disputed Claim have been resolved by settlement or Final Order. In the event that there are Disputed Claims requiring adjudication and resolution, the Reorganized Debtors shall establish appropriate reserves for potential payment of such Claims. If the Debtors, Reorganized Debtors or any other party in interest dispute any General Unsecured Claim, such dispute shall be governed by Article VIII.A.3 hereof.

41. *Interest on Claims*. Except as specifically provided for in the Plan, no Claims, Allowed or otherwise (including Administrative Claims), shall be entitled, under any circumstances, to receive any interest on a Claim.

C. Allocation of Consideration.

The aggregate consideration to be distributed to the holders of Allowed Claims in each Class under the Plan shall be treated as first satisfying an amount equal to the principal amount of the Allowed Claim for such holders, and any remaining consideration as satisfying accrued, but unpaid interest, as applicable.

D. Estimation.

Prior to or after the Effective Date, the Debtors (with the consent of the Requisite Supporting Noteholders) or the Reorganized Debtors, as applicable, may (but are not required to), at any time, request that the Court estimate (i) any Disputed Claim pursuant to section 502(c) of the Bankruptcy Code or (ii) any contingent or unliquidated Claim pursuant to section 502(c) of the Bankruptcy Code, for any reason, regardless of whether the Debtors or the Reorganized Debtors have previously objected to such Claim or whether the Court has ruled on any such objection. The Court will retain jurisdiction to estimate any Claim at any time, including during proceedings concerning any objection to such Claim. In the event that the Court estimates any Claim, such estimated amount shall constitute either (i) the Allowed amount of such Claim, (ii) the amount on which a reserve is to be calculated for purposes of any reserve requirement under the Plan or (iii) a maximum limitation on such Claim, as determined by the Court. If the estimated amount constitutes the maximum limitation on such Claim, the Debtors (with the consent of the Requisite Supporting Noteholders) or the Reorganized Debtors, as the case may be, may elect to object to any ultimate allowance of such Claim. All of the aforementioned objection, estimation, and resolution procedures are cumulative and not necessarily exclusive of one another.

E. Insured Claims.

If any portion of an Allowed Claim is an Insured Claim, no Distributions under the Plan shall be made on account of such Allowed Claim until the holder of such Allowed

Claim has exhausted all remedies with respect to any applicable insurance policies. To the extent that the Debtors' insurers agree to satisfy a Claim in whole or in part, then immediately upon such agreement, the portion of such Claim so satisfied may be expunged without an objection to such Claim having to be filed and without any further notice to or action, order or approval of the Court.

F. Setoffs and Recoupments

Each Reorganized Debtor, or such entity's designee (including, without limitation, the Disbursing Agent) as instructed by such Reorganized Debtor, may, pursuant to section 553 of the Bankruptcy Code or applicable non-bankruptcy law, set off and/or recoup against any Allowed Claim, and the distributions to be made pursuant to this Plan on account of such Allowed Claim, any and all claims, rights and Causes of Action that a Reorganized Debtor or its successors may hold against the holder of such Allowed Claim after the Effective Date; provided, however, that neither the failure to effect a setoff or recoupment nor the allowance of any Claim hereunder will constitute a waiver or release by a Reorganized Debtor or such entity's designee or its successor of any and all claims, rights (including, without limitation, rights of setoff and/or recoupment) and Causes of Action that a Reorganized Debtor or such entity's designee or its successor may possess against such holder. For the avoidance of doubt, the Distribution Trustee shall not have any authority to exercise any rights of the Debtors or Reorganized Debtors to setoff or recoupment.

G. Rights and Powers of Disbursing Agent

42. *Powers of Disbursing Agent*. The Disbursing Agent shall be empowered to: (i) effect all actions and execute all agreements, instruments, and other documents necessary to perform its duties under this Plan; (ii) make all applicable distributions or payments contemplated hereby; (iii) employ professionals to represent it with respect to its responsibilities; and (iv) exercise such other powers as may be vested in the Disbursing Agent by order of the Bankruptcy Court (including any order issued after the Effective Date), pursuant to this Plan, or as deemed by the Disbursing Agent to be necessary and proper to implement the provisions hereof.

43. *Expenses Incurred on or After the Effective Date*. Except as otherwise ordered by the Bankruptcy Court, and subject to the written agreement of the Reorganized Debtors, the amount of any reasonable fees and expenses incurred by the Disbursing Agent on or after the Effective Date (including, without limitation, taxes) and any reasonable compensation and expense reimbursement Claims (including, without limitation, reasonable attorney and other professional fees and expenses) made by the Disbursing Agent shall be paid in Cash by the Reorganized Debtors.

44. *Fees and Expenses of the Second Lien Notes Indenture Trustee*. All fees and expenses of the Second Lien Notes Indenture Trustee must be paid in full in cash on the Effective Date. The Second Lien Notes Indenture Trustee shall retain all rights under sections 6.10 and 7.07 of the Second Lien Notes Indenture to exercise its charging lien against the distributions to the holders of Second Lien Notes Claims.

45. *Fees and Expenses of the Subordinated PIK Notes Indenture Trustee*. The reasonable and documented fees and expenses incurred by the Subordinated PIK Notes Indenture Trustee solely with respect to the negotiation and documentation of the Subordinated PIK Notes Indenture Trustee's successorship as indenture trustee for the Subordinated PIK Notes and the facilitation of distributions under the Plan (but not any other fees or expenses), in an aggregate amount of up to $70,000, shall be paid in cash on the Effective Date. The accrued but unpaid fees and expenses incurred by The Bank of New York Mellon Trust Company, N.A., in its capacity as former indenture trustee for the Subordinated PIK Notes, in an aggregate amount of up to $30,000, shall be paid to The Bank of New York Mellon Trust Company, N.A. in cash on the Effective Date. The Subordinated PIK Notes Indenture Trustee shall retain all rights under sections 6.10 and 7.07 of the Subordinated PIK Notes Indenture to exercise its charging lien against the distributions to the holders of Subordinated PIK Notes Claims.

ARTICLE IX.
EXECUTORY CONTRACTS

A. Assumption of Executory Contracts.

Unless an Executory Contract: (i) was assumed or rejected, as mutually agreed upon by the Debtors and the Requisite Supporting Noteholders; (ii) was previously expired or terminated pursuant to its own terms; (iii) is the subject, as mutually agreed upon by the Debtors and the Requisite Supporting Noteholders, of a motion to reject filed on or before the Confirmation Date; or (iv) is designated specifically or by category as an Executory Contract on the Schedule of Rejected Executory Contracts, each Executory Contract shall be deemed assumed, without the need for any further notice to or action, order, or approval of the Bankruptcy Court, as of the Effective Date under section 365 of the Bankruptcy Code. The assumption of Executory Contracts hereunder may include the assignment of certain of such contracts to the Debtors. The Confirmation Order will constitute an order of the Bankruptcy Court approving the above-described assumptions and assignments pursuant to sections 365 and 1123 of the Bankruptcy Code as of the Effective Date.

Except as otherwise provided herein or agreed to by the Debtors, the Requisite Supporting Noteholders and the applicable counterparty, each assumed Executory Contract shall include all modifications, amendments, supplements, restatements, or other agreements related thereto, and all rights related thereto, if any, including all easements, licenses, permits, rights, privileges, immunities, options, rights of first refusal, and any other interests. Modifications, amendments, supplements, and restatements to prepetition Executory Contracts that have been executed by the Debtors and the applicable contract counterparty during the Chapter 11 Cases shall not be deemed to alter the prepetition nature of the Executory Contract or the validity, priority, or amount of any Claims that may arise in connection therewith.

B. Cure Claims.

46. *Cure Payments*. Except to the extent that less favorable treatment has been agreed to by the non-Debtor party or parties to each such Executory Contract, any monetary defaults arising under each Executory Contract to be assumed pursuant to the Plan (subject to the consent of the Requisite Supporting Noteholders) shall be satisfied, pursuant to section 365(b)(1)

of the Bankruptcy Code, by payment of the appropriate amount (the "Cure Amount") in Cash on the later of thirty (30) calendar days after: (i) the Effective Date; and (ii) the date on which any Cure Dispute relating to such Cure Amount has been resolved (either consensually or through judicial decision).

47. *Cure Schedule and Objections*. No later than twenty-one (21) calendar days prior to the commencement of the Confirmation Hearing, the Debtors shall file a cure schedule (which shall be satisfactory in form, substance and amount to the Requisite Supporting Noteholders), that includes the identity of the proposed assignee, if any, for any Executory Contract, and serve such cure schedule on each applicable counterparty. Any party that fails to object to the applicable Cure Amount listed on the Cure Schedule on or prior to the Cure Objection Deadline, shall be forever barred, estopped and enjoined from disputing the Cure Amount set forth on the Cure Schedule (including a Cure Amount of $0.00) and/or from asserting any Claim against the applicable Debtor arising under section 365(b)(1) of the Bankruptcy Code except as set forth on the Cure Schedule.

48. *Cure Disputes*. In the event of a dispute (each, a "Cure Dispute") regarding: (i) the Cure Amount; (ii) the ability of the applicable Reorganized Debtor or the proposed assignee to provide "adequate assurance of future performance" (within the meaning of section 365 of the Bankruptcy Code) under the contract or lease to be assumed or assumed and assigned; or (iii) any other matter pertaining to the proposed assumption or assumption and assignment, the cure payments required by section 365(b)(1) of the Bankruptcy Code shall be made following the entry of a Final Order resolving such Cure Dispute and approving the assumption or assumption and assignment. To the extent a Cure Dispute relates solely to the Cure Amount, the applicable Debtor may assume and/or assume and assign the applicable contract or lease prior to the resolution of the Cure Dispute provided that such Debtor or proposed assignee reserves Cash in an amount sufficient to pay the full amount reasonably asserted as the required cure payment by the non-Debtor party to such contract or lease (or such smaller amount as may be fixed or estimated by the Bankruptcy Court or otherwise agreed to by such non-Debtor party and the Reorganized Debtors). To the extent the Cure Dispute is resolved or determined unfavorably to the applicable Debtor or Reorganized Debtor, as applicable, such Debtor or Reorganized Debtor, as applicable, may reject the applicable Executory Contract after such determination.

To the extent applicable, if under any Executory Contract, including related instruments and agreements, assumed or deemed assumed during the Chapter 11 Cases, the transactions contemplated by the Plan would (i) constitute a "change of control" or "assignment" (or terms with similar effect) under, (ii) would result in a violation, breach or default under, (iii) increase, accelerate or otherwise alter any obligations or liabilities of the Debtors or the Reorganized Debtors under, or (iv) result in the creation or imposition of a Lien upon any property or asset of the Debtors or the Reorganized Debtors pursuant to, the applicable Executory Contract, such a result will be unenforceable with respect to the transactions contemplated by the Plan, and any consent or advance notice required under such Executory Contract shall be deemed satisfied by Confirmation

On the Effective Date, each Executory Contract that is listed on the Schedule of Rejected Executory Contracts shall be deemed rejected or repudiated pursuant to Bankruptcy

Code section 365. Until the Effective Date, the Debtors, with the consent of the Requisite Supporting Noteholders, expressly reserve their right to amend the Schedule of Rejected Executory Contracts to delete any Executory Contract therefrom or to add any Executory Contract thereto.

All Claims arising from the rejection of Executory Contracts, if any, will be treated as General Unsecured Claims. All such Claims shall be discharged on the Effective Date, and shall not be enforceable against the Debtors, the Reorganized Debtors or their respective properties or interests in property. In the event that the rejection of an Executory Contract by any of the Debtors pursuant to the Plan results in damages to the other party or parties to such contract or lease, a Claim for such damages, if not evidenced by a timely filed proof of claim, shall be forever barred and shall not be enforceable against the Debtors or the Reorganized Debtors, or their respective properties or interests in property as agents, successors or assigns, unless a proof of claim is filed with the Bankruptcy Court and served upon counsel for the Debtors and the Reorganized Debtors on or before the date that is thirty (30) days after the effective date of such rejection (which may be the Effective Date or the date on which the Debtors reject the applicable contract or lease pursuant to an order of the Bankruptcy Court).

ASSUMPTION OF ANY EXECUTORY CONTRACT PURSUANT TO THE PLAN OR OTHERWISE SHALL RESULT IN THE FULL RELEASE AND SATISFACTION OF ANY CLAIMS OR DEFAULTS, WHETHER MONETARY OR NONMONETARY, INCLUDING DEFAULTS OF PROVISIONS RESTRICTING THE CHANGE IN CONTROL OR OWNERSHIP INTEREST COMPOSITION OR OTHER BANKRUPTCY-RELATED DEFAULTS, ARISING UNDER ANY ASSUMED EXECUTORY CONTRACT AT ANY TIME BEFORE THE DATE ANY OF THE DEBTORS OR THE REORGANIZED DEBTORS ASSUMES SUCH EXECUTORY CONTRACT. ANY PROOFS OF CLAIM FILED WITH RESPECT TO AN EXECUTORY CONTRACT THAT HAS BEEN ASSUMED SHALL BE DEEMED DISALLOWED AND EXPUNGED, WITHOUT FURTHER NOTICE TO OR ACTION, ORDER OR APPROVAL OF THE COURT.

Obligations arising under insurance policies assumed by any of the Debtors before the Effective Date shall be adequately protected in accordance with any order authorizing such assumption.

C. Reservation of Rights.

Nothing contained in the Plan shall constitute an admission by the Debtors that any such contract or lease is in fact an Executory Contract or that any Debtor or Reorganized Debtor has any liability thereunder. If there is a dispute regarding whether a contract or lease is or was executory or unexpired at the time of assumption, the Debtors (with the consent of the Requisite Supporting Noteholders) or the Reorganized Debtors, as applicable, shall have 45 days following entry of a Final Order resolving such dispute to alter their treatment of such contract or lease, in which case the deemed assumptions and rejections provided for in the Plan shall not apply to such contract or lease.

D. Assignment.

Any Executory Contract to be held by any of the Debtors or the Reorganized Debtors and assumed hereunder or otherwise in the Chapter 11 Cases, if not expressly assigned to a third party previously in the Chapter 11 Cases, will be deemed assigned to the applicable Reorganized Debtor pursuant to section 365 of the Bankruptcy Code. If an objection to a proposed assumption, assumption and assignment, or Cure Claim is not resolved in favor of the Debtors before the Effective Date, the applicable Executory Contract may be designated by the Debtors (with the consent of the Requisite Supporting Noteholders) or the Reorganized Debtors for rejection within five Business Days of the entry of the order of the Court resolving the matter against the Debtors. Such rejection shall be deemed effective as of the Effective Date.

E. Insurance Policies.

Notwithstanding anything in this Plan to the contrary, all of the Debtors' insurance policies and any agreements, documents or instruments relating thereto, are treated as and deemed to be Executory Contracts under the Plan. On the Effective Date, the Debtors shall be deemed to have assumed all insurance policies and any agreements, documents, and instruments related thereto. Unless otherwise determined by the Bankruptcy Court prior to the Effective Date, or agreed to by the parties thereto prior to the Effective Date, no payments shall be required to cure any defaults (if any) of the Debtors existing as of the Effective Date with respect to each such insurance policy or agreement, and to the extent that the Bankruptcy Court determines otherwise as to any such insurance policy or agreement, the Debtors' rights to seek the rejection of such insurance policy or agreement or other available relief within thirty (30) days of such determination are fully reserved; *provided, however*, that the rights of any party that issues an insurance policy or agreement to object to such proposed rejection on any and all grounds are fully reserved. Nothing in the Plan, the Plan Documents, the Plan Supplement or the Confirmation Order (a) alters, modifies or otherwise amends the terms and conditions of (or the coverage provided by) any of the insurance policies or agreements, (b) limits the Reorganized Debtors from asserting a right or claim to the proceeds of any insurance policy or agreement that insures any Debtor, was issued to any Debtor or was assumed by the Reorganized Debtors by operation of the Plan or (c) impairs, alters, waives, releases, modifies or amends any of the Debtors' or Reorganized Debtors' legal, equitable or contractual rights, remedies, claims, counterclaims, defenses or Causes of Action in connection with any of such insurance policies or agreements.

F. Post-Petition Contracts and Leases.

All contracts, agreements, and leases that were entered into by one or more of the Debtors or assumed by any of the Debtors after the Petition Date shall be deemed assigned by the applicable Debtor(s) to the applicable Reorganized Debtor(s) on the Effective Date.

G. Compensation and Benefit Programs.

Except as such benefits may be otherwise terminated by the Debtors in a manner permissible under applicable law, or as may otherwise set forth in the Plan Supplement, all Existing Benefits Agreements shall be deemed assumed as of the Effective Date.

Notwithstanding anything to the contrary contained herein, pursuant to section 1129(a)(13) of the Bankruptcy Code, on and after the Effective Date, all retiree benefits (as such term is defined in section 1114 of the Bankruptcy Code), if any, shall continue to be paid in accordance with applicable law.

ARTICLE X.
RETENTION OF JURISDICTION

Notwithstanding the entry of the Confirmation Order and the occurrence of the Effective Date, on and after the Effective Date, the Court shall retain exclusive jurisdiction over all matters arising out of, or related to, the Chapter 11 Cases and the Plan pursuant to sections 105(a) and 1142 of the Bankruptcy Code, including jurisdiction:

(i) to resolve any matters related to (a) the assumption, assumption and assignment, or rejection of any Executory Contract to which one or more of the Debtors or the Reorganized Debtors is party or with respect to which the Debtors or the Reorganized Debtors may be liable and to hear, determine, and, if necessary, liquidate, any Claims arising therefrom, including Cure Claims pursuant to section 365 of the Bankruptcy Code; and (b) any dispute regarding whether a contract or lease is or was executory or expired;

(ii) to determine, adjudicate, or decide any other applications, adversary proceedings, contested matters, and any other matters pending on the Effective Date;

(iii) to ensure that distributions to holders of Allowed Claims are accomplished as provided herein;

(iv) to resolve disputes as to the ownership of any Claim or Equity Interest;

(v) 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;

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

(vii) to issue such orders in aid of execution of the Plan, to the extent authorized by section 1142 of the Bankruptcy Code;

(viii) to consider any modifications of the Plan, to cure any defect or omission, or to reconcile any inconsistency in any order of the Court, including the Confirmation Order;

(ix) to hear and determine all applications for compensation and reimbursement of expenses of professionals under sections 330, 331, and 503(b) of the Bankruptcy Code;

(x) to hear and determine disputes arising in connection with the interpretation, implementation, consummation, or enforcement of the Plan;

(xi) to hear and determine any issue for which the Plan requires a Final Order of the Court;

(xii) to hear and determine matters concerning state, local, and federal taxes in accordance with sections 346, 505, and 1146 of the Bankruptcy Code;

(xiii) to hear and determine disputes arising in connection with compensation and reimbursement of expenses of professionals for services rendered during the period commencing on the Petition Date through and including the Effective Date;

(xiv) to hear and determine any Causes of Action preserved under the Plan;

(xv) to hear and determine any matter regarding the existence, nature, and scope of the Debtors' discharge;

(xvi) to hear and determine all Causes of Actions for Covered Actions as provided in Article VII.G of the Plan;

(xvii) to hear and determine any matter, case, controversy, suit, dispute, or Cause of Action (i) regarding the existence, nature, and scope of the discharge, releases, injunctions, and exculpation provided under the Plan, and (ii) enter such orders as may be necessary or appropriate to implement such discharge, releases, injunctions, exculpations, and other provisions;

(xviii) to enter a final decree closing the Chapter 11 Cases;

(xix) to 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;

(xx) to adjudicate any and all disputes arising from or relating to distributions under the Plan;

(xxi) to adjudicate any and all disputes arising from or relating to the Rights Offering Procedures;

(xxii) to enforce all orders previously entered by the Court; and

(xxiii) to hear any other matter not inconsistent with the Bankruptcy Code.

For the avoidance of doubt, the Court shall not retain exclusive jurisdiction with respect to the following documents entered into by the Reorganized Debtors on or after the Effective Date: (i) the New First Lien Notes Indenture, (ii) the New First Lien Notes Documents, (iii) the Organizational Documents for any of the other Reorganized Debtors, and (iv) the Reorganized NGR Holding Management Incentive Plan.

ARTICLE XI.
EFFECTIVENESS OF THE PLAN

A. Conditions Precedent to Effectiveness.

The Plan shall not become effective unless and until the Confirmation Date has occurred and the following conditions have been satisfied in full or waived in accordance with Article XI.B:

1. the Confirmation Order entered by the Court shall be in form and substance consistent with the Restructuring Support Agreement and otherwise satisfactory to the Debtors and the Requisite Supporting Noteholders;

2. the Confirmation Order shall have become a Final Order and shall not have been stayed, modified, or vacated;

3. the Plan Supplement and the Definitive Documents (as such term is defined in the Restructuring Support Agreement), shall be in form and substance consistent with the Restructuring Support Agreement and otherwise satisfactory to the Debtors and the Requisite Supporting Noteholders and shall have been executed and delivered, and any conditions precedent contained to effectiveness therein having been satisfied or waived in accordance therewith;

4. all other actions, documents, certificates, and agreements necessary to implement the Plan, each in form and substance satisfactory to the Debtors and the Requisite Supporting Noteholders~~,~~ shall have been effected or executed and delivered to the required parties and, to the extent required, filed with the applicable Governmental Units in accordance with applicable laws;

5. all necessary authorizations, consents, and all governmental, regulatory and third party approvals, authorizations, certifications, rulings, no-action letters, opinions, waivers and/or consents in connection with the Plan, if any having been obtained and remaining in full force and effect, and there existing no claim, action, suit, investigation, litigation or proceeding, pending or threatened in any court or before any arbitrator or governmental instrumentality, which would prohibit the consummation of the Plan;

6. the Reorganized Debtors shall have executed the New First Lien Notes Indenture and all other New First Lien Notes Documents, and all conditions precedent to effectiveness and issuance of the New First Lien Notes (including the issuance of the DIP Exchange Notes) shall have been satisfied or waived in accordance with the terms of the New First Lien Notes;

7. (i) the Restructuring Support Agreement shall not have been terminated in accordance with the terms thereof, and the Restructuring Support Agreement shall be in full force and effect, and (ii) all conditions to closing set forth in the Restructuring Support Agreement shall have been satisfied or waived in accordance with its terms;

8. (i) the Backstop Agreement shall not have been terminated in accordance with the terms thereof, and the Backstop Agreement shall be in full force and effect, and (ii) all conditions to closing set forth in the Backstop Agreement shall have been satisfied or waived in accordance with its terms;

9. each of the ENXP Joint Operating Agreements shall have been assumed by order of the Bankruptcy Court, the Cure Amount, if any, associated with assuming the ENXP Joint Operating Agreements shall not exceed $1,000,000 or such other amount acceptable to the Requisite Supporting Noteholders, and such assumption shall otherwise be on such terms and conditions that are in the ENXP Joint Operating Agreements as of the petition date or such other terms and conditions that are acceptable to the Requisite Supporting Noteholders;

10. (i) all Allowed ENXP Claims (including, without limitation, any Cure Amount), in the aggregate, shall be no greater than $1,000,000 or, if greater than $1,000,000, an amount otherwise acceptable to the Requisite Supporting Noteholders; and (ii) the principal amount of the New ENXP Note, if any, shall be no greater than $1,000,000 or, if greater than $1,000,000, an amount otherwise acceptable to the Requisite Supporting Noteholders and all other terms of the New ENXP Note, if any, shall be acceptable to the Requisite Supporting Noteholders; and

11. all unpaid Transaction Expenses shall have been paid pursuant to the applicable fee letters of such professionals.

B. Waiver of Conditions Precedent to Effectiveness.

The Debtors, with the prior written consent of the Requisite Supporting Noteholders, may waive conditions set forth in Article XI.A above at any time without leave of or order of the Court and without any formal action.

If any condition precedent to the Effective Date is waived pursuant to this Section Article XI.B~~.~~ and the Effective Date occurs, the waiver of such condition shall benefit from the "mootness doctrine," and the act of consummation of this Plan shall foreclose any ability to challenge this Plan in any court.

C. Effect of Failure of Conditions.

In the event that the Effective Date does not occur on or before ~~[•], but in no event later than [•],~~May 16, 2016, upon notification submitted by the Debtors (with the consent of the Requisite Supporting Noteholders) to the Court: (i) the Confirmation Order may be vacated, (ii) no distributions under the Plan shall be made; (iii) the Debtors and all holders of Claims and Equity Interests shall be restored to the status quo ante as of the day immediately preceding the Confirmation Date as though the Confirmation Date had never occurred; and (iv) the Debtors' obligations with respect to the Claims and Equity Interests shall remain unchanged and nothing contained in the Plan shall constitute or be deemed a waiver, release, or discharge of any Claims or Equity Interests by or against the Debtors or any other person or to prejudice in any manner the rights of the Debtors or any person in any further proceedings involving the Debtors unless extended by Court order.

D. Vacatur of Confirmation Order.

If a Final Order denying confirmation of the Plan is entered, or if the Confirmation Order is vacated, then the Plan shall be null and void in all respects, and nothing contained in the Plan shall: (i) constitute a waiver, release, or discharge of any Claims or Equity Interests; (ii) prejudice in any manner the rights of the holder of any Claim or Equity Interest; (iii) prejudice in any manner any right, remedy, or claim of the Debtors; or (iv) be deemed an admission against interest by the Debtors.

E. Modification of the Plan.

Subject to the limitations contained in the Plan, and subject to the terms of the Restructuring Support Agreement, (i) the Debtors reserve the right, in accordance with the Bankruptcy Code and the Bankruptcy Rules, with the prior written consent of the Requisite Supporting Noteholders, to amend or modify the Plan prior to the entry of the Confirmation Order, including amendments or modifications to satisfy section 1129(b) of the Bankruptcy Code, and (ii) after entry of the Confirmation Order, with the prior written consent of the Requisite Supporting Noteholders, the Debtors or the Reorganized Debtors, as the case may be, may, upon order of the Court, amend or modify the Plan, in accordance with section 1127(b) of the Bankruptcy Code. Notwithstanding the foregoing, the Confirmation Order shall authorize the Debtors or the Reorganized Debtors, as the case may be, with the consent of the Requisite Supporting Noteholders, to make appropriate technical adjustments, remedy any defect or omission, or reconcile any inconsistencies in the Plan, the documents included in the Plan Supplement, any and all exhibits to the Plan, and/or the Confirmation Order, as may be necessary to carry out the purposes and effects of the Plan, provided, however, that such action does not materially and adversely affect the treatment of the Class of holders of Allowed Claims or Equity Interests pursuant to the Plan.

F. Revocation, Withdrawal, or Non-Consummation.

49. *Right to Revoke or Withdraw*. The Debtors (with the prior written consent of the Requisite Supporting Noteholders) reserve the right to revoke or withdraw the Plan at any time before the Effective Date; *provided*, *however*, that this provision shall have no impact on the rights of the Ad Hoc Committee, as set forth in the Restructuring Support Agreement, in respect of any such revocation or withdrawal.

50. *Effect of Withdrawal, Revocation, or Non-Consummation*. If the Debtors revoke or withdraw the Plan prior to the Effective Date, or if the Confirmation Date or the Effective Date does not occur, the Plan, any settlement or compromise embodied in the Plan (including the fixing or limiting to an amount certain any Claim or Equity Interest or Class of Claims or Equity Interests), the assumption or rejection of Executory Contracts or benefit plans effected by the Plan, any release, exculpation, or indemnification provided for in the Plan, and any document or agreement executed pursuant to the Plan shall be null and void. In such event, nothing contained herein, and no acts taken in preparation for consummation of the Plan shall be deemed to constitute a waiver or release of any Claims by or against or Equity Interests in the Debtors or any other Person, to prejudice in any manner the rights of the Debtors or any Person

in any further proceedings involving the Debtors, or to constitute an admission of any sort by the Debtors or any other Person.

ARTICLE XII.
MISCELLANEOUS PROVISIONS

A. Immediate Binding Effect.

Notwithstanding Bankruptcy Rules 3020(e), 6004(h), 7062, or otherwise, upon the occurrence of the Effective Date, the terms of the Plan shall be immediately effective and enforceable and deemed binding upon the Debtors, the Reorganized Debtors, and any and all holders of Claims or Equity Interests (irrespective of whether such Claims or Equity Interests are deemed to have accepted the Plan), all Entities that are parties to or are subject to the settlements, compromises, releases, discharges, and injunctions described in the Plan, each Entity acquiring property under the Plan, and any and all non-Debtor parties to Executory Contracts with any of the Debtors. The rights, benefits and obligations of any Entity named or referred to in the Plan shall be binding on, and shall inure to the benefit of, any heir, executor, administrator, successor or assign of such Entity.

B. Governing Law.

Unless a rule of law or procedure is supplied by federal law (including the Bankruptcy Code and Bankruptcy Rules), the laws of the State of New York (without reference to the conflicts of laws provisions thereof that would require or permit the application of the law of another jurisdiction) shall govern the construction and implementation of the Plan and any agreements, documents, and instruments executed in connection with the Plan, unless otherwise specified.

C. Filing or Execution of Additional Documents.

On or before the Effective Date or as soon thereafter as is practicable, the Debtors or the Reorganized Debtors shall (on terms materially consistent with the Plan) file with the Court or execute, as appropriate, such agreements and other documents as may be necessary or appropriate to effectuate and further evidence the terms and conditions of the Plan, which agreements and documents shall be in form and substance satisfactory to the Requisite Supporting Noteholders.

D. Term of Injunctions or Stays.

Unless otherwise provided herein, all injunctions or stays provided for in the Chapter 11 Cases under sections 105 or 362 of the Bankruptcy Code, or otherwise, and in existence on the Confirmation Date, shall remain in full force and effect until the Effective Date.

E. Withholding and Reporting Requirements.

In connection with the Plan and all instruments issued in connection therewith and distributions thereon, the Reorganized Debtors and the Disbursing Agent shall comply with all withholding and reporting requirements imposed by any United States federal, state, local, or

non-U.S. taxing authority and all distributions hereunder shall be subject to any such withholding and reporting requirements. Notwithstanding any provision in the Plan to the contrary, the Reorganized Debtors and the Disbursing Agent shall be authorized to take all actions necessary or appropriate to comply with such withholding and reporting requirements, including liquidating a portion of the distribution to be made under the Plan to generate sufficient funds to pay applicable withholding taxes, withholding distribution pending receipt of information necessary or appropriate to facilitate such distributions.

F. Exemption From Transfer Taxes.

Pursuant to, and to the fullest extent permitted by, section 1146(a) of the Bankruptcy Code, all transfers of property effectuated under this Plan, including without limitation (i) the issuance, transfer, or exchange under the Plan of New Equity Interests, and the security interests in favor of the lenders under the New First Lien Notes Documents, (ii) any assumption, assignment, and/or sale of the Debtors' interests in unexpired leases of non-residential real property or executory contracts, or (iii) the making or delivery of any other instrument whatsoever, in furtherance of or in connection with the Plan, shall not be subject to any stamp, conveyance, mortgage, sales or use, real estate transfer, recording, or other similar tax or governmental assessment, and upon entry of the Confirmation Order, the appropriate state or local governmental officials or agents shall forgo the 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, recordation fee, or governmental assessment.

G. Dissolution of Creditors' Committee

The Creditors' Committee shall be automatically dissolved on the Effective Date and, on the Effective Date, each member (including each officer, director, employee or agent thereof) of the Creditors' Committee and each Professional retained by the Creditors' Committee shall be released and discharged from all rights, duties, responsibilities and obligations arising from, or related to, the Debtors, their membership on the Creditors' Committee, the Plan or the Chapter 11 Cases, *except* with respect to any matters concerning any Fee Claims held or asserted by any Professional retained by the Creditors' Committee.

H. Severability

If, prior to the entry of the Confirmation Order, any term or provision of this Plan is held by the Bankruptcy Court to be invalid, void, or unenforceable, the Bankruptcy Court, at the request of the Debtors (upon the prior written consent of the Requisite Supporting Noteholders) 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 valid and enforceable pursuant to its terms.

I. Plan Supplement.

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 documents contained in the Plan Supplement shall be available online at www.pacer.gov and cases.primeclerk.com/newgulf. Holders of Claims or Equity Interests may obtain a copy of the Plan Supplement upon written request to counsel to the Debtors. The Debtors reserve the right, in accordance with the terms hereof, and with the prior written consent of the Requisite Supporting Noteholders, to modify, amend, supplement, restate, or withdraw any part of the Plan Supplement after they are filed and shall promptly make such changes available online at www.pacer.gov and cases.primeclerk.com/newgulf.

J. Notices.

All notices, requests, and demands hereunder to be effective shall be made in writing or by e-mail, and unless otherwise expressly provided herein, shall be deemed to have been duly given when actually delivered or, in the case of notice by facsimile transmission, when received and telephonically confirmed. Each of such notices shall be addressed as follows:

1. *To the Debtors*: NGR Holding Company LLC, 10441 S Regal Blvd #210, Tulsa, OK 74133, Attn: Danni Morris, Tel.: (918) 728-3020, with a copy to Baker Botts L.L.P., 2001 Ross Avenue, Dallas, Texas 75201, Attn: C. Luckey McDowell, Tel.: (214) 953-6500, Fax: (214) 953-6503, e-mail: luckey.mcdowell@bakerbotts.com.

2. *To the Ad Hoc Committee*: Stroock & Stroock & Lavan LLP, 180 Maiden Lane, New York, NY 10038, Attn: Erez Gilad, Esq., Tel: (212) 806-5881, Fax: (212) 806-7881, e-mail: egilad@stroock.com.

3. *To the U.S. Trustee*: Office of The United States Trustee, 844 King Street, Suite 2207, Lockbox 35, Wilmington, DE 19801, Tel.: (302) 573-6491, Fax: (302) 573-6497.

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K. Conflicts.

The terms of the Plan shall govern in the event of any inconsistency between the Plan and the Disclosure Statement. In the event of any inconsistency with the Plan and the Confirmation Order, the Confirmation Order shall govern with respect to such inconsistency.

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Dated: ~~January 27,~~February 5, 2015

NGR HOLDING COMPANY LLC
on behalf of itself and all other Debtors

By: */s/ Danni S. Morris*

Name: Danni S. Morris
Title: Chief Financial Officer

EXHIBIT 2

Black of First Amended Disclosure Statement

~~THIS DISCLOSURE STATEMENT HAS NOT YET BEEN APPROVED PURSUANT TO SECTION 1125 OF THE BANKRUPTCY CODE. THIS IS NOT, AND SHALL NOT BE DEEMED, AN OFFER WITH RESPECT TO ANY SECURITIES OR A SOLICITATION OF VOTES WITH RESPECT TO A CHAPTER 11 PLAN OF REORGANIZATION. ANY SUCH OFFER OR SOLICITATION WILL COMPLY WITH ALL APPLICABLE SECURITIES LAWS AND/OR PROVISIONS OF THE BANKRUPTCY CODE. ACCEPTANCES OR REJECTIONS WITH RESPECT TO A CHAPTER 11 PLAN OF REORGANIZATION WILL NOT BE SOLICITED UNTIL A DISCLOSURE STATEMENT HAS BEEN APPROVED BY THE BANKRUPTCY COURT.~~

FIRST AMENDED SOLICITATION AND DISCLOSURE STATEMENT FOR THE FIRST AMENDED JOINT CHAPTER 11 PLAN OF REORGANIZATION OF

NGR Holding Company LLC
New Gulf Resources, LLC
NGR Finance Corp.
NGR Texas, LLC

From Holders of the

11.75% Senior Secured Notes due 2019
10%/12% Senior Unsecured PIK Toggle Notes due 2019
General Unsecured Claims
ENXP Secured Claim

THE DEADLINE TO ACCEPT OR REJECT THE PLAN IS 5:00 P.M., PREVAILING EASTERN TIME, ON MARCH ~~[●],~~ 24, 2016, UNLESS EXTENDED.

FOR YOUR VOTE TO BE COUNTED, YOUR BALLOT MUST BE ACTUALLY RECEIVED BY PRIME CLERK, THE VOTING AND CLAIMS AGENT, BEFORE THE VOTING DEADLINE AS DESCRIBED HEREIN. HOLDERS OF SECOND LIEN NOTES CLAIMS, THE ENXP SECURED CLAIM, GENERAL UNSECURED CLAIMS AND SUBORDINATED PIK NOTES CLAIMS SHOULD REFER TO THE BALLOTS ENCLOSED FOR INSTRUCTIONS ON HOW TO VOTE ON THE PLAN OF REORGANIZATION. PLEASE NOTE THAT THE DESCRIPTION OF THE PLAN PROVIDED THROUGHOUT THIS DISCLOSURE STATEMENT IS ONLY A SUMMARY PROVIDED FOR CONVENIENCE. IN THE CASE OF ANY INCONSISTENCY BETWEEN THE SUMMARY OF THE PLAN IN THIS DISCLOSURE STATEMENT AND THE PLAN, THE PLAN WILL GOVERN.[1]

The Debtors hereby solicit from Holders of the 11.75% Senior Secured Notes due 2019, the 10%/12% Senior Unsecured PIK Toggle Notes due 2019 and General Unsecured Claims the votes to accept or reject the Debtors' Plan under chapter 11 of the Bankruptcy Code. A copy of the Plan is attached hereto as **Exhibit A**.

[1] Capitalized terms used but not otherwise defined in this Disclosure Statement will have the meanings set forth in the Plan.

~~THIS DISCLOSURE STATEMENT HAS NOT YET BEEN APPROVED PURSUANT TO SECTION 1125 OF THE BANKRUPTCY CODE. THIS IS NOT, AND SHALL NOT BE DEEMED, AN OFFER WITH RESPECT TO ANY SECURITIES OR A SOLICITATION OF VOTES WITH RESPECT TO A CHAPTER 11 PLAN OF REORGANIZATION. ANY SUCH OFFER OR SOLICITATION WILL COMPLY WITH ALL APPLICABLE SECURITIES LAWS AND/OR PROVISIONS OF THE BANKRUPTCY CODE. ACCEPTANCES OR REJECTIONS WITH RESPECT TO A CHAPTER 11 PLAN OF REORGANIZATION WILL NOT BE SOLICITED UNTIL A DISCLOSURE STATEMENT HAS BEEN APPROVED BY THE BANKRUPTCY COURT.~~

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:	)	Chapter 11
NEW GULF RESOURCES, LLC, *et al*.	)	Case No. 15-12566 (BLS)
Debtors.[2]	)	Jointly Administered

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

BAKER BOTTS LLP

C. Luckey McDowell
Ian E. Roberts
Meggie S. Gilstrap
2001 Ross Avenue
Dallas, Texas 75201
(214) 953-6500

Co-Counsel to Debtors and Debtors in Possession

YOUNG CONAWAY STARGATT & TAYLOR, LLP

M. Blake Cleary
Ryan M. Bartley
Justin P. Duda
1000 N. King Street, Rodney Square
Wilmington, Delaware 19801
(302) 571-6600

Co-Counsel to Debtors and Debtors in Possession

Dated: February ~~14~~ 5, 2016

[2] The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's federal tax identification number, are: NGR Holding Company LLC (1782), New Gulf Resources, LLC (1365); NGR Finance Corp. (5563) and NGR Texas, LLC (a disregarded entity for tax purposes). The Debtors' mailing address is 10441 S. Regal Boulevard, Suite 210, Tulsa, Oklahoma 74133.

NOTICE TO EMPLOYEES

THE DEBTORS INTEND TO CONTINUE OPERATING THEIR BUSINESSES IN CHAPTER 11 IN THE ORDINARY COURSE OF BUSINESS AND TO SEEK TO OBTAIN THE NECESSARY RELIEF FROM THE COURT TO HONOR ITS OBLIGATIONS AND PAY ITS EMPLOYEES IN FULL.

DISCLAIMER

IMPORTANT INFORMATION FOR YOU TO READ

THE DEADLINE TO VOTE ON THE DEBTORS' FIRST AMENDED JOINT PLAN OF REORGANIZATION PURSUANT TO CHAPTER 11 OF THE BANKRUPTCY CODE IS ~~[●], 2016~~ MARCH 24, 2016 AT 5:00 P.M. PREVAILING EASTERN TIME.

FOR YOUR VOTE TO BE COUNTED, YOUR BALLOT MUST BE ACTUALLY RECEIVED BY THE VOTING AND CLAIMS AGENT BEFORE THE VOTING DEADLINE AS DESCRIBED HEREIN.

The information contained in this disclosure statement including the Exhibits annexed hereto (collectively, the "**Disclosure Statement**") is included herein for purposes of soliciting acceptances of the Debtors' First Amended Joint Chapter 11 Plan of Reorganization ~~of New Gulf Resources, LLC and its Debtor Affiliates~~Pursuant to Chapter 11 of the Bankruptcy Code, dated February 5, 2016 (the "**Plan**"), and may not be relied upon for any purpose other than to determine how to vote on the Plan. 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 annexed hereto, incorporated by reference or referred to herein, and if given or made, such information or representation may not be relied upon as having been authorized by the Debtors.

The Disclosure Statement shall not be construed to be advice on the tax, securities, financial, business, or other legal effects of the Plan as to holders of Claims against, or Equity Interests in, the Debtors, the Reorganized Debtors, or any other person. Each holder should consult with its own legal, business, financial, and tax advisors with respect to any matters concerning this Disclosure Statement, the solicitation of votes to accept the Plan, the Plan, and the transactions contemplated hereby and thereby.

The Debtors urge the holders of Claims in the Voting Classes (defined below), which are entitled to vote on the Plan, to (1) read the entire Disclosure Statement and Plan carefully; (2) consider all of the information in this Disclosure Statement, including, importantly, the risk factors described in Article XI of this Disclosure Statement; and (3) consult with your own advisors with respect to reviewing this Disclosure Statement, the Plan, and all documents that are attached to the Plan and Disclosure Statement before deciding whether to vote to accept or reject the Plan. Plan summaries and statements made in this Disclosure Statement are qualified in their entirety by reference to the Plan and the Exhibits annexed to the Plan and this Disclosure Statement. Please be advised, however, that the statements contained in this Disclosure Statement are made as of the date hereof unless another time is specified herein, and holders of Claims reviewing this Disclosure Statement should not infer at the time of such review that there has not been any change in the information set forth herein since the date hereof unless so specified. *In the event of any conflict between the descriptions set forth in this Disclosure Statement and the terms of the Plan, the terms of the Plan shall govern.*

See the Risk Factors in Article XI of the Disclosure Statement for certain risks that you should carefully consider.

The financial information contained in or incorporated by reference into this Disclosure Statement has not been audited, except as specifically indicated otherwise. The Debtors' management, in consultation with their advisors, has prepared the Financial Projections (as defined below) attached hereto as **Exhibit F** and described in this Disclosure Statement. The Debtors' management did not prepare the projections in accordance with Generally Accepted Accounting Principles ("**GAAP**") or International Financial Reporting Standards ("**IFRS**") or to

comply with the rules and regulations of the SEC or any foreign regulatory authority. The financial projections, 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 the management forecasts not to be achieved include, but are not limited to, risks and uncertainties relating to the Debtors' businesses (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 their ultimate performance compared to the information contained in the forecasts or that the forecasted results will be achieved. Therefore, the financial projections may not be relied upon as a guarantee or other assurance that the actual results will occur.

As to contested matters, existing litigation involving, or possible litigation to be brought by, or against, the Debtors, adversary proceedings, and other actions or threatened actions, this Disclosure Statement and Plan shall not constitute, or be construed as, an admission of any fact or liability, a stipulation, or a waiver, but rather as a statement made without prejudice solely for settlement purposes in accordance with Federal Rule of Evidence 408, with full reservation of rights, and is not to be used for any litigation purpose whatsoever by any person, party, or entity.

The Debtors have determined that one or more Executory Contracts may be rejected. Consequently, pursuant to the terms of the Plan, Class 5 will be impaired under the Plan, and the holders of Class 5 General Unsecured Claims will be entitled to vote to accept the Plan.

The board of managers (or equivalent thereof, as applicable) of each of the Debtors has approved the Plan and recommends that the holders of Second Lien Notes Claims (Class 3), the holder of the potential ENXP Secured Claim (Class 4(b)), holders of General Unsecured Claims (Class 5), and holders of Subordinated PIK Notes Claims (Class 6) (collectively, the "Voting Classes") vote to accept the Plan. The Plan has been negotiated with, and has the support of an Ad Hoc Committee of holders of Second Lien Notes that together hold approximately 72% of the aggregate principal amount of the Second Lien Notes ~~and~~and approximately 22% of the Subordinated PIK Notes. This Disclosure Statement, the Plan, and the accompanying documents have been extensively negotiated with the legal and/or financial advisors to the Ad Hoc Committee. The votes on the Plan are being solicited in accordance with the Restructuring Support Agreement dated as of December 17, 2015 (as may be amended from time to time), which was executed by the Debtors and each of the members of the Ad Hoc Committee.

The Debtors intend to confirm the Plan and cause the Effective Date to occur promptly after confirmation of the Plan. There can be no assurance, however, as to when and whether confirmation of the Plan and the Effective Date actually will occur. The confirmation and effectiveness of the Plan are subject to material conditions precedent. See Section VIII.A—"**Conditions Precedent to Effectiveness**." There is no assurance that these conditions will be satisfied or waived. Procedures for distributions under the Plan are described under Section VII.F—"**Distributions Under the Plan**." Distributions will be made only in compliance with these procedures.

If the Plan is confirmed by the Court and the Effective Date occurs, all holders of Claims against, and Equity Interests in, the Debtors (including, without limitation, those holders of Claims and Equity Interests that do not submit ballots to accept or reject the Plan or that are not entitled to vote on the Plan) will be bound by the terms of the Plan and the transactions contemplated thereby.

If the financial restructuring of the indebtedness contemplated by the Plan is not approved and consummated, there can be no assurance that the Debtors will be able to effectuate an alternative restructuring or successfully emerge from its chapter 11 cases, and the Debtors may be forced into a liquidation under chapter 7 of the Bankruptcy Code or under the laws of other countries. As reflected in the Liquidation Analysis (as defined below), ***the Debtors believe that if operations are terminated and their assets are liquidated under chapter 7 of the Bankruptcy Code or otherwise, the value of the assets available for payment to creditors and interest holders would be significantly lower than the value of the distributions contemplated by and under the Plan.***

SPECIAL NOTICE REGARDING FEDERAL AND STATE SECURITIES LAWS

Neither this Disclosure Statement nor the Plan has been filed with the United States Securities and Exchange Commission (the "SEC") or any state authority. The Plan has not been approved or disapproved by the SEC or any state securities commission and neither the SEC nor any state securities commission has passed upon the accuracy or adequacy of this Disclosure Statement or the merits of the Plan. Any representation to the contrary is a criminal offense.

This Disclosure Statement has been prepared pursuant to section 1125 of the Bankruptcy Code and Bankruptcy Rule 3016(b). The securities to be issued under the Plan on or after the Effective Date will not have been the subject of a registration statement filed with the SEC under the Securities Act or any securities regulatory authority of any state under any state securities laws ("Blue Sky Laws"). 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 and/or Section 4(a)(2) of the Securities Act and/or Regulation D thereunder to exempt the issuance of securities issued under, or in connection with, the Plan.

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.

See the Risk Factors in Article XI of the Disclosure Statement for certain risks that you should carefully consider.

This Disclosure Statement contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. 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," "should," "could," "intend," "consider," "expect," "plan," "anticipate," "believe," "predict," "estimate," or "continue" or the negative thereof or other variations thereon or comparable terminology. You are cautioned that all forward-looking statements involve risks and uncertainties that could cause actual events or results to differ materially from those referred to in such forward-looking statements. Important factors that could cause or contribute to such differences include those in Article XI: "Certain Risk Factors to be Considered," generally and in particular "Additional Factors to be Considered--Forward-Looking Statements in This Disclosure Statement." The Liquidation Analysis set forth in Exhibit ~~F~~G, distribution projections and other information contained herein and annexed 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. Any analyses, estimates or recovery projections may or may not turn out to be accurate.

QUESTIONS AND ADDITIONAL INFORMATION

If you would like to obtain copies of this Disclosure Statement, the Plan, or any of the documents attached hereto or referenced herein, or if you have questions about the solicitation and voting process or these Chapter 11 Cases generally, please contact Prime Clerk, LLC (the "Voting Agent" and "Claims Agent" or "Prime Clerk"), by (i) calling 855-410-7361, (ii) emailing newgulfballots@primeclerk.com, or (iii) visiting cases.primeclerk.com/newgulf. Copies of this Disclosure Statement, the Plan and the other documents attached hereto can be obtained for a charge from the Bankruptcy Court's website at www.deb.uscourts.gov.

TABLE OF CONTENTS

TABLE OF EXHIBITS

THE DEBTORS HEREBY ADOPT AND INCORPORATE EACH EXHIBIT ANNEXED TO THIS DISCLOSURE STATEMENT BY REFERENCE AS THOUGH FULLY SET FORTH HEREIN.

I. INTRODUCTION AND EXECUTIVE SUMMARY

NGR Holding Company LLC, a Delaware limited liability company ("**NGR Holding**"), New Gulf Resources, LLC, a Delaware limited liability company ("**New Gulf Resources**") and certain of their direct and indirect subsidiaries as chapter 11 debtors and debtors in possession (collectively, the "**Debtors**," or "**New Gulf**") in chapter 11 cases (the "**Chapter 11 Cases**") filed on December 17, 2015 (the "**Petition Date**"), submit this Disclosure Statement pursuant to section 1126 of title 11 of the United States Code (the "**Bankruptcy Code**") for use in the solicitation of votes on the Plan. A copy of the Plan is annexed as **Exhibit A** to this Disclosure Statement. **Capitalized terms used but not otherwise defined herein have the meanings ascribed to such terms in the Plan.**

New Gulf is an independent oil and natural gas company engaged in the acquisition, development, exploration and production of oil and natural gas properties, focused primarily in the East Texas Basin. Founded in 2011, the company is headquartered in Tulsa, Oklahoma, and currently employs 55 people.

The purpose of this Disclosure Statement is to provide information of a kind, and in sufficient detail, to enable creditors of the Debtors that are entitled to vote on the Plan to make informed decisions on whether to vote to accept or reject the Plan. This Disclosure Statement sets forth certain information regarding the Debtors' prepetition operating and financial history, the Debtors' need to seek chapter 11 protection, significant events that are expected to occur during the Chapter 11 Cases, and the Debtors' anticipated organization, operations, and liquidity upon successful emergence from chapter 11 protection.

The Plan and this Disclosure Statement are the result of extensive and vigorous negotiations among the Debtors and the Ad Hoc Committee, a group of holders of Second Lien Notes that collectively hold in excess of 72% of the Second Lien Notes and 22% of the Subordinated PIK Notes. The culmination of such negotiations was the entry into the Restructuring Support Agreement (as may be amended from time to time, the "**Restructuring Support Agreement**"), a copy of which is attached hereto as **Exhibit B**. The Restructuring Support Agreement sets forth the material terms and conditions of the restructuring provided for in the Plan and described herein (the "**Restructuring**"). As described in more detail below, the Plan substantially deleverages the Debtors' balance sheet by converting approximately $365 million of debt under the Second Lien Notes into either 87.5% or 95% of the equity in Reorganized NGR, depending on how the holders of Subordinated PIK Notes vote on the Plan. As part of the overall settlement embodied in the Restructuring Support Agreement and the Plan, the holders of Second Lien Notes are voluntarily forgoing their right to part of the distributions under the Plan that they are otherwise entitled to receive so that the Debtors can make a distribution to Holders of Allowed Subordinated PIK Notes Claims, and Holders of Allowed General Unsecured Claims, such as trade creditors, vendors, and suppliers. ***The Debtors have determined that one or more Executory Contracts may be rejected. Consequently, pursuant to the terms of the Plan, Class 5 will be impaired under the Plan and receive the treatment described below, and the holders of Class 5 General Unsecured Claims will be entitled to vote to accept the Plan (in such case, the ("General Unsecured Claims").***

The key components of the Restructuring and Plan are as follows:

- DIP financing in the amount of $75 million, the proceeds of which will be used to repay the Debtors' First Lien Credit Agreement, provide operational liquidity, and fund the administration of the Chapter 11 Cases. The DIP Loan Claims will be satisfied in full through a dollar-for-dollar exchange into New First Lien Notes on the Effective Date.
- Payment in full, in cash, of all Allowed Administrative Claims (other than the DIP Loan Claims), Fee Claims, Priority Tax Claims, statutory fees, Other Priority Claims, Secured Tax Claims and Other Secured Claims.
- Holders of Allowed Second Lien Notes Claims will receive their Pro Rata share of (i) 87.5% of the New Equity Interests issued as of the Effective Date (subject to dilution by the Dilution Events, the effects of which are generally described at Exhibit L) and (ii) if the class of Subordinated PIK Notes does not vote to accept the Plan, an additional 7.5% of the New Equity Interests (subject to dilution by the Dilution Events).

- In addition, each holder of an Allowed Second Lien Notes Claim shall have the opportunity to participate, on a Pro Rata basis, in a rights offering for the purchase of approximately $50 million in New First Lien Notes, in accordance with the terms and conditions set forth in the Rights Offering Procedures. Members of the Ad Hoc Committee have agreed to backstop the rights offering on terms and conditions set forth in the Backstop Agreement.
- Holders of Allowed Subordinated PIK Notes Claims will receive their Pro Rata share of (a) if the class of Subordinated PIK Notes votes in favor of the Plan, 12.5% of the New Equity Interests outstanding as of the Effective Date (subject to dilution by the Dilution Events) and (ii) if the class of Subordinated PIK Notes does not vote to accept the Plan, 5% of the New Equity Interests (subject to the same dilution).
- General Unsecured Claims will receive their Pro Rata share of the cash in the Trade Creditor Recovery Fund.
- NGR Holding Equity Interests shall be cancelled and discharged and shall be of no further force or effect, whether surrendered for cancellation or otherwise, and holders of NGR Holding Equity Interests shall not receive or retain any property under the Plan on account of such NGR Holding Equity Interests.
- Issuance of the New First Lien Notes, the proceeds of which will be used (i) to satisfy in full all DIP Loan Claims, (ii) to pay all restructuring fees and costs and other payments required under the Plan, and (iii) for working capital and general corporate purposes on and after the Effective Date.

The Debtors and the other parties to the Restructuring Support Agreement believe that the prearranged restructuring contemplated by the Plan is in the best interests of all stakeholders. This is because the Plan:

- achieves a substantial deleveraging of the Debtors' balance sheet through consensus with the overwhelming majority of the holders of Second Lien Notes, while also providing the capital necessary to continue to operate under current market conditions;
- provides for the elimination of approximately $43 million of the Debtors' pre-Restructuring annual interest burden on funded debt;
- provides $135.25 million of new financing in the form of the New First Lien Notes; and
- eliminates potential disruptions to operations—and thus deterioration of value—that could otherwise result from protracted and contentious bankruptcy cases.

Importantly, the Debtors would not be able to implement the Restructuring and achieve these benefits without the support of the Ad Hoc Committee. The Plan embodies a settlement with the holders of the Second Lien Notes as part of an expeditious restructuring. This avoids certain potential litigation that could decrease value for all stakeholders and substantially delay (and possibly derail) the restructuring process. The significant support obtained by the Debtors pursuant to the Restructuring Support Agreement provides a fair and reasonably certain path for an expeditious consummation of the Plan and the preservation of New Gulf's businesses.

Additionally, as described in Article VII.E herein, the Plan provides for certain releases of Claims against, among others, the Debtors, the Reorganized Debtors, the parties to the Restructuring Support Agreement, the DIP Agent and Lenders, the Second Lien Notes Indenture Trustees, the Ad Hoc Committee and each of their professionals, employees, officers, and directors.

FOR A COMPLETE UNDERSTANDING OF THE PLAN, YOU SHOULD READ THIS DISCLOSURE STATEMENT, THE PLAN, AND THE EXHIBITS THERETO IN THEIR ENTIRETY. IF ANY INCONSISTENCY EXISTS BETWEEN THE PLAN AND THIS DISCLOSURE STATEMENT, THE TERMS OF THE PLAN ARE CONTROLLING. ALL EXHIBITS TO THIS DISCLOSURE STATEMENT ARE

INCORPORATED INTO AND ARE A PART OF THIS DISCLOSURE STATEMENT AS IF SET FORTH IN FULL HEREIN.

Each holder of a Claim entitled to vote on the Plan should read this Disclosure Statement, the Plan, and the instructions accompanying the Ballots in their entirety before voting on the Plan. These documents contain, among other things, important information concerning the classification of Claims for voting purposes and the tabulation of votes. The statements contained in this Disclosure Statement are made only as of the date hereof unless otherwise specified, and there can be no assurance that the statements contained herein will be correct at any time hereafter. All creditors should also carefully read Article XI of this Disclosure Statement—"**Certain Risk Factors to be Considered**"—before voting to accept or reject the Plan.

The debtors believe that implementation of the plan is in the best interests of the debtors, their estates, and all stakeholders. For all of the reasons described in this disclosure statement, ***the debtors urge you to return your ballot accepting the plan by the voting deadline (i.e., the date by which your ballot must be actually received), which is ~~[•],~~March 24, 2016 at 5:00 p.m. (prevailing eastern time).***

II. OVERVIEW OF THE PLAN

This section II provides a summary overview of the Plan. ***Holders of Claims entitled to vote on the Plan are strongly encouraged to read the Plan itself in its entirety.*** The Plan is attached to this Disclosure Statement as **Exhibit A**.

The Plan establishes a comprehensive classification of Claims and Equity Interests.[3] The following table summarizes the classification and treatment of Claims and Equity Interests against each Debtor under the Plan and the estimated distributions to be received by the holders of Allowed Claims under the Plan thereunder. Amounts assumed for purposes of projected recoveries are estimates only; actual recoveries received under the Plan may differ materially from the projected recoveries.

The summaries in this table are qualified in their entirety by the description of the treatment of such Claims in Article III of the Plan. All claims and interests against a particular Debtor are placed in classes for each of the Debtors (as designated by subclasses a through d for each of the 4 Debtors). Specifically, such subclasses represent Claims against and Equity Interests in the Debtors as follows:

Class	Claim or Interest	Treatment of Allowed Claims	Voting Rights	Projected Plan Recovery
1	Other Priority Claims	Except to the extent that a holder of an Allowed Other Priority Claim and the Debtors (with the consent of the Requisite Supporting Noteholders) agree in writing to less favorable treatment, in full and final satisfaction, settlement, release, and discharge of, and in exchange for, each Allowed Other Priority Claim, each holder of an Allowed Other Priority Claim shall receive (i) payment in Cash in an amount equal to such Allowed Other Priority Claim as soon as practicable after the later of (a) the Effective Date and (b) thirty days after the date when such Other Priority Claim becomes an Allowed Other Priority Claim or (ii) such other treatment, as determined by the Debtors (with the prior written consent of the Requisite Supporting Noteholders), that will render it Unimpaired pursuant to section 1124 of the Bankruptcy Code.	Unimpaired / Deemed to Accept	100%
2	Other Secured Claims	Except to the extent that a holder of an Allowed Other Secured Claim and the Debtors (with the prior written consent of the Requisite Supporting Noteholders) agree in writing to less favorable treatment, in full and final	Unimpaired / Deemed to Accept	100%

[3] In accordance with section 1123(a)(1) of the Bankruptcy Code, the Plan does not classify Administrative Claims, Priority Tax Claims, U.S. Trustee Fees and Fee Claims.

		satisfaction, settlement, release and discharge of and in exchange for such Other Secured Claim, each holder of an Allowed Other Secured Claim shall, as determined by the Debtors (with the prior written consent of the Requisite Supporting Noteholders), receive (i) Cash in an amount equal to such Allowed Other Secured Claim, including any interest on such Allowed Other Secured Claim, if such interest is required to be paid pursuant to sections 506(b) and/or 1129(a)(9) of the Bankruptcy Code, as soon as practicable after the later of (a) the Effective Date, and (b) thirty days after the date such Other Secured Claim becomes an Allowed Other Secured Claim, (ii) the Collateral securing its Allowed Other Secured Claim as soon as practicable after the later of (a) the Effective Date and (b) thirty days after the date such Other Secured Claim becomes an Allowed Other Secured Claim, or (iii) such other treatment, as determined by the Debtors (with the consent of the Requisite Supporting Noteholders that will render it Unimpaired pursuant to section 1124 of the Bankruptcy Code.		
3	Second Lien Notes Claims	In full and final satisfaction, settlement, release, and discharge of, and in exchange for, each Allowed Second Lien Notes Claim, , each holder of an Allowed Second Lien Notes Claim will be entitled to receive its Pro Rata share of: (i) on the Effective Date, 87.5% of the New Equity Interests that are issued and outstanding as of the Effective Date (subject to dilution by the Dilution Events, which could reduce this recovery to 8.5% of the New Equity Interests, as described on page 39 and Exhibit L); (ii) the Rights, subject to and in accordance with the Rights Offering Procedures; and (iii) on the Effective Date, if and only if the class of Subordinated PIK Notes Claims does not vote to accept the Plan, an additional 7.5% of the New Equity Interests (subject to dilution by the Dilution Events, which could reduce the total recovery to 9.23% of the New Equity Interests, as described on page 39 and Exhibit L).	Impaired/ Entitled to Vote	If Class 6 accepts: 12.57/1.2%[4] If Class 6 rejects: 13.65/1.3%
4	ENXP Secured Claim	Except to the extent the Debtors and the holder of the ENXP Secured Claim (with the prior written consent of the Requisite Supporting Noteholders) agree in writing to different treatment, the holder of the Allowed ENXP Secured Claim, shall receive, in full and final satisfaction, settlement, release, and discharge of, and in exchange for, the Allowed ENXP Secured Claim: (i) if the ENXP Joint Operating Agreements are assumed, no additional consideration beyond any Cure Amounts as determined by the Bankruptcy Court; or (ii) if the ENXP Joint Operating Agreements are not assumed, the New ENXP Note.[5] **Contingent Class**: For the avoidance of doubt, the Debtors anticipate assuming the ENXP Joint Operating Agreements, which is also a condition precedent to the occurrence of the Effective Date of the Plan, upon which all amounts owed to ENXP, if any, as determined by final order the Bankruptcy Court, are expected to be paid as cure under section 365(b)(1)(A).	Impaired/ Entitled to Vote	100%

[4] For the avoidance of doubt, the projected recovery for holders of Second Lien Notes Claims does not include any recovery attributable to the right of holders of Second Lien Notes Claims to participate in the Rights Offering. The two recoveries presented reflect estimated recoveries prior to the occurrence of the Dilution Events/recoveries following occurrence of the Dilution Events on a fully diluted basis, and assuming such holder does not participate in the rights offering.

[5] The form of the New ENXP Note will be included in the Plan Supplement.

5	General Unsecured Claims[6]	In full and final satisfaction, settlement, release, and discharge of, and in exchange for, each Allowed General Unsecured Claim, as soon as practicable after the later of (a) the Effective Date, and (b) thirty days after the date such General Unsecured Claim becomes an Allowed Claim each holder of an Allowed General Unsecured Claim shall, and only to the extent such holder's Allowed General Unsecured Claim was not previously paid, receive its Pro Rata share of the General Unsecured Creditor Recovery Fund; *provided, however*, that in no event shall such distribution be in excess of 100% of the amount of such holder's Allowed General Unsecured Claim.	Impaired/ Entitled to Vote	100% or less
6	Subordinated PIK Notes Claims	In full and final satisfaction, settlement, release, and discharge of, and in exchange for, each Allowed Subordinated PIK Notes Claim, on the Effective Date, each holder of an Allowed Subordinated PIK Notes Claim will be entitled to receive: (i) if Class 6 votes to accept the Plan, its Pro Rata share of 12.5% of the New Equity Interests that are issued and outstanding as of the Effective Date (subject to dilution by the Dilution Events, which could reduce these recoveries to approximately 1.21% of the New Equity Interests, as described on page 39 and Exhibit L); or (ii) if Class 6 does not vote to accept the Plan, its Pro Rata share of 5% of the New Equity Interests that are issued and outstanding as of the Effective Date (subject to dilution by the Dilution Events, which could reduce these recoveries to approximately 0.49% of the New Equity Interests, as described on page 39 and Exhibit L).	Impaired / Entitled to Vote	If Class 6 accepts: 4.05/0.39%[7] If Class 6 rejects: 1.62/0.16%
7	Section 510 Claims	On the Effective Date, all Section 510 Claims shall be cancelled and discharged and shall be of no further force or effect, and holders of Section 510 Claims shall not receive or retain any property under the Plan on account of such Claims.	Impaired / Deemed to Reject	0%
8	Intercompany Claims	In full and final satisfaction, settlement, release, and discharge of, and in exchange for, each Allowed Intercompany Claim, on the Effective Date, each Allowed Intercompany Claim shall be Reinstated. Subject to the Restructuring Transactions, on and after the Effective Date, the Reorganized Debtors will be permitted to transfer funds between and among themselves as they determine to be necessary or appropriate to enable the Reorganized Debtors to satisfy their obligations under the Plan.	Unimpaired / Deemed to Accept	100%
9	Intercompany Interests	On the Effective Date, subject to the Restructuring Transactions, Intercompany Interests shall be Reinstated.	Unimpaired / Deemed to Accept	100%
10	NGR Holding Equity Interests	On the Effective Date, NGR Holding Equity Interests shall be cancelled and discharged and shall be of no further force or effect, whether surrendered for cancellation or otherwise,	Impaired / Deemed to Reject	0%

[6] At December 15, 2015, the Company's accounts payable was approximately $4.2 million on a consolidated basis. The Company's accounts payable balances fluctuate from month to month depending upon business activity and other factors. ~~The~~After taking into account anticipated payments under the Royalty Motion (as defined below), the Debtors estimate Allowed Class 5 General Unsecured Claims ~~in the range~~ of approximately $~~10 million~~500,000 (exclusive of ~~damages that may be allowed if certain~~any claims arising from the rejection of any executory contracts ~~are rejected~~). If certain contracts are rejected, the estimated amount of Class 5 General Unsecured Claims that may be allowed could increase materially.

[7] The two recoveries presented reflect estimated recoveries prior to the occurrence of the Dilution Events/recoveries following occurrence of the Dilution Events on a fully diluted basis.

and holders of NGR Holding Equity Interests shall not receive or retain any property under the Plan on account of such NGR Holding Equity Interests.

III. VOTING PROCEDURES AND REQUIREMENTS

A. Classes Entitled to Vote on the Plan

The following Classes are the only Classes entitled to vote to accept or reject the Plan (the "***Voting Classes***"):

Class	Claim	Status
3	Second Lien Notes Claims	Impaired
4(b)	ENXP Secured Claim	Impaired
6	General Unsecured Claims	Impaired
7	Subordinated PIK Notes Claims	Impaired

If your Claim or Equity Interest is not included in the Voting Classes, you are not entitled to vote. If your Claim is included in the Voting Classes, you should read your ballot and carefully follow the instructions included in the ballot. Please use only the ballot that accompanies the Disclosure Statement or the ballot that the Debtors, or the Voting and Claims Agent on behalf of the Debtors, otherwise provided to you.

B. 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 and interests 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 (i) at least two-thirds in dollar amount of the total allowed claims that have voted and (ii) more than one-half in number of the total allowed claims that have voted. The Bankruptcy Code requires as a condition to confirmation of a plan of reorganization that each class that is impaired and entitled to vote under a plan votes to accept such plan, unless the plan is being confirmed under the "cram down" provisions of section 1129(b) of the Bankruptcy Code. ***Your vote on the Plan is important***.

C. 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 may request 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 Fee Claims.

While these factors could affect distributions available to holders of Allowed Claims under the Plan, the occurrence or impact of such factors will not necessarily affect the validity of the vote of the Voting Class or necessarily require a re-solicitation of the votes of holders of Claims in such Voting Class.

For a discussion of certain risk factors, please refer to ARTICLE XI, entitled "*Certain Risk Factors to Be Considered*," of this Disclosure Statement.

D. 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 proposed plan or if they will receive no property under the proposed plan on account of their claims or interests, as applicable, or are otherwise deemed to reject. Accordingly, the following Classes of Claims and Equity Interests are not entitled to vote to accept or reject the Plan:

Class	Claim or Interest	Status	Voting
1	Other Priority Claims	Unimpaired	Deemed to Accept
2	Other Secured Claims	Unimpaired	Deemed to Accept
7	Section 510 Claims	Impaired	Deemed to Reject
8	Intercompany Claims	Unimpaired	Deemed to Accept
9	Intercompany Interests	Unimpaired	Deemed to Accept
10	NGR Holding Equity Interests	Impaired	Deemed to Reject

E. Cramdown

Section 1129(b) permits confirmation of a plan of reorganization notwithstanding the non-acceptance of the plan by one or more impaired classes of claims or equity interests, so long as at least one impaired class of claims or interests votes to accept a proposed plan. Under that section, a plan may be confirmed by a bankruptcy court if it does not "discriminate unfairly" and is "fair and equitable" with respect to each non-accepting class.

The Debtors intend to pursue a "cram down" of the holders of Section 510 Claims in Class 7, NGR Holding Equity Interests in Class 10, who are deemed to have rejected the Plan for the reasons described in subsection D above, the holders of the Class 4(b) ENXP Secured Claim, Class 5 General Unsecured Claims and Class 6 Subordinated PIK Notes Claims if one or more of those classes do not vote to accept the Plan.

F. Allowed Claims

Only administrative expenses and claims that are "*allowed*" may receive distributions under a chapter 11 plan. An "allowed" administrative expense, claim or equity interest means that a debtor agrees, or in the event of a dispute, that the Bankruptcy Court determines by Final Order, that the administrative expense, claim or equity interest, including the amount thereof, is in fact a valid obligation of, or equity interest in, a debtor.

G. Impairment generally

Under section 1124 of the Bankruptcy Code, a class of claims or equity interests is "impaired" unless, with respect to each claim or interest of such class, the plan of reorganization (i) does not alter the legal, equitable or contractual rights of the holders of such claims or interests or (ii) irrespective of the holders' right to receive accelerated payment of such claims or interests after the occurrence of a default, cures all defaults (other than those arising from, among other things, the debtor's insolvency or the commencement of a bankruptcy case), reinstates the maturity of the claims or interests in the class, compensates the holders of such claims or interests for any damages incurred as a result of their reasonable reliance upon any acceleration rights and does not otherwise alter their legal, equitable or contractual rights.

Only holders of allowed claims or equity interests in impaired classes of claims or equity interests that receive or retain property under a proposed plan of reorganization, but are not otherwise deemed to reject the plan (such as Class 10 NGR Holding Equity Interests in these cases), are entitled to vote on such a plan. Holders of unimpaired claims or equity interests are deemed to accept the plan under section

1126(f) of the Bankruptcy Code and are not entitled to vote. Holders of claims or equity interests that do not receive or retain any property on account of such claims or equity interests are deemed to reject the plan under section 1126(g) of the Bankruptcy Code and are not entitled to vote.

H. Solicitation and Voting Process and Procedures

Each holder of a Second Lien Notes Claim, Subordinated PIK Notes Claim, or General Unsecured Claims, as applicable, as of ~~[•],~~February 4, 2016 (the "**Voting Record Date**"), is entitled to vote to accept or reject the Plan and shall receive the Solicitation Package in accordance with the solicitation procedures set forth in the Disclosure Statement Motion (defined below) (the "**Solicitation Procedures**"). Except as otherwise set forth herein, the Voting Record Date and all of the Solicitation Procedures shall apply to all holders of Claims or Equity Interests and other parties in interest.

The following summarizes the procedures for voting to accept or reject the Plan. Holders of Claims in the Voting Classes under the Plan, are encouraged to review the relevant provisions of the Bankruptcy Code, Bankruptcy Rules and Solicitation Procedures and/or to consult their own attorneys.

The "Solicitation Package."

The following materials are provided to each holder of a Second Lien Note Claim, Subordinated PIK Note Claims, or General Unsecured Claims that is entitled to vote on the Plan:

- the applicable Ballot and voting instructions;
- the order approving the Disclosure Statement Motion (without exhibits);
- this Disclosure Statement with all exhibits including the Plan;
- a notice of the Confirmation Hearing; and
- a cover letter from the Debtors.

If you (a) did not receive a Ballot and believe you are entitled to one; (b) received a damaged Ballot; (c) lost your Ballot; (d) have any questions concerning this Disclosure Statement, the Plan, or the procedures for voting on the Plan, or the Solicitation Package you received; or (e) wish to obtain a paper copy of the Plan, this Disclosure Statement or any exhibits to such documents, **please contact Prime Clerk, LLC, the Debtors' Voting and Claims Agent, at New Gulf Balloting, c/o Prime Clerk, LLC, 830 Third Ave., 9th Floor, New York, NY 10022, by calling 855-410-7361, or by email at NewGulfballots@primeclerk.com.**

Before the deadline to object to Confirmation of the Plan, the Debtors intend to file the Plan Supplement. If the Plan Supplement is updated or otherwise modified, such modified or updated documents will be made available on the Debtors' restructuring website: cases.primeclerk.com/New Gulf. The Debtors will not distribute paper or CD-ROM copies of the Plan Supplement; however, parties may obtain a copy of the Plan Supplement by visiting the Debtors' restructuring website, *cases.primeclerk.com/New Gulf*; and/or by calling 844-241-2770 (Toll Free) or 929-342-0757 (International).

Voting Deadlines.

To be counted, your pre-validated Beneficial Holder Ballot, Ballot for Claims in Class 4(b) (ENXP Secured Claim) or Class 5 (General Unsecured Claims) or Master Ballot must be actually received by the Voting and Claims Agent no later than:

- ~~[•],~~**March 24, 2016 at 5:00 p.m**. (Prevailing Eastern Time). This is the "**Voting Deadline**." **If your pre-validated Beneficial Holder Ballot, Ballot for Claims in Class 4(b) (ENXP**

Secured Claim) or Class 5 (General Unsecured Claims) or Master Ballot, is not received by the prior to the Voting Deadline, your vote will not be counted.

Tabulation Procedures

The Debtors request that the following procedures and general assumptions be used by the Nominees in tabulating the Ballots for purposes of compiling and executing the Master Ballots and the Voting Agent in the event of receipt of pre-validated Ballots directly from Beneficial Holders or Ballots from Holders of Claims in Class 4(b) (ENXP Secured Claim) or Class 5 (General Unsecured Claims):

a. except as otherwise provided in the Solicitation Procedures, unless the Ballot being furnished is timely submitted on or prior to the Voting Deadline (as the same may be extended by the Debtors), the Debtors shall reject such Ballot as invalid and, therefore, shall not count it in connection with Confirmation of the Plan;

b. Prime Clerk will date all Ballots and Master Ballots when received. Prime Clerk shall retain the original Ballots and Master Ballots and an electronic copy of the same for a period of one year after the Effective Date, unless otherwise ordered by the Court;

c. except as noted above, an original executed Ballot is required to be submitted by the Entity submitting such Ballot and delivery of a Ballot to Prime Clerk by facsimile, email, or any other electronic means will not be valid;

d. no Ballot should be sent to the Debtors, the Debtors' agents (other than Prime Clerk), or the Debtors' financial or legal advisors, and if so sent will not be counted;

e. if multiple Ballots are received from the same Holder with respect to the same Claim prior to the Voting Deadline, the last properly executed Ballot timely received will be deemed to reflect such Beneficial Holder's or Holder's intent and will supersede and revoke any prior Ballot;

f. Beneficial Holders or Holders must vote all of their Claims within a particular Class either to accept or reject the Plan and may not split any votes. Accordingly, a Ballot that partially rejects and partially accepts the Plan will not be counted. Further, to the extent there are multiple Claims within the same Class held by a single Beneficial Holder or Holder, the Debtors may, in their discretion, aggregate the Claims of any particular Holder within a Class for voting purposes;

g. a person signing a Ballot in his or her capacity as a trustee, executor, administrator, guardian, attorney in fact, officer of a corporation, or otherwise acting in a fiduciary or representative capacity of a Beneficial Holder or Holder of a Claim must indicate such capacity when signing;

h. the Debtors, subject to contrary order of the Court, may waive any defects or irregularities as to any particular irregular Ballot at any time, either before or after the close of voting, and any such waivers will be documented in the voting results (the "Voting Report"), which shall be filed with the Court before the agenda to be filed for the Confirmation Hearing;

i. neither the Debtors, nor any other Entity, will be under any duty to provide notification of defects or irregularities with respect to delivered Ballots other than as provided in the Voting Report, nor will any of them incur any liability for failure to provide such notification;

j. unless waived or as ordered by the Court, any defects or irregularities in connection with deliveries of Ballots must be cured prior to the Voting Deadline or such Ballots will not be counted;

k. subject to any order of the Court, the Debtors reserve the right to reject any and all Ballots not in proper form, the acceptance of which, in the opinion of the Debtors, would not be in accordance

with the provisions of the Bankruptcy Code or the Bankruptcy Rules; *provided*, *however*, that any such rejections will be documented in the Voting Report; and

l. the following Ballots shall not be counted in determining the acceptance or rejection of the Plan: (i) any allot that is illegible or contains insufficient information to permit the identification of the Beneficial Holder or Holder of the Claim; (ii) any Ballot that is not actually received by Prime Clerk by the Voting Deadline; (iii) any unsigned Ballot; (iv) any Ballot that does not contain an original signature; (v) any Ballot that partially rejects and partially accepts the Plan; (vi) any Ballot not marked to accept or reject the Plan or marked both to accept and reject the Plan; (vii) any Ballot superseded by a later, timely submitted valid Ballot; (viii) any improperly submitted ballot; and (ix) after the Voting Deadline, no Ballot may be withdrawn or modified without the prior written consent of the Debtors.

The following additional procedures shall apply with respect to tabulating Master Ballots:

a. votes cast by Beneficial Holders of Claims through Nominees will be applied to the applicable positions held by such Nominees as of the Record Date, as evidenced by the record and depository listings. Votes submitted by a Nominee shall not be counted in excess of the amount of public securities held by such Nominee as of the Record Date;

b. if conflicting votes or "over-votes" are submitted by a Nominee, the Voting Agent shall use reasonable efforts to reconcile discrepancies with the Nominee;

c. if over-votes are submitted by a Nominee which are not reconciled prior to the preparation of the certification of vote results, the votes to accept and to reject the Plan shall be applied in the same proportion as the votes to accept and to reject the Plan submitted by the Nominee, but only to the extent of the Nominee's Record Date position in the securities;

d. for the purposes of tabulating votes, each Beneficial Holder shall be deemed (regardless of whether such holder includes interest in the amount voted on its Ballot) to have voted only the principal amount of its securities; any principal amounts thus voted may be thereafter adjusted by the Voting Agent, on a proportionate basis to reflect the corresponding claim amount, including any accrued but unpaid prepetition interest, with respect to the securities thus voted;

e. a single Nominee may complete and deliver to the Voting Agent multiple Master Ballots. Votes reflected on multiple Master Ballots shall be counted except to the extent that they are duplicative of other Master Ballots. If two or more Master Ballots are inconsistent, the last properly completed Master Ballot received prior to the Voting Deadline shall, to the extent of such inconsistency, supersede any prior received Master Ballot; and

f. Except with regards to Broadridge Financial Solutions, which may deliver its Master Ballot(s) by electronic mail, delivery of a Master Ballot to Prime Clerk by facsimile, email, or any other electronic means will not be valid.

The above procedures are subject to the Debtors' ability to waive any of the above-specified requirements for completion and submission of Ballots and Master ballots in its discretion so long as such requirement is not otherwise required by the Bankruptcy Code, the Bankruptcy Rules, or the Local Rules.

Voting Instructions.

If you are a holder of a Class 3 Second Lien Notes Claim, the Class 4(b) ENXP Secured Claim, a Class 5 General Unsecured Claim, or a Class 6 Subordinated PIK Note Claim, a Ballot is enclosed for the purpose of voting on the Plan.

If you are the record holder of Claims that are beneficially owned by another party, you may submit a separate Ballot with respect to such portion of Claims that are beneficially owned by such third party, and the vote indicated on such separate Ballot may differ from the vote indicated on Ballots submitted with respect to Claims that you beneficially own yourself or that are beneficially owned by other parties. In no event may you submit Ballots with respect to Claims in excess of the amount of Claims for which you are the record holder as of the Voting Record Date.

Please sign and complete a separate Ballot with respect to each Claim, and return your Ballot(s) in accordance with the instructions provided by your Nominee (as defined below), so that your Pre-Validated Ballot (as defined below) or the Master Ballot reflecting your vote is **received** by Prime Clerk by the Voting Deadline. Pre-Validated Ballots or Master Ballots reflecting your vote should be returned to the Debtors' voting agent, Prime Clerk, **by hand delivery, overnight courier, or first class mail** to:

New Gulf Ballot Processing
c/o Prime Clerk, LLC
830 Third Avenue, 9th Floor
New York, NY 10022

If delivery of a Ballot is by mail, it is recommended that voters use an air courier with guaranteed next day delivery or registered mail, properly insured, with return receipt requested. In all cases, sufficient time should be allowed to ensure timely delivery. The method of such delivery is at the election and risk of the voter.

If you are the beneficial owner of a Second Lien Note Claim or Subordinated PIK Notes Claim, please follow the directions listed on your Ballot and read the Section below titled "**Beneficial Owners of the Second Lien Notes or Subordinated PIK Notes**".

A Ballot may be withdrawn by delivering a written notice of withdrawal to the Voting Agent, so that the Voting Agent receives the notice before the Voting Deadline. In order to be valid, a notice of withdrawal must (a) specify the name of the creditor who submitted the Ballot to be withdrawn, (b) contain a description of the Claim(s) to which it relates, and (c) be signed by the creditor in the same manner as on the Ballot. The Debtors expressly reserve the right to contest the validity of any withdrawals of votes on the Plan.

After the Voting Deadline, any creditor who has timely submitted a properly completed Ballot to the Voting Agent or a Nominee (defined below), which is then timely delivered to the Voting Agent by the Voting Deadline, may change or withdraw its vote only with the approval of the Bankruptcy Court or the consent of the Debtors. If more than one timely, properly completed Ballot is received with respect to the same Claim and no order of the Bankruptcy Court allowing the creditor to change its vote has been entered before the Voting Deadline, the Ballot that will be counted for purposes of determining whether sufficient acceptances required to confirm the Plan have been received will be the timely, properly-completed Ballot determined by the Voting Agent to have been received last.

Nominees are required to retain for inspection by the Court for one year following the Voting Deadline the Ballots cast by their beneficial holders.

Nominees may elect to pre-validate the Beneficial Holder Ballot (a "Pre-Validated Ballot") by (i) signing the applicable Beneficial Holder Ballot and including its DTC Participant Number, (ii) indicating on the Beneficial Holder Ballot the account number of such holder, and the principal amount of Notes held by the Nominee for such beneficial holder, and (iii) forwarding the Beneficial Holder Ballot (together with the full Solicitation Package) to the beneficial holder for voting. The beneficial holder must then complete the information requested in the Beneficial Holder Ballot (including indicating a vote to accept or reject the Plan), review the certifications contained therein, and return the Beneficial Holder Ballot directly to the Voting Agent in the pre- addressed, postage paid envelope included with the Solicitation Package so that it is actually received by the Voting Agent on or before the Voting Deadline. A list of beneficial holders to whom the Nominee sent Pre-Validated Ballots should be maintained by the Nominee for inspection for at least one year following the Voting Deadline.

Votes cast by the beneficial holders through a Nominee and transmitted by means of a Master Ballot or a Pre-Validated Ballot will be applied against the positions held by such Nominee as evidenced by the list of record holders of Notes provided by the applicable securities depository. The Debtors further propose that votes submitted by a Nominee on a Master Ballot will not be counted in excess of the position maintained by the respective Nominee on the Voting Record Date.[8]

To the extent that conflicting, double or over-votes are submitted on Master Ballots, the Voting Agent shall attempt to resolve such votes prior to the vote certification in order to ensure that the votes of beneficial holders of Notes are accurately tabulated.

To the extent that such conflicting double or over-votes are not reconcilable prior to the vote certification, the Voting Agent is directed to count votes in respect of each Master Ballot in the same proportion as the votes of the beneficial holders or entitlement holders to accept or reject the Plan submitted on such Master Ballot, but only to the extent of the applicable Nominee's position on the Voting Record Date in the Notes.

For the purposes of tabulating votes, each beneficial holder shall be deemed (regardless of whether such holder includes interest in the amount voted on its Ballot) to have voted only the principal amount of its securities; any principal amounts thus voted may be thereafter adjusted by the Voting Agent, on a proportionate basis to reflect the corresponding claim amount, including any accrued but unpaid prepetition interest, with respect to the securities this voted.

EACH BALLOT FOR HOLDERS OF CLASS 3 (SECOND LIEN NOTE CLAIMS) AND CLASS 7 (SUBORDINATED PIK NOTE CLAIMS) ADVISES HOLDERS OF CLAIMS THAT, IF THEY (1) VOTE TO REJECT THE PLAN AND (2) <u>DO NOT ELECT</u> TO OPT OUT OF THE RELEASE PROVISIONS CONTAINED IN ARTICLE VII OF THE PLAN, THEY SHALL BE DEEMED TO HAVE CONCLUSIVELY, ABSOLUTELY, UNCONDITIONALLY, IRREVOCABLY AND FOREVER RELEASED AND DISCHARGED ALL CLAIMS AND CAUSES OF ACTION AGAINST THE RELEASED PARTIES IN ACCORDANCE WITH THE PLAN. ACCORDINGLY, IF YOU (1) VOTE TO REJECT THE PLAN AND (2) <u>DO NOT ELECT</u> TO OPT OUT OF THE RELEASE PROVISIONS CONTAINED IN ARTICLE VII OF THE PLAN, YOU WILL BE DEEMED TO HAVE GRANTED THE RELEASES CONTEMPLATED BY SUCH RELEASE PROVISIONS.

HOLDERS OF CLASS 3 (SECOND LIEN NOTE CLAIMS) AND CLASS 7 (SUBORDINATED PIK NOTE CLAIMS) WHO VOTE TO ACCEPT THE PLAN SHALL BE DEEMED TO HAVE CONCLUSIVELY, ABSOLUTELY, UNCONDITIONALLY, IRREVOCABLY AND FOREVER RELEASED AND DISCHARGED ALL CLAIMS AND CAUSES OF ACTION AGAINST THE RELEASED PARTIES IN ACCORDANCE WITH THE PLAN. EACH BALLOT FOR HOLDERS OF CLASS 3 (SECOND LIEN NOTE CLAIMS) AND CLASS 7 (SUBORDINATED PIK NOTE CLAIMS) ALSO ADVISES HOLDERS OF SUCH CLAIMS THAT, IF THEY <u>FAIL TO RETURN A BALLOT</u> VOTING EITHER TO ACCEPT OR REJECT THE PLAN, THEY SHALL BE DEEMED TO HAVE CONCLUSIVELY, ABSOLUTELY, UNCONDITIONALLY, IRREVOCABLY AND FOREVER RELEASED AND DISCHARGED ALL CLAIMS AND CAUSES OF ACTION AGAINST THE RELEASED PARTIES IN ACCORDANCE WITH THE PLAN.

NON-VOTING CLASSES INCLUDE UNIMPAIRED CLAIMS AND EQUITY INTERESTS. UNIMPAIRED CLAIMS AND EQUITY INTERESTS ARE ALSO DEEMED TO HAVE CONCLUSIVELY, ABSOLUTELY, UNCONDITIONALLY, IRREVOCABLY AND FOREVER RELEASED AND DISCHARGED ALL CLAIMS AND/OR INTERESTS AND CAUSES OF ACTION

[8] Each Nominee will distribute the Solicitation Packages, as appropriate, in accordance with their customary practices and obtain votes to accept or reject the Plan also in accordance with their customary practices. If it is the Nominee's customary and accepted practice to submit a "voting instruction form" to the beneficial holders for the purpose of recording the beneficial holder's vote, the Nominee is authorized to send the voting information form; *provided*, *however*, that the nominee also distribute the appropriate ballot form approved by the Solicitation Procedures Order. ⊥

AGAINST THE RELEASED PARTIES IN ACCORDANCE WITH THE PLAN TO THE FULLEST EXTENT PERMISSIBLE UNDER APPLICABLE LAW. [9]

HOLDERS OF THE ENXP SECURED CLAIM IN CLASS 4(B) AND GENERAL UNSECURED CLAIMS IN CLASS 5 ARE NOT INCLUDED AMONG THE RELEASING PARTIES GRANTING RELEASES UNDER ARTICLE VII.F OF THE PLAN. ACCORDINGLY, THE BALLOTS DISTRIBUTED TO HOLDERS OF CLASS 4(B) AND CLASS 5 CLAIMS DO NOT INCLUDE AN ELECTION THAT ALLOWS THE HOLDER TO OPT OUT OF THE RELEASES IN ARTICLE VII.F.

ANY HOLDER THAT ELECTS TO OPT OUT OF THE VOLUNTARY RELEASES SET FORTH IN ARTICLE VII.F THE PLAN SHALL NOT RECEIVE THE BENEFIT OF THE RELEASES (1) BY THE DEBTORS AS SET FORTH IN ARTICLE VII.E OF THE PLAN AND (2) BY THE HOLDERS OF OTHER CLAIMS AND EQUITY INTERESTS AS SET FORTH IN ARTICLE VII.F OF THE PLAN, AND THE DEBTORS OR REORGANIZED DEBTORS, AS THE CASE MAY BE, RESERVE ALL RIGHTS, CLAIMS AND CAUSES OF ACTION AGAINST SUCH HOLDERS, INCLUDING CLAIMS ARISING UNDER CHAPTER 5 OF THE BANKRUPTCY CODE.

Beneficial Owners of the Second Lien Notes or Subordinated PIK Notes.

If you are a beneficial owner of Second Lien Notes or Subordinated PIK Notes, please use the Ballot for beneficial owners (a "Beneficial Owner Ballot") or the customary means of transmitting your vote to your broker, dealer, commercial bank, trust company or other nominee ("Nominee") to cast your vote to accept or reject the Plan. You must return your completed Beneficial Owner Ballot or otherwise transmit your vote to your Nominee so that your Nominee will have sufficient time to complete a Ballot summarizing votes cast by beneficial owners holding securities (each a "Master Ballot"), which must be forwarded to the Voting Agent by the Voting Deadline. If your Beneficial Owner Ballot or other transmittal of your vote is not received by your Nominee with sufficient time for your Nominee to submit its Master Ballot by the Voting Deadline, your vote will not count.

If you are the Beneficial Owner of Second Lien Notes or Subordinated PIK Notes and hold them in your own name, you can vote by completing a Beneficial Owner Ballot.

Do not return your Second Lien Notes or Subordinated PIK Notes or any other instruments or agreements that you may have with your Ballot(s).

You may receive multiple mailings of this Disclosure Statement, especially if you own Second Lien Notes and Subordinated PIK Notes, or if you own any such notes through more than one brokerage firm, commercial bank, trust company, or other nominee. If you submit more than one Ballot for a Class because you beneficially own the securities in that Class through more than one broker or bank, you must indicate in the appropriate item of the Ballot(s) the names of ALL broker-dealers or other intermediaries who hold securities for you in the same Class.

Authorized signatories voting on behalf of more than one beneficial owner must complete a separate Ballot for each such beneficial owner. Any Ballot submitted to a brokerage firm or proxy intermediary will not be counted until the brokerage firm or proxy intermediary (a) properly executes the Ballot(s) and delivers them to the Voting Agent, or (b) properly completes and delivers a corresponding Master Ballot to the Voting Agent.

By voting on the Plan, you are certifying that you are the beneficial owner of the Second Lien Notes (as of the Voting Record Date) being voted or an authorized signatory for the beneficial owner. Your

[9] Holders of NGR Equity Interests constitute the Deemed Rejecting Class, and the Debtors submit that such Holders are, therefore, not entitled to vote on the Plan. However, Holders of NGR Equity Interests will be provided with the Equity Release Consent Notice, a form on which they may elect to opt out of the Releases provided in Article VII.F of the Plan. Any Holders of NGR Equity Interests that properly and timely submits an election to opt out of the voluntary releases set forth in Article VII.F the Plan shall not receive the benefit of the releases (1) by the Debtors as set forth in Article VII.E of the Plan and (2) by the holders of other Claims and Equity Interests as set forth in Article VII.F of the Plan, and the Debtors or Reorganized Debtors, as the case may be, reserve all rights, claims and causes of action against such Holders, including claims arising under Chapter 5 of the Bankruptcy Code.

submission of a Ballot will also constitute a request that you (or in the case of an authorized signatory, the beneficial owner) be treated as the record holder of those securities for purposes of voting on the Plan.

Brokerage Firms, Banks, and Other Nominees.

A brokerage firm, commercial bank, trust company, or other nominee that is the agent on behalf of a Second Lien Note or Subordinated PIK Note for a beneficial owner, or an agent therefor, or that is a participant in a securities clearing agency and is authorized to vote in the name of the securities clearing agency pursuant to an omnibus proxy and is acting for a beneficial owner, can vote on behalf of such beneficial owner by: (a)(i) distributing a copy of this Disclosure Statement and all appropriate Ballots to the beneficial owners; (ii) collecting all such Ballots; (iii) completing a Master Ballot compiling the votes and other information from the Ballots and Elections collected; and (iv) transmitting the completed Master Ballot to the Voting Agent; or (b) pre-validating the Beneficial Owner Ballot, and addressing such ballot as returnable to the Voting Agent. Nominees are directed to distribute Solicitation Packages to beneficial owner as promptly as possible, but no later than five (5) business days, following receipt.

A proxy intermediary acting on behalf of a brokerage firm or bank may follow the procedures outlined in the preceding sentence to vote on behalf of the beneficial owner. If you are entitled to vote and you did not receive a Ballot, received a damaged Ballot or lost your Ballot, please contact the Voting Agent in the manner set forth above.

I. The Confirmation Hearing

Shortly after commencing the Chapter 11 Cases, the Debtors requested that the Bankruptcy Court schedule a hearing to consider confirmation of the Plan (the "**Confirmation Hearing**"), at the United States Bankruptcy Court for the District of Delaware (the "**Bankruptcy Court**"), 824 Market Street North, 3rd Floor, Wilmington, Delaware 19801. The Debtors will request confirmation of the Plan, as it may be modified from time to time under section 1129(b) of the Bankruptcy Code in respect of the NGR Holding Equity Interests and, if necessary, the Subordinated PIK Notes and General Unsecured Claims, and has reserved the right to modify the Plan to the extent, if any, that confirmation pursuant to section 1129(b) of the Bankruptcy Code requires modification.

IV. COMPANY BACKGROUND

Below is a summary of the Debtors' businesses and operations. For additional details concerning the Debtors, their capital structure, and the events giving rise to these cases, please see the *Declaration of Danni Morris in Support of the Debtors' First Day Motions* [Docket No. 13].

Debtors and the background to these Chapter 11 Cases, readers are referred to the Declaration. Please see the Risk Factors in Article XI of the Disclosure Statement for certain risks that you should carefully consider.

A. An Overview of the Debtors' Business

New Gulf is an independent oil and natural gas company engaged in the acquisition, development, exploration and production of oil and natural gas properties, focused primarily in the East Texas Basin. Founded in 2011, the company is headquartered in Tulsa, Oklahoma, and currently employs 55 people.

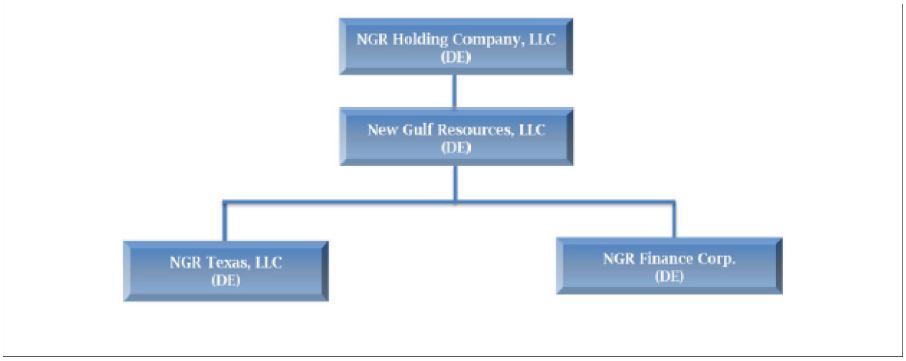
New Gulf owns interests in approximately 77,000 net acres of oil and gas properties. The majority of this acreage was acquired by New Gulf in May 2014 when it raised more than $500 million in capital to acquire approximately 83,000 net mineral acres located in Brazos, Leon, Madison, Grimes and Walker Counties, Texas, and an associated natural gas gathering and processing system (the "**East Texas Acquisition**"). Since the East Texas Acquisition, New Gulf has selectively allowed its acreage in areas producing more natural gas to expire, while strategically seeking to increase its position in acreage producing oil. In February 2015, New Gulf (i) sold substantially all of its gas gathering and processing infrastructure and related right-of-way to Enbridge G&P (East

Texas L.P. ("**Enbridge**") and (ii) executed a 15-year Gas Gathering, Processing and Purchase Agreement by and between Enbridge, as gatherer, and New Gulf, as producer, in exchange for approximately $85 million.[10]

B. Corporate Structure and History

NGR Holding is a privately held Delaware limited liability company currently managed by a five-member board of managers. Its members consist of approximately 43 unit holders plus an additional estimated 40 warrant holders. The unit holders hold approximately 58.5% of the total voting rights, with the remaining 41.5% controlled by the warrant holders (whether or not such warrants are exercised). The board is comprised of managers designated by various constituents, including the CEO, unit holders and warrant holders.

NGR Holding is the parent holding company of the other Debtors. As depicted below, NGR is the sole member of New Gulf Resources, which is in turn the sole member of NGR Texas, LLC and owns 100% of the equity interests in NGR Finance Corp. Each of the Debtors is organized under the laws of the State of Delaware. NGR Finance Corp. was formed for the sole purpose of acting as co-issuer of the Second Lien Notes (defined below).



Prior to the Prepetition Reorganization—described below in the section of this Disclosure Statement explaining the events leading up to the commencement of the Chapter 11 Cases— New Gulf Resources was the parent entity of the Debtors' corporate enterprise.

C. The Debtors' Pre-Petition Capital Structure

The Debtors' have estimated total liabilities of more than $570 million as of the Petition Date. The Debtors' capital structure is summarized by the following table and described in more detail below:

Obligation	Priority	Amount[11]
Revolving Credit Agreement	First Lien (secured)	$38 million
Second Lien Notes	Second Lien (secured)	$365 million

[10] Under the Purchase and Sale Agreement with Enbridge, a portion of the cash purchase price was set aside in two separate escrow deposit accounts at closing—$14 million in a well escrow and $6 million in a litigation escrow. Each escrow is held at US Bank and US Bank is the escrow agent (in such capacity, the "Escrow Agent") . The escrow release mechanics are more fully described in the Purchase and Sale Agreement, but generally speaking, the well deposit is released to New Gulf in increments of $1 million upon each occurrence of a successful connection to the Gatherer's Facilities (as defined in the Gas Gathering, Processing and Purchase Agreement executed at closing) of a new productive gas well on or after January 1, 2015. The litigation deposit, in contrast, is being held by the Escrow Agent to secure New Gulf's post-closing indemnity obligations to Enbridge under Section 9.2(c) of the Purchase and Sale Agreement with respect to pending litigation between New Gulf and Energy and Exploration Partners, LLC ("ENXP"). Such litigation is more fully described below. Upon Final Resolution of Pending Litigation, a term defined in the Purchase and Sale Agreement, New Gulf shall be entitled to receive the remaining balance of the litigation deposit.

[11] The amounts tabulated above reflect the outstanding principal amounts owed, and do not include accrued and unpaid interest, fees or prepayment premiums.

Trade Creditors	Mixture of Secured and Unsecured Claims	$10 million
Subordinated PIK Notes	Unsecured and Subordinated to Second Lien Notes	$162 million
Series A Units/Series A Warrants	Equity	NA

The First Lien Credit Agreement

Prior to these cases, the Debtors maintained a reserve-based revolving credit facility, allowing New Gulf to finance drilling programs, provided credit support for its hedging program, provide letters of credit, and fund general corporate purposes. On June 12, 2014, New Gulf Resources, as borrower, and MidFirst Bank, a federally chartered savings association, as the administrative agent and L/C issuer, entered into a credit agreement (as amended, the "**First Lien Credit Agreement**"). New Gulf Resources' obligations under the First Lien Credit Agreement are guaranteed by each of its subsidiary Debtors, and are secured by a first-priority lien on all of the assets acquired in connection with the first closing of the East Texas Acquisition. MidFirst Bank also is party to an intercreditor agreement with the Second Lien Trustee as described below.

As of the Petition Date, there was approximately $38 million of indebtedness outstanding under the First Lien Credit Agreement (the "**First Lien Indebtedness**"), and the facility was fully drawn. The prepetition first lien facility provided for interest at a floating rate, and for the six months ending November 30, 2015, the weighted average interest rate was 3.75%.

There were multiple defaults outstanding under the First Lien Credit Agreement, including a cross-default for failure to make an approximately $23 million semi-annual interest payment due in November 2015 for the benefit of the Second Lien Notes, as discussed in more detail below. All such defaults were the subject of the Forbearance Agreement (defined and further described below) with MidFirst Bank.

MidFirst Bank is over secured. As noted above, the First Lien Indebtedness is secured by a validly perfected first priority lien on at least approximately 80% of New Gulf's assets through mortgage and UCC filings as of the Petition Date. The remaining 20% of New Gulf's assets—consisting of approximately 16,000 acres (the "After-Acquired Leases")—were acquired in subsequent transactions. The Debtors, with the assistance of counsel, have undertaken an analysis of the liens securing the First Lien Indebtedness and have found no defects that would jeopardize MidFirst Bank's status as over secured. For a further discussion of the After-Acquired Leases in light of a recent Delaware Bankruptcy Court opinion (*See In re Quicksilver Resources Inc.*, case no. 15-51896, Docket No. 48, (Bankr. D. Del. January 8, 2016)), please see the description of the Second Lien Notes Indenture below in this Article IV.C of the Disclosure Statement.

Proceeds of the DIP Financing were used to repay and satisfy in full all of the Debtors' obligations in respect of the First Lien Indebtedness, as well as provide operational liquidity for the duration of these cases. The obligations in respect of the First Lien Indebtedness are expected to have been indefeasibly repaid and satisfied in full prior to the Confirmation Hearing. In the event such obligations have not been satisfied in full prior to the Confirmation Hearing, as a result of a challenge to Mid-First Bank's secured status or the validity of its liens or otherwise, Claims in respect of such unsatisfied obligations shall be treated as required under the Bankruptcy Code and as determined by the Bankruptcy Court's determination as to such challenge.

Hedging Arrangements

To mitigate against fluctuations in commodity prices, from time to time New Gulf Resources, entered into hedging transactions with BP Energy Company (the "**Swap Counterparty**"), pursuant to a 2002 ISDA Master Agreement, dated May 16, 2014 (with the applicable schedule and as amended, supplemented or modified, the "**Swap Agreement**"). Relatedly, New Gulf Resources, the Swap Counterparty and MidFirst Bank are parties to an Intercreditor Agreement, dated September 3, 2014 (the "**Swap Intercreditor Agreement**"). Under the Swap Intercreditor Agreement, (i) the relative priorities of the Swap Counterparty and MidFirst Bank are established with

respect to collateral securing New Gulf's obligations under the Swap Agreement and the First Lien Credit Agreement, and (ii) the Swap Counterparty appointed MidFirst Bank to serve as the collateral agent under the Swap Intercreditor Agreement. Subject to various limitations in the Swap Intercreditor Agreement, New Gulf's obligations under the Swap Agreement are secured, on a pari passu basis with the First Lien Indebtedness, up to the amount of $10 million.

As of the Petition Date, the Debtors were "in the money" with respect to all of their open positions under the Swap Agreement, and do not currently owe any amounts to the Swap Counterparty. These positions closed out on or before December 31, 2015 resulting in approximately $1.8 million becoming payable to the Debtors.

The Debtors proposed final DIP Order and amended DIP Credit Agreement would authorize and allow the Debtors to implement a hedging program, consistent with industry practices, subject to the limitations and terms of the DIP Documents and with the prior consent of the Required DIP Lenders.

Second Lien Notes Indenture

On May 9, 2014, in connection with the funding of the East Texas Acquisition, New Gulf Resources and New Gulf Finance Corp. completed the issuance and sale of $365 million aggregate principal amount of the Senior Secured Notes at a coupon rate of 11.75% with maturity in May 2019 (the "**Second Lien Notes**"). The Bank of New York Mellon Trust Company, N.A. is the trustee and collateral agent (the "**Second Lien Trustee**") under the indenture governing the Second Lien Notes (the "**Second Lien Notes Indenture**"). Interest on the Second Lien Notes is payable in cash semi-annually in arrears on May 15 and November 15 of each year. As of the Petition Date, the entire $365 million in aggregate principal amount of the Second Lien Notes remained outstanding plus accrued and unpaid interest, as well as approximately $63 million of a prepayment premium (the "**Second Lien Indebtedness**"). Additionally, because the Second Lien Notes have not been registered, Additional Interest (as defined in the Second Lien Indenture) of approximately 1% per annum is accruing. As further described below, the Debtors did not make a scheduled interest payment to the Second Lien Noteholders in November 2015.

The Second Lien Indebtedness is secured by a second-priority lien and is guaranteed by NGR Texas, LLC and NGR Holding Company LLC. As described below, the liens securing the Second Lien Indebtedness (the "**Second Liens**") are junior and subordinate in right and priority to the liens securing the First Lien Indebtedness (the "**First Liens**"). Like the First Liens Indebtedness, the Second Lien Indebtedness is secured by validly perfected liens on at least approximately 80% of the Debtors' assets as of the Petition Date. (See below for a discussion of whether the After-Acquired Leases are encumbered by the First and Second Liens). As further described below, the RSA negotiated with the Ad Hoc Committee provides for the Debtors' stipulation to the amount of the Second Lien Indebtedness (including the prepayment premium) and validity, enforceability and perfection of the liens securing such indebtedness, as described in this paragraph, subject to a reasonable challenge period for other parties in interest.

Although the Debtors take no position on the issue at this time, a recent decision in an unrelated bankruptcy case may support the conclusion that the First Lien Indebtedness and the Second Lien Notes are secured by a lien on 100% of the Debtors' assets as of the Petition Date. Specifically, the Honorable Judge Silverstein found that a mortgage and deed of trust with similar language to the Debtors' lien documents was sufficiently worded to grant a blanket lien on all of the debtors' assets regardless of whether the assets were specifically listed on an attached exhibit. *See In re Quicksilver Resources Inc*., case no. 15-51896, Docket No. 48, (Bankr. D. Del. January 8, 2016). If that same holding were adopted in the Debtors' bankruptcy case, the Bankruptcy Court might conclude that the First Lien Indebtedness and the Second Lien Notes are secured by 100% of the Debtors' assets. The Debtors contend that this issue need not be resolved at this time because, regardless of whether the After-Acquired Leases are encumbered by the First and Second Liens, the outcome under the current Plan would be the same insofar as the requirements of 1129 of the Bankruptcy Code are satisfied.

The Intercreditor Agreement

MidFirst Bank and Second Lien Trustee are parties to an Intercreditor Agreement, dated as of June 12, 2014 (the "**Intercreditor Agreement**"). Among other things, this agreement defines the relative rights of

MidFirst Bank, the Second Lien Trustee and the holders of the Second Lien Notes, including with respect to the collateral securing the First Lien Indebtedness and the Second Lien Indebtedness. Specifically, the Intercreditor Agreement provides that (i) the First Liens are senior in right, priority and perfection to any and all Second Liens and (ii) the Second Liens are junior and subordinate in right, priority and perfection to any and all First Liens.

Trade Creditors

As more fully described below and in the Debtors' Motion For Entry Of Interim And Final Orders (I) Authorizing Debtors To Pay Or Honor Prepetition And Post-Petition (A) Obligations To Holders Of Royalty Interests And Working Interests And (B) Lease Operating Expenses; And (II) Granting Related Relief (the "**Royalty Motion**") filed on the Petition Date, Debtors are the operator under a number of their oil and gas leases, most under joint operating agreements with other parties. In the ordinary course of their business, the Debtors incur numerous exploration and production-related costs and lease operating expenses—the costs associated with operating a producing well—from various third parties, including vendors, contractors, employees, subcontractors and suppliers. The costs of maintaining leases are generally shared among the participants in the joint operating agreement according to its terms. Where the Debtors serve as an operator, the Debtors generally pay all of the operating expenses and subsequently bill holders of the non-operating interests in the applicable oil and gas properties for their respective pro rata share of operating expenses, commonly called joint interest billings ("**JIBs**"), which may either be paid in cash or through deductions from the proceeds of oil and gas production distributable to the non-operating lessees and interest owners. The timing of JIB payments from non-operating working interest owners can vary, but the Debtors usually receive reimbursement within sixty days from billing.

In addition, the Debtors have royalty obligations and, subject to the terms of the applicable joint operating agreement, is also frequently responsible for marketing and selling oil and gas production and remitting to the applicable interest owner its respective share of production proceeds. In contrast, the Debtors also hold non-operating working interests in many oil and gas properties and in those circumstances, a third party acts as the operator. The Debtors' primary responsibility with respect to their non-operating working interests is to timely pay the operator for the Debtors' proportionate share of operating expenses through the JIB process.

In addition to the operating expenses the Debtors incur from their exploration and production operations—direct or indirect obligations under their joint operating agreements and their royalty obligations under their oil and gas leases and similar arrangements—the Debtors also incur obligations related to general and administrative functions that are attendant to the operation of the Debtors' businesses. Leading up to the commencement of these cases, the Debtors have stayed current on their trade and other general obligations. Nevertheless, as a result of ordinary course payment cycles in arrears, the Debtors will have prepetition obligations owed to trade and similar creditors. As of the Petition Date, the Debtors estimate that they owe approximately $10 million in the aggregate (both secured and unsecured) to their trade creditors, excluding amounts owed to the Subordinated PIK Noteholders. A material portion of these claims are the subject of the Royalty Motion.

Subordinated PIK Notes Indenture

On May 9, 2014, contemporaneously with the issuance of the Second Lien Notes, New Gulf Resources and NGR Finance Corp. also completed the issuance and sale of $135 million aggregate principal amount of the 10%/12% Senior Subordinated PIK Toggle Notes with maturity in November 2019 (the "**Subordinated PIK Notes**"), with Delaware Trust Company, as the trustee under the Subordinated PIK Notes Indenture dated as of the same date (respectively, the "**Subordinated PIK Notes Indenture**" and the "**Subordinated PIK Notes Trustee**").[12] Interest on the Subordinated PIK Notes accrues, at New Gulf's option, at the rate of 10% per annum to the extent New Gulf pays interest in cash or at a rate of 12.0% per annum to the extent New Gulf pays interest by increasing the principal amount of the outstanding Subordinated PIK Notes or by issuing Subordinate PIK Notes in a principal amount of such interest. Additionally, because the Subordinated PIK Notes have not been registered, Additional Interest (as defined in the Subordinated PIK Notes Indenture) of approximately 1% per annum is accruing on the Subordinated PIK Note indebtedness. Whether in cash or in kind, interest on the Subordinated PIK Notes is payable

[12] The Bank of New York Mellon Trust Company, N.A. was the trustee under the Subordinated PIK Notes Indenture until January 11, 2016, at which time it resigned and was replaced in that capacity by Delaware Trust Company.

semi-annually in arrears on May 15 and November 15 of each year. As of the date hereof, the entire $162 million in aggregate principal amount of the Subordinated PIK Notes, plus accrued and unpaid interest, remains outstanding.

The Subordinated PIK Notes indebtedness is an unsecured and subordinated obligation of New Gulf Resources and NGR Finance Corp., and is guaranteed by NGR Texas, LLC. By the terms of the Subordinated PIK Notes indenture, Subordinated PIK Notes are junior and subordinated in right of payment and other respects to the Second Lien Indebtedness and First Lien Indebtedness.

Under the terms of the Subordinated PIK Note Indenture, in the case of any distribution or payment by the Debtors under a chapter 11 plan or otherwise in a reorganization or other insolvency proceeding, such payment or distribution must be made or turned over to the Second Lien Trustee unless and until the Second Lien Indebtedness has been indefeasibly paid in full. Notwithstanding such terms, as part of the compromise negotiated with the Ad Hoc Committee, the Plan provides for a distribution to holders of Allowed Subordinated PIK Notes Claims as described above in Article II.

Membership Interests in NGR Holding

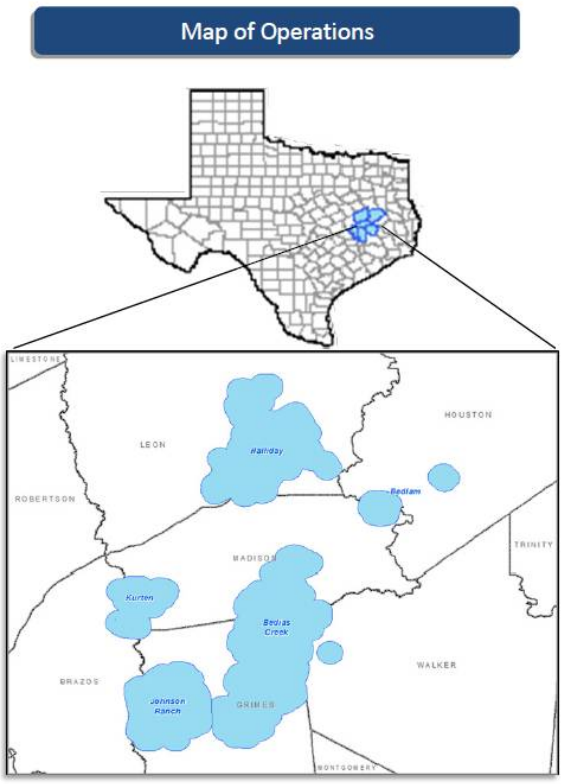
Membership interests in NGR Holding are represented by Series A Units (the "Units") and the Series A Warrants (the "Warrants," the holders thereof, together with the holders of Units, the "Members"). Under the terms of NGR Holding's operating agreement, the Members possess equal voting rights and rights to distributions upon a sale or liquidation of the company. As described further below, as a result of the Prepetition Reorganization, holders of the original Series A Warrants to purchase units in New Gulf Resources became holders of Units in NGR Holding.

D. The Debtors' Properties

As of November 2015, the Debtors' properties were producing approximately 3,500 net barrels of oil equivalents per day from 88 producing wells. The Debtors' producing oil and natural gas assets are located in the Halliday, Kurten, Bedias Creek, Johnson Ranch, and Bedlam fields. New Gulf has spent the majority of 2015 drilling outside of its more proven areas to create value by proving up the resource potential in two undeveloped areas, Bedias Creek and Johnson Ranch. New Gulf has drilled vertical wells targeting the stacked hydrocarbon bearing formations in the Bedias Creek area and most recently has begun drilling horizontal Eagle Ford wells in the Johnson Ranch Area. In addition to the Woodbine formation that makes up a significant portion of the current production in the Halliday and Kurten fields, the majority of New Gulf's properties in East Texas have drilling rights to many regionally productive and economic formations including the Subclarksville, Eagle Ford, Buda, Georgetown, Edwards and the Glen Rose formations.

In February 2015, in exchange for approximately $85 million, New Gulf (i) sold substantially all of the Midstream Assets to Enbridge G & P (East Texas) L.P., ("Enbridge") and (ii) executed a 15-year Gas Gathering, Processing and Purchase Agreement by and between Enbridge, as gatherer, and New Gulf, as producer (the "Enbridge Sale").

A summary map of the Debtors' properties follows. A more detailed map of the Debtors' properties is attached as **Exhibit D** to the Disclosure Statement.



E. The Debtors' Strengths

Notwithstanding the need to restructure its debt and the state of its industry, New Gulf is well positioned to build on the following strengths:

- ***East Texas Basin Exposure***. The geology and the stacked-pay nature of the East Texas Basin present significant economic potential for both vertical and horizontal well development. The hydrocarbon-rich formations in which New Gulf operates present targets that provide for competitive reserve exposure, optimized development, and attractive economic returns at historic commodity prices. New Gulf has 3D seismic imaging for two areas targeted for future development in Bedias Creek and Johnson Ranch. New Gulf plans to use this scientific data to select the best well locations to find economically viable levels of hydrocarbons. The company's 2015 drilling program has confirmed the existence of hydrocarbons in all targeted formations, and New Gulf believes the data it has gathered will allow it to be successful in more consistently replicating these results.

- ***Operational Control***. New Gulf operates over 90% of its oil and gas assets. Operational control allows New Gulf to efficiently manage its operating costs, capital expenditures, and the timing, method of drilling and completion of its properties.

- ***Strong Management and Operations Team***. New Gulf has a diversified and seasoned management team with over 130 years of experience in the oil and gas industry. Specifically, the management team has served in various executive roles at such large publicly-traded oil and gas companies as Williams Energy, Chesapeake, Sandridge, EOG and Approach Resources.

After delivering its capital structure in chapter 11, New Gulf will be positioned to capitalize on the recovery of energy commodity prices based on these strengths and a well-defined strategy. New Gulf's operational strategy is founded on creating value by proving up the resource potential and thus growing the Debtors' reserve

base through the prudent development of its properties. New Gulf plans to use its 3D Seismic information as well as information gathered from the drilling done over the last 12 months to allow the company to target drilling efforts on the most promising areas. In addition to its planned development in Bedias Creek and Johnson Ranch, New Gulf will continue efforts to lower costs and increase production on its more mature producing areas of the Halliday and Kurten fields. A work-over program New Gulf began at the end of 2014 has continued to yield positive results through the increase in production and a decrease in costs. New Gulf is also in the early stages of evaluating the potential to increase production and overall recoveries in its Halliday field through an enhanced recovery technique known as water flooding.

F. Proved Reserves

Evaluation and Review of Proved Reserves. Cawley, Gillespie & Associates, Inc. ("**CG&A**"), independent reserve engineers, assesses the Debtors' proved reserve information of the Debtors' properties from time to time in accordance with generally accepted petroleum engineering and evaluation principles and definitions and guidelines established by the SEC. Based on this assessment, CG&A prepares the Debtors' year end proved reserves estimates. The Debtors believe that the technical persons responsible for preparing these reserves estimates meet the requirements regarding qualifications, independence, objectivity and confidentiality set forth in the Standards Pertaining to the Estimating and Auditing of Oil and Natural Gas Reserves Information promulgated by the Society of Petroleum Engineers.

The Debtors also maintain an internal staff of professionals with expertise in petroleum engineering and geoscience who work closely with independent reserve engineers to ensure the integrity, accuracy and timeliness of data furnished to CG&A in their reserves estimation process. The Debtors' internal technical team meets regularly with representatives of CG&A to review the Debtors' properties and discuss methods and assumptions used in CG&A's preparation of the reserves estimates. While the Debtors have no formal committee specifically designated to review reserves reporting and the reserves estimation process, a copy of the CG&A report was reviewed with representatives of CG&A and the Debtors' internal technical staff before the Debtors disseminated any of the information. The Debtors plan to continue these procedures for future reserve reports. Additionally, the Debtors' senior management plans to review and approve future CG&A reserve reports and any internally estimated significant changes to the Debtors' proved reserves on an annual basis.

Estimation of Proved Reserves. Proved reserves are those quantities of oil and natural gas, which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be economically producible from a given date forward, from known reservoirs, and under existing economic conditions, operating methods, and government regulations. The term "reasonable certainty" implies a high degree of confidence that the quantities of oil and/or natural gas actually recovered will equal or exceed the estimate. To achieve reasonable certainty, CG&A employs technologies consistent with the standards established by the Society of Petroleum Engineers. The estimation of reserves involves two distinct determinations. The first determination results in the estimation of the quantities of recoverable oil and natural gas and the second determination results in the estimation of the uncertainty associated with those estimated quantities in accordance with the definitions established under the SEC rules. The process of estimating the quantities of recoverable oil and natural gas reserves relies on the use of certain generally accepted analytical procedures. These analytical procedures fall into four broad categories or methods: (1) production performance-based methods; (2) material balance-based methods; (3) volumetric-based methods; and (4) analogy. These methods may be used singularly or in combination by the reserve evaluator in the process of estimating the quantities of reserves. Reserves for proved developed producing wells were estimated using production performance methods for the vast majority of properties. Certain new producing properties with very little production history were forecast using a combination of production performance and analogy to similar production, both of which are considered to provide a relatively high degree of accuracy. Non-producing reserve estimates, for developed and undeveloped properties, were forecast using either volumetric or analogy methods, or a combination of both. These methods provide a relatively high degree of accuracy for predicting proved developed non-producing and proved undeveloped reserves for the Debtors' properties, due to the mature nature of the properties targeted for development and an abundance of subsurface control data.

CG&A Reserve Report. Attached to the Disclosure Statement as **Exhibit E** is a Summary Reserve Report of CG&A, dated as of October 1, 2015, "Strip Pricing Case." This report sets for estimated total proved reserves and forecasts of economics attributable to the Debtors' oil and gas property interests, including in respect of

proved developing reserves, proved developed non-producing reserves, proved developed reserves, and proved undeveloped reserves.

G. Oil and Natural Gas Leases

The typical oil and natural gas lease agreement covering the Debtors' properties provides for the payment of royalties to the mineral owner for all oil and natural gas produced from any wells drilled on the leased premises. The lessor royalties and other leasehold burdens on the Debtors' properties generally range from 20% to 30%, resulting in a net revenue interest to the Debtors of 70% to 80%.

H. Title to Properties

As is customary in the oil and natural gas industry, the Debtors initially conduct a preliminary review of the title to the Debtors' properties. Prior to the commencement of drilling operations on those properties, the Debtors will conduct a thorough title examination and perform curative work with respect to significant defects. To the extent title opinions or other investigations reflect title defects on those properties, the Debtors will typically be responsible for curing any title defects at the Debtors' expense. The Debtors will not commence drilling operations on a property until the Debtors have cured any material title defects on such property. The Debtors will obtain title opinions on substantially all of the Debtors' producing properties and expect to have satisfactory title to the Debtors' producing properties in accordance with standards generally accepted in the oil and natural gas industry. Prior to completing an acquisition of producing oil and natural gas leases, the Debtors will perform title reviews on the most significant leases, and, depending on the materiality of the properties, the Debtors may obtain a title opinion or review previously obtained title opinions. The Debtors' oil and natural gas properties are subject to customary royalty and other interests, liens to secure borrowings, liens for current taxes, and other burdens that the Debtors believe do not materially interfere with the use or affect the carrying value of the properties.

I. Marketing and Customers

The Debtors sell the Debtors' oil production at prices tied to the spot oil markets. The Debtors sell the Debtors' natural gas production under short-term contracts and prices based on first of the month index prices or on daily spot market prices. The Debtors are currently committed under a gas gathering, processing and purchase agreement containing an annual volume commitment spanning from 3 Bcf per year to 12 Bcf per year over a 15 year period.

The Debtors normally sell production to a relatively small number of customers, as is customary in the exploration, development and production business. If a major customer decided to stop purchasing oil and natural gas from us, revenues could decline and the Debtors' operating results and financial condition could be harmed. However, based on the current demand for oil and natural gas, and the availability of other purchasers, the Debtors believe that the loss of any one or all of the Debtors' major purchasers would not have a material adverse effect on the Debtors' financial condition and results of operations, as crude oil and natural gas are fungible products with well-established markets and numerous purchasers.

J. Transportation

During the initial development of the Debtors' fields, the Debtors consider all gathering and delivery infrastructure in the areas of the Debtors' production. In connection with the sale of the gathering and processing system that the Debtors acquired during the East Texas Acquisition, the Debtors agreed for a third party to gather, process and purchase the Debtors' residue gas and natural gas liquids associated with production in and around the system. Currently, the Debtors' oil is transported from the wellhead to the Debtors' tank batteries by the Debtors' gathering systems. The oil is then transported by the purchaser by truck or pipeline to a tank farm, another pipeline or a refinery.

K. Competition

The oil and natural gas industry is highly competitive and the Debtors compete with a substantial number of other companies that have greater resources than the Debtors do. Many of these companies explore for, produce and market oil and natural gas, carry on refining operations and market the resultant products on a worldwide basis. The primary areas in which the Debtors encounter substantial competition are in the Debtors' drilling and development operations and the marketing and transportation of the oil and natural gas the Debtors produce. There is also competition between producers of oil and natural gas and other industries producing alternative energy and fuel. Furthermore, competitive conditions may be substantially affected by various forms of energy legislation or regulation considered from time to time by the United States government; however, it is not possible to predict the nature of any such legislation or regulation that may ultimately be adopted or its effects upon the Debtors' future operations. Such laws and regulations may, however, substantially increase the costs of exploring for, developing or producing oil and natural gas and may prevent or delay the commencement or continuation of a given operation. The effect of these risks cannot be accurately predicted.

L. Seasonal Nature of Business

Seasonal weather conditions and lease stipulations can limit the Debtors' development activities and other operations and, as a result, the Debtors seek to perform the majority of the Debtors' development during the summer months. These seasonal anomalies can pose challenges for meeting the Debtors' well development objectives and increase competition for equipment, supplies and personnel during the spring and summer months, which could lead to shortages and increase costs or delay the Debtors' operations.

M. Management

In connection with the filing of the Plan Supplement, the Debtors will disclose the name and compensation of the officers and directors of the Reorganized Debtors as of the Effective Date. As of the Petition Date, the key executive officers, and members of the Debtors' Board of Managers, are as follows:

Name	Title
Ralph A. Hill	Chairman and Chief Executive Officer
James S. Brown	Manager
Jeffrey Keith	Manager
Jason L. Squires	Manager
Brian J. Stark	Manager
Danni Morris	Chief Financial Officer
Craig Young	Sr. VP Drilling and Completions
Michael Brown	Sr. VP Geology and Geophysics
W.H. Kopczynsky	Sr. VP Production Operations and Engineering
Erik Feighner	VP Strategic Planning and Development
Madeline Taylor	Senior Counsel

N. Employees

As of the date of this Disclosure Statement, New Gulf has ~~55~~ 52 employees. The company is not party to any collective bargaining agreements and has not experienced any strikes or work stoppages. New Gulf believes its ~~relationships~~relationship with its employees is good.

O. Energy & Exploration Partners, LLC

Before the closing of the Enbridge Sale, ENXP, one of the Debtors' joint operating agreement counterparties, filed a law suit against New Gulf (but not Enbridge) in the United States District Court for the Southern District of Texas, C. A. No. 4:14-cv-03375, styled as *Energy & Exploration Partners, L.L.C., vs. New Gulf Resources, LLC*, in relation to the Enbridge Sale and certain midstream assets (the "ENXP Federal Court Action"). Relatedly, the terms of the Enbridge Sale provided for (i) an indemnification from New Gulf in favor of Enbridge in respect of any loss relating to the claims asserted by ENXP in such law suit and (ii) a hold back of approximately $6 million of cash proceeds from the Enbridge Sale in an escrow account to secure such indemnification obligations (the "Enbridge Escrow"). The Enbridge Escrow is held in a segregated account at US Bank, NA.

On November 25, 2015, ENXP became the subject of an involuntary chapter 11 petition filed in the United States Bankruptcy Court for the Northern District of Texas. On December 7, 2015, ENXP consented to the order for relief and certain of its affiliates filed voluntary chapter 11 petitions in the same Court.

ENXP commenced the ENXP Federal Court Action seeking damages and other relief for an alleged breach of the EXNP Joint Operating Agreements, following the Debtors' closing on the East Texas Acquisition. ENXP claimed the right to participate in the ownership of the gas gathering and processing infrastructure and related right-of-way the Debtors' purchased from ~~Halón~~Halcón Field Services, LLC (the "Midstream Assets"). In February 2015, in exchange for total consideration of $85 million ($14 million of which was deposited into a well connect escrow and $6 million was deposited in a litigation escrow, as described above), the Debtors (i) sold substantially all of Midstream Assets to Enbridge and (ii) executed a 15-year Gas Gathering, Processing and Purchase Agreement by and between Enbridge, as gatherer, and New Gulf, as producer. In its objection to the Debtors' first day motions for DIP financing and authority to pay working interest owners and lease operating expenses, ENXP states that it seeks damages of $10–$15 million on account of its claims in the ENXP Federal Court Action. ENXP also asserts that such claims are secured by a lien provided by the terms of the ENXP Joint Operating Agreements and applicable Texas law.

On January 19, 2016, the Debtors filed the *Debtors' Motion for an Order Authorizing the Assumption of the Joint Operating Agreement with Energy & Exploration Partners, LLC and Granting Related Relief* [D.I. 168] (the "ENXP Assumption Motion"), by which the Debtors seek authority to assume to two Joint Operating Agreements, one dated April 19, 2012, as amended, and the second dated June 2, 2012, as amended (each, a "JOA" and collectively, the "JOAs"). In addition to assuming the JOAs, Debtors seek by the ENXP Assumption Motion a determination by the Bankruptcy Court that there are no outstanding defaults, that no cure amounts are owed by the Debtors to ENXP under the ENXP Joint Operating Agreements and the ENXP is adequately assured of the Debtors' future performance.

In its objection to the Debtors' DIP financing filed with the Bankruptcy Court, ENXP has asserted two claims against the Debtors under the JOAs—one for unpaid production revenue attributable to ENXP's 20-25% working interest in four wells in the JOA contract area, and one for alleged damages related to ENXP's assertion that, under a non-uniform provision of the JOAs, New Gulf was required to offer ENXP an opportunity to participate in New Gulf's purchase of the Midstream Assets, which the Debtors purchased from Halcón in connection with the East Texas Acquisition in May 2014 and then sold nine months later to Enbridge in February 2015. ENXP contends that these claims are secured by a first priority lien and security interest in the assets described in and subject to Article VII.B. of each of the JOAs ("JOA Collateral"). The contract area under the JOAs includes the Debtors' oil and gas interests in Bedias Creek. ENXP asserts its claims could be $10 to $15 million.

Debtors deny any liability to ENXP and assert that on a net basis ENXP owes the Debtors approximately $2.8 million. Debtors also deny that ENXP has fully perfected and otherwise unavoidable liens and security interests in all of the JOA Collateral. Debtors contend that they hold claims against ENXP for unpaid drilling and other costs under the JOAs in excess of $3 million. ENXP denies any liability to Debtors on account of such claims.

The ENXP JOAs are important assets of the estates—the contract area under these operating agreements accounts for 34,000 of Debtors' net 76,000 acreage of oil and gas interest. Under the ENXP JOAs, New

Gulf is the operator and owns 65% of the working interest in the JOA contract area. Although the Debtors are not currently drilling new wells in the JOA contract area, such acreage is an important part of the Debtors' business and plans for growth upon a recovery in commodity prices. For these reasons, the Debtors have moved the Court for authorization to assume the JOAs and to determine that there is no cure amount owed by the Debtors to ENXP. If ENXP establishes a valid claim, such amounts would be required to be paid in full under section 365(b)(1) and, once assumed, all post-assumption obligations under the JOAs would be afforded administrative priority for the period following the approval of the assumption and prior to the Company's exit from bankruptcy. The Debtors' arguments contesting the validity and amount of ENXP claims can be found in Debtors' ENXP Assumption Motion, which has been posted electronically on PrimeClerk's website at item no. 168, https://cases.primeclerk.com/newgulf/Home-DocketInfo. On February 2, 2016, ENXP filed a preliminary objection to the Debtors' motion to assume the ENXP JOAs. In its preliminary objection, ENXP contests the Debtors' ability to assume the JOAs under section 365 of the Bankruptcy Code and asserts that any determination of its asserted claims against the Debtors under the JOAs should occur in the ENXP Federal Court Action. You can find a copy of ENXP's preliminary objection on Prime Clerk's website at https://cases.primeclerk.com/newgulf/Home-DocketInfo. The Debtors deny ENXP's assertions.

If the Court denies the Debtors' motion to assume the JOAs, or if the cure amount is determined in an amount larger than what the Debtors can afford to pay, the JOAs may be rejected under the Plan. Moreover, as ENXP is also a chapter 11 debtor, it may also seek to reject the same JOAs in connection with its bankruptcy cases. Rejection is not the Debtors' desired approach. As stated in its motion to assume the JOAs, operating without the ENXP JOAs, under merely a tenancy in common, would deprive the parties of the benefits of structure and certainty under the agreements, may invite gamesmanship and free-rider problems in respect of future exploration activities in the JOA contract area, and may lead to expensive disputes and delays in operations and development. If the JOAs are nevertheless ultimately rejected, a result the Debtors do not expect to occur, ENXP contends its claims could be larger than $15 million as a result of the rejection and that such claims are secured by a senior lien on all of the JOA Collateral. Debtors do not agree and have requested that such issues be decided by the Bankruptcy Court as a contested matter. As stated above, ENXP denies that the Bankruptcy Court can or should decide its claims against the Debtors' estate. In a rejection scenario, any Allowed Secured Claim of ENXP will be treated as a Class 4(b) claim under the Plan. If the value of the JOA Collateral is worth less than the Allowed amount of ENXP Secured Claim, an outcome the Debtors believe is unlikely, the deficiency portion of ENXP's claim will be treated as a general unsecured claim in Class 5 in accordance with section 506(a) of the Bankruptcy Code. Such unsecured claim, if any, would share pro rata in the Class 5 General Unsecured Claims and would proportionately reduce distributions to holders of allowed general unsecured claims in such class. If ENXP's claim is disallowed, or the ENXP JOAs are assumed and the Cure Amount is paid, Class 5 General Unsecured Claims will receive a distribution of approximately 100% of their Claims. However, if ENXP is found to have a deficiency claim, recoveries to Class 5 General Unsecured Creditors will be less than 100% of their Claims.

P. Other Legal Proceedings

In addition to the above, from time to time, the Debtors are a party to ongoing legal proceedings in the ordinary course of business. The Debtors do not believe the results of these proceedings, individually or in the aggregate, will have a material adverse effect on the Debtors' business, financial condition, results of operations or liquidity. As of the date hereof, such additional ordinary course proceedings include but are not limited to the following:

Proceeding	Date Filed	Summary Description
New Gulf Resources, LLC v. Energy & Exploration Partners, LLC, Cause No. 15-27397 in the 278th District Court, Walker County, Texas;	April 28, 2015	These three cases relate to the Company's attempt to collect in the aggregate approximately $3 million in unpaid drilling costs owed to the Company by ENXP. ENXP proposed 3 wells under one of the ENXP Joint Operating Agreements, and the Company subsequently drilled the wells. ENXP has unjustifiably refused to pay the drilling costs for such wells. The lawsuits also seek attorneys' fees and costs.
New Gulf Resources, LLC v. Energy & Exploration Partners, LLC, Cause No. 33330 in the 12th District Court, Grimes County, Texas.	April 28, 2015	
New Gulf Resources, LLC v. Energy & Exploration Partners, LLC, Cause No. 15-13986-012-06 in the 12th	April 29, 2015	

District Court, Madison County, Texas.		
New Gulf Resources, LLC. v. Hugh A. Bankhead, Et Al., Cause No. O-15-494 in the 87th District Court, Leon County, Texas	November 25, 2015	Due to title issues related to royalty owners of certain wells operated by the Company, monies had been held in suspense by the Company until a determination of ownership was made. Upon receiving a demand for payment of such royalties, the Company elected to file this interpleader action, constructively filing the suspense monies in the court's registry, and allowing all potential claimants to determine their interest in the royalties held in suspense.

Q. Regulation and Environmental Matters

New Gulf's exploration, development and production operations are subject to various federal, state and local laws and regulations governing health and safety, the discharge of materials into the environment or otherwise relating to environmental protection. Such regulations apply to the company's gathering and transportation operations. These laws and regulations may, among other things: require the acquisition of permits to conduct exploration, drilling and production operations; govern the amounts and types of substances that may be released into the environment in connection with oil and natural gas drilling and production; restrict the way New Gulf handles or disposes of waste; cause New Gulf to incur significant capital expenditures to install pollution control or safety related equipment operating at its facilities; limit or prohibit construction or drilling activities in sensitive areas such as wetlands, wilderness areas or areas inhabited by endangered or threatened species; impose specific health and safety criteria addressing worker protection; require investigatory and remedial actions to mitigate pollution conditions caused by New Gulf's operations or attributable to former operations; and impose obligations to reclaim and abandon well sites and pits or otherwise impose substantial liabilities on New Gulf for pollution resulting from operations. Failure to comply with these laws and regulations could also subject New Gulf to substantial liabilities and may result in the assessment of substantial administrative, civil and criminal penalties, the revocation of, or refusal to grant, necessary permits, the imposition of remedial obligations and the issuance of orders enjoining some or all of its operations in affected areas.

These laws and regulations may also restrict the rate of oil and natural gas production to less than the rate that would otherwise be possible. The regulatory burden on the oil and natural gas industry increases the cost of doing business and consequently affects profitability. Environmental, health and safety laws and regulations are frequently enacted, promulgated and revised, and any changes that result in more stringent and costly requirements for the oil and natural gas industry could have a significant impact on the company's operating costs. The trend in environmental regulation is to place more restrictions and limitations on activities that may affect the environment, and thus any changes in environmental laws and regulations or new interpretations of enforcement policies that result in more stringent and costly waste handling, storage, transport, disposal or remediation requirements could have a material adverse effect on the company's financial condition and results of operations. New Gulf may be unable to pass on such increased compliance costs to its customers. Furthermore, New Gulf cannot provide any assurance that it will be able to remain in compliance in the future with respect to such laws and regulations or the terms and conditions of required permits or that such future compliance will not have a material adverse effect on its business and results of operations.

The following is a summary of the more significant existing environmental, health and safety laws and regulations to which the Debtors' business is subject and for which compliance may have a material adverse impact on the Debtors' capital expenditures, financial condition or results of operations. The Debtors believe that the Debtors are in substantial compliance with all existing environmental laws and regulations applicable to the Debtors' current operations and that the Debtors' continued compliance with existing requirements will not have a material adverse impact on the Debtors' financial condition and results of operations. The Debtors have not incurred any material capital expenditures for remediation or pollution control activities, and the Debtors are not aware of any environmental issues or claims that will require material capital expenditures during 2015 or that will otherwise have a material impact on the Debtors' financial condition or results of operations in the future. However, the Debtors

cannot assure you that the passage of more stringent laws and regulations in the future will not have a negative impact the Debtors' business, financial condition or results of operations.

Comprehensive Environmental Response, Compensation and Liability Act (CERCLA)

CERCLA, also known as "Superfund," imposes joint and several liability for costs of investigation and remediation and for natural resource damages without regard to fault on certain classes of persons with respect to the release into the environment of substances designated under CERCLA as hazardous substances. These classes of persons may include the current and past owners or operators of a site where a release occurred and anyone who transported, disposed or arranged for the transport or disposal of a hazardous substance from or found at such site. CERCLA also authorizes the EPA and, in some instances, third parties to take actions in response to threats to public health or the environment and to seek to recover from responsible parties the costs of such action. Although CERCLA generally exempts "petroleum" from the definition of hazardous substance, the Debtors will generate, transport, dispose or arrange for the disposal of wastes that may fall within CERCLA's definition of hazardous substances. The Debtors may also be the owner or operator of sites on which hazardous substances have been released. To the Debtors' knowledge, neither the Debtors nor the Debtors' predecessors have been designated as a potentially responsible party (PRP) by the EPA under CERCLA. The Debtors also do not know of any prior owners or operators of the Debtors' properties that are named as PRPs related to their ownership or operation of such properties. In the event contamination is discovered at a site on which the Debtors are or have been an owner or operator or to which the Debtors sent hazardous substances, the Debtors could be liable for the costs of investigation and remediation and natural resources damages. At this time, the Debtors do not believe that the Debtors have any material liability associated with any Superfund site, and the Debtors have not been notified of any claim, liability or damages under CERCLA.

Solid and Hazardous Waste Handling

The federal Resource Conservation and Recovery Act (RCRA) regulates the generation, transportation, treatment, storage, disposal and cleanup of solid and hazardous waste. Although oil and natural gas waste generally is exempt from regulation as hazardous waste under RCRA, the Debtors will generate waste as a routine part of the Debtors' operations that may be subject to RCRA. In addition, the properties that the Debtors lease have been used for oil and natural gas exploration and production for many years. Although the Debtors believe that the Debtors and prior operators have utilized operating and waste disposal practices that were standard in the industry at the time, hazardous substances, wastes or hydrocarbons may have been released on or under the properties owned or leased by us, or on or under other locations, including offsite locations, where such substances have been taken for recycling or disposal. In addition, some of these properties have been operated by third parties or by previous owners or operators whose treatment and disposal of hazardous substances, wastes or hydrocarbons were not under the Debtors' control.

In addition, the Debtors are subject to regulations governing the handling, transportation, storage and disposal of wastes generated by the Debtors' activities and naturally occurring radioactive materials, or NORM, that may result from the Debtors' oil and natural gas operations. Administrative, civil and criminal fines and penalties may be imposed for noncompliance with these environmental laws and regulations.

Clean Water Act

The Clean Water Act and the regulations issued thereunder impose restrictions and strict controls with respect to the discharge of pollutants, including spills and leaks of produced water and other oil and natural gas wastes, into state waters and waters of the United States. The discharge of pollutants into regulated waters is prohibited, except in accordance with the terms of a permit. The EPA has adopted regulations requiring certain oil and natural gas exploration and production facilities to obtain permits for storm water discharges. Costs may be associated with the treatment of wastewater or developing and implementing storm water pollution prevention plans. In furtherance of the Clean Water Act, the EPA promulgated the Spill Prevention, Control, and Countermeasure regulations, which require certain oil-storing facilities to prepare plans and meet construction and operating standards. Governmental agencies can impose administrative, civil and criminal penalties, as well as require remedial or mitigation measures, for non-compliance with discharge permits or other requirements of the Clean

Water Act and analogous state laws and regulations. While the Debtors are currently in substantial compliance with such laws and regulations, the Debtors could be liable for penalties and costs of remediation in the event of an unauthorized discharge of wastes in violation of the Clean Water Act. Finally, on May 27, 2015, EPA released a rule redefining the extent of Clean Water Act jurisdiction. This rule expands the scope of waters that are regulated under the Clean Water Act and may subject the Debtors' operations to additional regulation and permitting requirements.

The Oil Pollution Act of 1990 ("**OPA 90**") and its implementing regulations impose requirements on "responsible parties" related to the prevention of crude oil spills and related to liability for damages resulting from oil spills into or upon navigable waters, adjoining shorelines or in the exclusive economic zone of the United States. A "responsible party" under the OPA 90 may include the owner or operator of an onshore facility. The OPA 90 subjects responsible parties to strict, joint and several financial liability for removal costs and other damages, including natural resource damages, caused by an oil spill that is covered by the statute. It also imposes other requirements on responsible parties, such as the preparation of an oil spill contingency plan. Failure to comply with the OPA 90 may subject a responsible party to civil or criminal enforcement action. The Debtors may conduct operations on acreage located near, or that affects, navigable waters subject to the OPA 90. The Debtors believe that compliance with applicable requirements under the OPA 90 will not have a material adverse effect on us.

Safe Drinking Water Act (SDWA)

The SDWA and the regulations issued thereunder regulate, among other things, underground injection operations. Congress has considered legislation that, if ultimately adopted, would impose additional regulation under the SDWA upon the use of hydraulic fracturing fluids. If enacted, such legislation could impose significant new requirements on the Debtors' hydraulic fracturing operations, including permitting and financial assurance requirements, construction specifications, monitoring, reporting and recordkeeping obligations, and well plugging and abandonment requirements. These legislative proposals have also contained language to require the reporting and public disclosure of chemicals used in hydraulic fracturing. If the exemption for hydraulic fracturing is removed from the SDWA, or if other legislation is enacted at the federal, state or local level, such restrictions could have a significant impact on the Debtors' financial condition, results of operations and cash flows. In addition, the EPA has asserted federal regulatory authority over hydraulic fracturing using diesel under the SDWA's Underground Injection Control Program. The EPA issued SDWA permitting guidance for hydraulic fracturing operations involving the use of diesel fuel in fracturing fluids in those states where the EPA is the permitting authority.

Pipeline Safety Regulation

Certain of the natural gas gathering and processing operations the Debtors contract to use may be subject to pipeline safety regulation by the Texas Railroad Commission and other agencies, acting under both State law and regulatory authority delegated to the States under the federal Pipeline and Hazardous Materials Safety Administration. Increased costs to comply with current and future pipeline safety regulations could result in increased costs for the Debtors' operations.

Air Emissions

The Debtors' operations are subject to the Clean Air Act and regulations issued thereunder for the control of emissions from sources of air pollution. Such laws require existing, new and modified sources of air pollutants to obtain permits prior to commencing construction and to control emissions of hazardous or toxic air pollutants (including through the installation of expensive control equipment). They also impose various monitoring and reporting requirements. Major sources of air pollutants are subject to more stringent, federally imposed requirements including additional permits. Administrative enforcement actions for failure to comply strictly with air pollution regulations or permits are generally resolved by payment of monetary fines and correction of identified deficiencies. Alternatively, regulatory agencies could bring lawsuits for civil or criminal penalties or require the Debtors to forego construction, modification or operation of certain air emission sources.

In 2012, EPA approved final regulations under the federal Clean Air Act that establish new air emission controls for oil and natural gas production and natural gas processing operations. Specifically, EPA's rule package

includes New Source Performance Standards to address emissions of sulfur dioxide and volatile organic compounds, or VOCs, and a separate set of emission standards to address hazardous air pollutants frequently associated with oil and natural gas production and processing activities. The final rule includes a 95 percent reduction in VOCs emitted by requiring the use of reduced emission completions or "green completions" on all hydraulically fractured natural gas wells constructed or refractured after January 1, 2015. The rules also establish specific new requirements regarding emissions from certain compressors, controllers, dehydrators, storage tanks and other production equipment. On August 5, 2013, the EPA issued final updates to its VOC performance standards for storage tanks used in oil or gas production. These updates seek to ensure that those tanks likely to have the highest emissions are controlled first, while providing tank owners and operators time to purchase and install VOC controls. The foregoing rules require that the Debtors install new equipment to control emissions from any natural gas wells as of January 1, 2015. Further, in 2012, seven states sued the EPA to compel the agency to make a determination as to whether issuing standards of performance limiting methane emissions from oil and gas sources is appropriate and, if so, to promulgate such standards for existing oil and gas sources. In April 2014, the EPA released a set of five white papers analyzing methane emissions from the industry, and, based on responses received, announced in January 2015 plans to propose a rule governing methane emissions from the oil and gas industry in 2015. Compliance with such rules could result in significant costs, including increased capital expenditures and operating costs, and could adversely impact the Debtors' business.

National Environmental Policy Act

Oil and natural gas exploration and production activities on federal lands may be subject to the National Environmental Policy Act (NEPA), which requires federal agencies, including the Department of Interior, to evaluate major agency actions having the potential to significantly impact the environment. In the course of such evaluations, an agency will prepare an Environmental Assessment that assesses the potential direct, indirect and cumulative impacts of a proposed project and, if necessary, will prepare a more detailed Environmental Impact Statement that may be made available for public review and comment. All of the Debtors' current exploration and production activities, as well as proposed exploration and development plans, on federal lands require governmental permits that are subject to the requirements of NEPA. This process has the potential to delay or impose additional conditions upon the development of oil and natural gas projects.

Climate Change Legislation

In response to scientific studies suggesting that emissions of certain greenhouse gases, including carbon dioxide and methane, are contributing to the warming of the Earth's atmosphere and other climatic changes, the United States Congress has considered various legislative proposals to reduce such emissions. Congress, however, has not yet enacted comprehensive federal climate change legislation. It is not possible to predict at this time if or in what form such legislation will be enacted in the United States.

The EPA has been using its existing authority to address greenhouse gases. For example, the EPA is regulating greenhouse gas emissions from both mobile and stationary sources pursuant to its existing authority under the federal Clean Air Act. Recent greenhouse gas monitoring and reporting regulations require that facilities monitor and annually report their greenhouse gas emissions. The Debtors' oil and natural gas operations are not currently subject to these reporting requirements, but based on the Debtors' anticipated construction and development activities, the Debtors could become subject to them in the future. In January 2011, new EPA permitting requirements became effective for greenhouse gas emissions from new and modified large stationary sources. These permitting requirements do not apply to the Debtors' operations. Beyond that, the EPA is continuing to assess other potential controls on greenhouse gas emissions from oil and natural gas operations, including limits on methane from oil wells. For example, in June 2013, the Obama Administration announced its Climate Action Plan, which, among other things, directs federal agencies to develop a strategy for the reduction of methane emissions, including emissions from the oil and gas sector. Pursuant to this plan, EPA announced in January 2015 a plan to regulate methane emissions from the oil and gas sector.

Climate change is also being addressed by various courts throughout the United States. Certain of EPA's greenhouse gas rules are undergoing legal challenges and numerous other challenges are being filed by groups seeking additional regulation of a variety of additional sources of greenhouse gas emissions. Litigants in such cases may also challenge air emissions permits that greenhouse gas emitters apply for, seek to force emitters to reduce their

emissions or seek damages for alleged climate change impacts to the environment, people and property. On June 20, 2011, the U.S. Supreme Court ruled that state and private parties could not maintain federal common law nuisance actions against certain energy companies based on their alleged contributions to climate change. The Supreme Court's decision did not, however, address state law claims and litigation on these and similar issues continues. Although the Debtors are not currently a party to any climate change litigation, the Debtors are monitoring these developments.

In addition, more than half of the states, either individually or through multi-state regional initiatives, have begun to address greenhouse gas emissions, primarily through renewable energy standards or greenhouse gas cap and trade programs. Although most of the state-level initiatives have to date been focused on large sources of greenhouse gas emissions, such as electric power plants, it is possible that smaller sources could become subject to greenhouse gas-related regulation.

Some scientists have concluded that increasing concentrations of greenhouse gases in the Earth's atmosphere may produce climate changes that have significant physical effects, such as increased frequency and severity of storms, droughts and floods and other climatic events. If any such effects were to occur, they could have a material adverse effect on the Debtors' business and results of operations. Changes in climate due to global warming trends could adversely affect the Debtors' operations by limiting or increasing the costs associated with equipment or product supplies. In addition, flooding and adverse weather conditions could impair the Debtors' ability to operate in affected regions and materially increase the Debtors' operating and capital costs. Unusually warm winters may decrease the demand for the Debtors' oil or natural gas.

It is not possible at this time to predict what new laws or regulations may be promulgated to address greenhouse gas emissions or how such laws and regulations would impact the Debtors' business. However, the adoption and implementation of any such laws or regulations could require the Debtors to incur costs to reduce emissions of greenhouse gases associated with the Debtors' operations or could adversely affect demand for the oil and natural gas the Debtors produce. Any one of these climate change regulatory and legislative initiatives could have a material adverse effect on the Debtors' business, financial condition and results of operations.

OSHA and Other Laws and Regulations on Employee Health and Safety

The Debtors are subject to the requirements of the Occupational Safety and Health Administration (OSHA) and comparable state statutes. These laws and the implementing regulations strictly govern the protection of the health and safety of employees. These laws require the Debtors to take various actions regarding worker safety and health, including that the Debtors maintain and provide to employees, state and local government authorities and citizens information about hazardous materials used or produced in the Debtors' operations. The Debtors believe that the Debtors are in substantial compliance with applicable OSHA requirements.

Endangered Species Act

The federal Endangered Species Act (ESA) and similar laws restrict activities that may affect endangered and threatened species or their habitats. While some of the Debtors' facilities may be located in areas that are designated as habitat for endangered or threatened species, the Debtors believe that the Debtors are in substantial compliance with the ESA. However, the designation of previously unidentified endangered or threatened species could cause the Debtors to incur additional costs or become subject to operating restrictions or bans in affected areas.

Other Regulation of the Oil and Natural Gas Industry

The oil and natural gas industry is extensively regulated by numerous federal, state and local authorities. In particular, oil and natural gas production and related operations are, or have been, subject to price controls, taxes and numerous other laws and regulations. All of the jurisdictions in which the Debtors own or operate properties for oil and natural gas production have statutory provisions regulating the exploration for and production of oil and natural gas, including provisions related to permits for the drilling of wells, bonding requirements to drill or operate wells, the location of wells, the method of drilling and casing wells, the surface use and restoration of properties upon

which wells are drilled, sourcing and disposal of water used in the drilling and completion process, regulation addressing the impact of hydraulic fracturing and the abandonment of wells. The Debtors' operations are also subject to various conservation laws and regulations. These include regulation of the size of drilling and spacing units or proration units, the number of wells that may be drilled in an area, the permitting of allocation wells, and the unitization or pooling of oil and natural gas wells, as well as regulations that generally prohibit the venting or flaring of natural gas and impose certain requirements regarding the ratability or fair apportionment of production from fields and individual wells.

Failure to comply with applicable laws and regulations can result in substantial penalties. The regulatory burden on the industry increases the cost of doing business and affects profitability. We believe that we are in substantial compliance with currently applicable environmental laws and we are undertaking corrective actions where noncompliance has been identified. Where appropriate, we are developing a plan to achieve and maintain substantial compliance with such laws and regulations. Further, we believe that continued substantial compliance with existing requirements will not have a material adverse effect on our financial condition, results of operations or cash flows. Nevertheless, such laws and regulations are frequently amended or reinterpreted. Therefore, we are unable to predict the future costs or impact of compliance. Additional proposals and proceedings that affect the oil and natural gas industry are regularly considered by the United States Congress, the states and state regulatory agencies, FERC and the courts. We cannot predict when or whether any such proposals may become effective. Furthermore, there is no assurance that the approach currently being followed by such legislative bodies, regulatory agencies and courts will continue indefinitely.

Drilling and Production Regulations

The Debtors' operations are subject to various types of regulation at the federal, state, and local levels. These types of regulation include requiring permits for the drilling of wells, drilling bonds and reports concerning operations.

Most states and some counties and municipalities in which the Debtors operate also regulate one or more of the following:

- the location of wells;
- the method of drilling and casing wells;
- restrictions on water use that could impact the availability of water for hydraulic fracturing;
- the surface use and restoration of properties upon which wells are drilled; and
- the plugging and abandoning of wells.

State and federal laws, including the laws of Texas, regulate the size and shape of drilling and spacing units or proration units governing the pooling of oil and natural gas properties. Some states allow forced pooling or integration of tracts to facilitate exploitation while other states rely on voluntary pooling of lands and leases. In some instances, forced pooling or unitization may be implemented by third parties and may reduce the Debtors' interest in the unitized properties. In addition, state conservation laws establish maximum rates of production from oil and

natural gas wells, generally prohibit the venting or flaring of natural gas and impose requirements regarding the ratability of production. These laws and regulations may limit the amount of oil and natural gas the Debtors can produce from the Debtors' wells or limit the number of wells or the locations at which the Debtors can drill. Moreover, each state generally imposes a production or severance tax with respect to the production and sale of oil and natural gas within its jurisdiction.

In addition, 11 states have enacted surface damage statutes ("**SDAs**"). These laws are designed to compensate for damage caused by mineral development. Most SDAs contain entry notification and negotiation requirements to facilitate contact between operators and surface owners/users. Most also contain bonding requirements and specific expenses for exploration and producing activities. Costs and delays associated with SDAs could impair operational effectiveness and increase development costs.

The Debtors do not control the availability of transportation and processing facilities used in the marketing of the Debtors' production. For example, the Debtors may have to shut in a productive natural gas well because of a lack of available natural gas gathering or transportation facilities.

If the Debtors conduct operations on federal or state oil and natural gas leases, these operations must comply with numerous regulatory restrictions, including various non-discrimination statutes and royalty and related valuation requirements, and certain of these operations must be conducted pursuant to certain on-site security regulations and other appropriate permits issued by the BLM or other appropriate federal or state agencies.

Transportation of Oil

Sales of oil are not currently regulated and are made at negotiated prices. Nevertheless, the United States Congress could reenact price controls in the future.

The Debtors' sales of oil are affected by the availability, terms and cost of transportation. The transportation of oil in common carrier pipelines is also subject to rate and access regulation. The FERC regulates interstate oil pipeline transportation rates under the Interstate Commerce Act. In general, interstate oil pipeline rates must be cost-based, although settlement rates agreed to by all shippers are permitted and market based rates may be permitted in certain circumstances. Effective January 1, 1995, the FERC implemented regulations establishing an indexing system (based on inflation) for transportation rates for oil that allowed for an increase or decrease in the cost of transporting oil to the purchaser. A review of these regulations by the FERC in 2000 was successfully challenged on appeal by an association of oil pipelines. On remand, the FERC in February 2003 increased the index ceiling slightly, effective July 2001. Following the FERC's five-year review of the indexing methodology, the FERC issued an order in 2006 increasing the index ceiling.

Intrastate oil pipeline transportation rates are subject to regulation by state regulatory commissions. The basis for intrastate oil pipeline regulation, and the degree of regulatory oversight and scrutiny given to intrastate oil pipeline rates, varies from state to state. Insofar as effective interstate and intrastate rates are equally applicable to all comparable shippers, the Debtors believe that the regulation of oil transportation rates will not affect the Debtors' operations in any way that is of material difference from those of the Debtors' competitors who are similarly situated.

Further, interstate and intrastate common carrier oil pipelines must provide service on a non- discriminatory basis. Under this open access standard, common carriers must offer service to all similarly situated shippers requesting service on the same terms and under the same rates. When oil pipelines operate at full capacity, access is governed by prorationing provisions set forth in the pipelines' published tariffs.

Accordingly, the Debtors believe that access to oil pipeline transportation services generally will be available to the Debtors to the same extent as to the Debtors' similarly situated competitors.

Transportation and Sale of Natural Gas

Historically, the transportation and sale for resale of natural gas in interstate commerce has been regulated by the FERC under the Natural Gas Act of 1938, or NGA, the Natural Gas Policy Act of 1978, or NGPA, and

regulations issued under those statutes. In the past, the federal government has regulated the prices at which natural gas could be sold. While sales by producers of natural gas can currently be made at market prices, the United States Congress could reenact price controls in the future. Deregulation of wellhead natural gas sales began with the enactment of the NGPA and culminated in adoption of the Natural Gas Wellhead Decontrol Act, which removed all price controls affecting wellhead sales of natural gas effective January 1, 1993.

FERC regulates interstate natural gas transportation rates, and terms and conditions of service, which affects the marketing of natural gas that the Debtors produce, as well as the revenues the Debtors receive for sales of the Debtors' natural gas. Since 1985, the FERC has endeavored to make natural gas transportation more accessible to natural gas buyers and sellers on an open and non-discriminatory basis. The FERC has stated that open access policies are necessary to improve the competitive structure of the interstate natural gas pipeline industry and to create a regulatory framework that will put natural gas sellers into more direct contractual relations with natural gas buyers by, among other things, unbundling the sale of natural gas from the sale of transportation and storage services. Beginning in 1992, the FERC issued a series of orders, beginning with Order No. 636, to implement its open access policies. As a result, the interstate pipelines' traditional role of providing the sale and transportation of natural gas as a single service has been eliminated and replaced by a structure under which pipelines provide transportation and storage service on an open access basis to others who buy and sell natural gas. Although these FERC orders do not directly regulate natural gas producers, they are intended to foster increased competition within all phases of the natural gas industry.

In 2000, the FERC issued Order No. 637 and subsequent orders, which imposed a number of additional reforms designed to enhance competition in natural gas markets. Among other things, Order No. 637 revised the FERC's pricing policy by waiving price ceilings for short-term released capacity for a two-year experimental period, and effected changes in the FERC regulations relating to scheduling procedures, capacity segmentation, penalties, rights of first refusal and information reporting. FERC has continued to introduce changes to its policies and specific pipeline rates and tariffs.

The natural gas industry historically has been very heavily regulated. Therefore, the Debtors cannot provide any assurance that the less stringent regulatory approach recently established by the FERC will continue. However, the Debtors do not believe that any action taken will affect the Debtors in a way that materially differs from the way it affects other natural gas producers.

The Debtors' current natural gas gathering and processing services are not subject to regulation by FERC, as they are conducted entirely within the State of Texas. However, it is possible that some of those services may be subject to limited FERC regulation in the future to the extent that natural gas the Debtors transport is not used within the State of Texas.

The price at which the Debtors sell natural gas is not currently subject to federal rate regulation and, for the most part, is not subject to state regulation. However, with regard to the Debtors' physical sales of these energy commodities, the Debtors are required to observe anti-market manipulation laws and related regulations enforced by the FERC and/or the Commodity Futures Trading Commission, or the CFTC. Should the Debtors violate the anti-market manipulation laws and regulations, the Debtors could also be subject to related third party damage claims by, among others, sellers, royalty owners and taxing authorities. In addition, pursuant to Order No. 704, some of the Debtors' operations may be required to annually report to the FERC on May 1 of each year for the previous calendar year. Currently, Order No. 704 requires certain natural gas market participants to report information regarding their reporting of transactions to price index publishers and their blanket sales certificate status, as well as certain information regarding their wholesale, physical natural gas transactions for the previous calendar year depending on the volume of natural gas transacted. FERC is considering an expansion of these reporting requirements.

Gathering services, which occur upstream of jurisdictional transmission services, are regulated by the states. Although the FERC has set forth a general test for determining whether facilities perform a nonjurisdictional gathering function or a jurisdictional transmission function, the FERC's determinations as to the classification of facilities is done on a case by case basis. To the extent that the FERC issues an order that reclassifies transmission facilities as gathering facilities, and depending on the scope of that decision, the Debtors' costs of getting natural gas to point of sale locations may increase. State regulation of natural gas gathering facilities generally includes various

safety, environmental and, in some circumstances, nondiscriminatory take requirements. Although such regulation has not generally been affirmatively applied by state agencies, natural gas gathering may receive greater regulatory scrutiny in the future. Any such greater scrutiny of the gathering services the Debtors provide could affect the Debtors' costs, rates, and terms and conditions of service.

Intrastate natural gas transportation and facilities are also subject to regulation by state regulatory agencies, and certain transportation services provided by intrastate pipelines are also regulated by the FERC. The basis for intrastate regulation of natural gas transportation and the degree of regulatory oversight and scrutiny given to intrastate natural gas pipeline rates and services varies from state to state. FERC has from time to time changed the rules governing the transportation in interstate commerce by intrastate pipelines, and it may do so in the future. Insofar as such regulation within a particular state, or by FERC with respect to interstate services provided by such pipelines, will generally affect all intrastate natural gas shippers within the state on a comparable basis, the Debtors believe that the regulation of similarly situated intrastate natural gas transportation in any states in which the Debtors operate and ship natural gas on an intrastate basis will not affect the Debtors' operations in any way that is of material difference from those of the Debtors' competitors. Like the regulation of interstate transportation rates, the regulation of intrastate transportation rates affects the marketing of natural gas that the Debtors produce, as well as the revenues the Debtors receive for sales of the Debtors' natural gas. At this time, the Debtors do not believe that the Debtors' intrastate natural gas gathering and processing operations are subject to regulation by the FERC.

State Natural Gas Regulation

Various states regulate the drilling for, and the production, gathering and transportation, and sale of, natural gas, including imposing severance taxes and requirements for obtaining drilling permits. States also regulate the method of developing new fields, the spacing and operation of wells and the prevention of waste of natural gas resources. States may regulate rates of production and may establish maximum daily production allowables from natural gas wells based on market demand or resource conservation, or both. States do not regulate wellhead prices or engage in other similar direct economic regulation, but there can be no assurance that they will not do so in the future. The effect of these regulations may be to limit the amounts of natural gas that may be produced from the Debtors' wells and to limit the number of wells or locations the Debtors can drill. Such regulation also could affect the costs of, and revenues from, the Debtors gathering and intrastate transportation operations.

Energy Policy Act of 2005

On August 8, 2005, President Bush signed into law the Energy Policy Act of 2005, or the EPAct 2005. The EPAct 2005 is a comprehensive compilation of tax incentives, authorized appropriations for grants and guaranteed loans, and significant changes to the statutory policy that affects all segments of the energy industry. Among other matters, the EPAct 2005 amends the NGA to add an anti- manipulation provision that makes it unlawful for any entity to engage in prohibited behavior to be prescribed by the FERC, and furthermore provides the FERC with additional civil penalty authority. The EPAct 2005 provides the FERC with the power to assess civil penalties of up to $1.0 million per day for violations of the NGA and increases the FERC's civil penalty authority under the NGPA from $5,000 per violation per day to $1.0 million per violation per day. ~~he~~The civil penalty provisions are applicable to entities that engage in the sale of natural gas for resale in interstate commerce. On January 19, 2006, the FERC issued Order No. 670, a rule implementing the anti- manipulation provision of the EPAct 2005, and subsequently denied rehearing. The rule makes it unlawful for any entity, directly or indirectly, in connection with the purchase or sale of natural gas subject to the jurisdiction of the FERC, or the purchase or sale of transportation services subject to the jurisdiction of the FERC: (1) to use or employ any device, scheme or artifice to defraud; (2) to make any untrue statement of material fact or omit to make any such statement necessary to make the statements made not misleading; or (3) to engage in any act, practice, or course of business that operates as a fraud or deceit upon any person. The new anti-manipulation rules do not apply to activities that relate only to intrastate or other non-jurisdictional sales or gathering, but do apply to activities of natural gas pipelines and storage companies that provide interstate services, such as Section 311 service, as well as otherwise non-jurisdictional entities to the extent the activities are conducted "in connection with" natural gas sales, purchases or transportation subject to the FERC jurisdiction, which now includes the annual reporting requirements under Order No. 704. The anti-manipulation rules and enhanced civil penalty authority reflect an expansion of the FERC's NGA enforcement authority. Should the Debtors fail to comply with all applicable FERC administered statutes, rules, regulations and orders, the Debtors could be subject to substantial penalties and fines.

FERC Market Transparency Rules

On December 26, 2007, the FERC issued a final rule on the annual natural gas transaction reporting requirements, as amended by subsequent orders on rehearing, or Order No. 704. Under Order No. 704, wholesale buyers and sellers of more than 2.2 million MMBtu of physical natural gas in the previous calendar year, including interstate and intrastate natural gas pipelines, natural gas gatherers, natural gas processors, natural gas marketers and natural gas producers are required to report, on May 1 of each year, aggregate volumes of natural gas purchased or sold at wholesale in the prior calendar year to the extent such transactions utilize, contribute to or may contribute to the formation of price indices. It is the responsibility of the reporting entity to determine which individual transactions should be reported based on the guidance of Order No. 704. Order No. 704 also requires market participants to indicate whether they report prices to any index publishers and, if so, whether their reporting complies with the FERC's policy statement on price reporting.

Additional proposals and proceedings that might affect the natural gas industry are pending before the United States Congress, the FERC and the courts. The Debtors cannot predict the ultimate impact of these or the above regulatory changes to the Debtors' natural gas operations. The Debtors do not believe that the Debtors would be affected by any such action materially differently than similarly situated competitors.

V. EVENTS LEADING TO THE COMMENCEMENT OF THE CHAPTER 11 CASES

A. Market Conditions.

The energy industry has been burdened broadly by a dramatic decline in the price of oil and gas. With oil and natural gas prices already relatively low due to the expanse in supply in North America over the past decade (due largely to hydraulic fracturing technology), oil prices began a steep descent beginning in mid-2014. Aggravating the decline, in November 2014 the Organization of Petroleum Exporting Countries—after years of tempering significant fluctuations in oil prices through the control of supply—announced that it would not reduce production quotas in the face of the significant decrease in the price of oil. By the end of the third quarter in 2015, the price of oil had decreased by more than 50% year over year—from approximately $92 a barrel as of September 15, 2014 to below $50 a barrel as of September 15, 2015. On August 24, 2015, the price of oil hit a six-year low, dipping below $39 per barrel, and has dropped below $30.

These market conditions continue to affect oil and gas companies at every level of the industry. Even the largest multinational integrated oil and gas companies have been substantially affected by the current market conditions. Current equity and debt trading prices in the sector reflect the scale of the current financial distress.

Independent E&P companies like the Debtors have been hit especially hard, as their revenues are generated from the sale of unrefined oil and gas. Several E&P companies, including American Eagle Energy Corporation, Quicksilver Resources Inc., Saratoga Resources Inc., Sabine Oil & Gas Corporation, Samson Resources and Magnum Hunter Resources Corp., have filed for chapter 11 relief during 2015. Energy and Exploration Partners, Inc.—one of the Debtors' working-interest partners—became the subject of an involuntary chapter 11 filed on November 25, 2015, and on December 7, 2015, consented to the order for relief and certain of its affiliates filed voluntary chapter 11 petitions. Other E&P companies have defaulted on their debt obligations, negotiated amendments or covenant relief with creditors to avoid defaulting, or have effectuated (or are seeking to effectuate) out-of-court restructurings. The current volatility in the commodity markets and resulting uncertainty have made it difficult for many in the E&P space to identify and execute on a viable restructuring alternative.

B. Financial Constraints and the Development of Strategic Alternatives.

The decline in commodity prices severely impacted New Gulf. The value of the Debtors' enterprise is directly tied to the value of oil and gas. The Second Lien Notes and Subordinated PIK Notes—collectively comprising more than $590 million of indebtedness, including the $63 million prepayment premium under the Second Lien Notes Indenture —were issued in connection with the East Texas Acquisition in May of 2014. Since that time, however, the price of crude has gone from $110 bbl to less than $30 bbl.

New Gulf and its management team braced for the down-turn by cutting costs, reducing capital expenditure programs and managing liquidity. But as the down-cycle continued, and even worsened, it became clear that despite management's best efforts, the Company needed a more comprehensive bridge to the other side of this down-turn. New Gulf needed a solution to reduce debt, raise new cash and ultimately preserve the going concern value of the Company.

By mid-2015, faced with a heavy debt burden, declining revenues and a commodity price environment poised to remain depressed for a sustained period of time, New Gulf engaged restructuring advisors and began to proactively explore strategic alternatives to improve its capital structure. In light of oil prices and related financial modeling, it appeared the company's liquidity would become materially constrained by early 2016 and that the company would not be in compliance with its financial covenants to MidFirst Bank.

With the input and assistance of its restructuring advisors, New Gulf marketed certain assets, considered potential sale transactions, evaluated potential new financing, explored deleveraging measures, and considered various bankruptcy-focused alternatives. In addition to this exploration of strategic alternatives, New Gulf engaged in discussions with an ad hoc committee of creditors who held in the aggregate 72% of the Second Lien Notes and 22% of the Subordinated PIK Notes (the "Ad Hoc Committee"). These discussions with the Ad Hoc Committee explored available options to enhance liquidity, right-size the company's debt burden, navigate the down-cycle and bridge to a recovery in commodity prices.

One alternative that New Gulf extensively explored was an out of court up-tier transaction, whereby holders of the Second Lien Notes and Subordinated PIK Notes would exchange their lower priority notes for a reduced position higher in the company's capital structure, as well as make a new-money contribution. As modeled, an up-tier transaction of this nature had substantial benefits for New Gulf and its noteholders. It ultimately, however, proved infeasible. The debt exchange pricing and the ratios of participating noteholders necessary to provide an adequate recapitalization were not economically viable given the then-current price of oil and gas.

New Gulf also thoroughly explored various other transactions so as to enhance liquidity and achieve covenant compliance. Although New Gulf did not market and run a process for the sale of substantially all of its assets prior to filing bankruptcy, New Gulf and its advisors did commence a process for the sale of New Gulf's assets in the Kurten and Bedlam fields. More than 200 potential buyers were contacted for each of these fields, and New Gulf received and pursued multiple bids. Ultimately, however, New Gulf was unable to negotiate a price with any bidder that would have provided consideration sufficient to resolve the company's impending liquidity and covenant constraints.

Having determined that a more fundamental and comprehensive restructuring of the Debtors' capital structure would be necessary, and to preserve dwindling liquidity, the Debtors elected to forgo making a scheduled interest payment on the Second Lien Notes in the approximate amount of $23 million in November 2015. Under the terms of the Second Lien Indenture, this nonpayment constituted a default that, if not cured within thirty days, would become an event of default giving rise to the potential acceleration of the Second Lien Indebtedness and the commencement of the enforcement of remedies. Moreover, under the cross-default provision of the First Lien Credit Agreement, the non-payment of interest on the Second Lien Notes was an immediate event of default under the First Lien Agreement. This gave rise to the need for a forbearance agreement and hastened negotiations with the Ad Hoc Committee.

To provide certainty during the negotiating and documenting of a restructuring transaction with the Ad Hoc Committee, on November 24, 2015, New Gulf and MidFirst Bank entered into a forbearance agreement (the "**Forbearance Agreement**"). Under this agreement, MidFirst Bank agreed to forbear from exercising any remedies through February 1, 2016, with respect to certain specified defaults under the First Lien Credit Agreement. Such defaults include (but are not limited to) the Debtors' failure to (i) make a semi-annual interest payment on the Second Lien Notes November 2015, and (ii) comply with certain financial and reporting covenants under the First Lien Credit Agreement. Finally, MidFirst Bank also reaffirmed the amount of the borrowing base and its commitments under the First Lien Credit Agreement. In consideration for MidFirst Bank's agreement to forbear, the Debtors paid MidFirst Bank a $95,000 fee, half of which was refunded to New Gulf after the First Lien Indebtedness was repaid by December 31, 2015.

C. Negotiation of the Restructuring Support Agreement.

On December 17, 2015, after weeks of extensive negotiations, the Debtors and the Ad Hoc Committee entered into the Restructuring Support Agreement ~~(the "**Restructuring Support Agreement**" or the "**RSA**")~~, a copy of which is attached hereto as **Exhibit B**. Having extensively explored other alternatives, the Debtors carefully determined that the transactions negotiated with the Ad Hoc Committee presented the highest and best value available to the company and its stakeholders. The pre-arranged chapter 11 process contemplated by the RSA—described in further detail below—provides New Gulf with the most certain path to a comprehensive and efficient restructuring.

By a motion filed on the Petition Date, the Debtors are seeking authorization to assume the RSA and pay the fees and expenses of the Ad Hoc Committee as provided by the terms of the RSA. The Ad Hoc Committee collectively holds approximately 72% of the aggregate principal amounts outstanding under the Second Lien Notes and approximately 22% of the Subordinated PIK Notes. Given the relative rights and priorities of the Debtors' pre-petition capital structure and current commodity prices, the Second Lien Notes are the fulcrum securities of these cases. Due to the size of their collective position, the support of the Ad Hoc Committee is necessary for any restructuring transaction of the Debtors.

D. The Prepetition Reorganization.

The Restructuring Support Agreement provides for a comprehensive financial restructuring of the Debtors' capital structure under a confirmable chapter 11 plan of reorganization. But to implement this or any other restructuring transaction through chapter 11, New Gulf faced substantial hurdles.

Under the terms of the Second Amended and Restated Limited Liability Company Agreement of New Gulf Resources, LLC, dated May 9, 2014 (the "**Original LLC Agreement**"), a voluntary bankruptcy filing required authorization from a majority of the company's equity holders. Under the Original LLC Agreement, the company's equity was held by the Members in the form of the "**Original Units**" and the "**Original Warrants**".[13] Many of the Members also held Subordinated PIK Notes. Obtaining this consent presented additional challenges because the Original Warrants were traded through DTC and the Debtors could not conduct a quick vote as might be the case for a closely-held company.

To address these issues, among others, and with the support of the Ad Hoc Committee, on December 9, 2015, the board of Managers of New Gulf Resources authorized, in accordance with its operating agreement then in effect, a corporate reorganization (the "**Prepetition Reorganization**"). New Gulf consummated the Prepetition Reorganization on December 14, 2015, via the merger of NGRHC Acquisition LLC, a subsidiary of NRG (prior to the Prepetition Reorganization, NGR was itself a wholly owned subsidiary of New Gulf Resources) with and into New Gulf Resources. Prior to the Prepetition Reorganization, the Debtors' parent entity was New Gulf Resources, a limited liability company with pass-through taxable status. From and after the Prepetition Reorganization, the Debtors' parent entity is NGR, a limited liability company with taxable status. In addition, the Original LLC Agreement was amended and restated to provide that New Gulf Resources be managed by its sole member, NGR. The original limited liability company agreement of NGR was amended and restated in its entirety by the Amended and Restated Limited Liability Agreement of NGR Holding Company LLC, dated as of December 14, 2015 (the "**LLC Agreement**"). The LLC Agreement does not require the approval NGR's members to initiate a voluntary bankruptcy filing. Finally, the holders of the Original Units and Original Warrants were issued an amount of Series A Units and Series A Warrants in NGR equal to their holdings in New Gulf Resources prior to the Prepetition Reorganization, and their membership and voting rights were otherwise substantially the same as they existed prior to the Prepetition Reorganization.

[13] The Original Warrants were issued in connection with the East Texas Acquisition and were provided to purchasers of the Subordinated PIK Notes as an additional inducement. With an exercise price of only $0.01, the Warrants were treated as Units for many purposes under the Original LLC Agreement—including for voting and tax matters—regardless of whether the Warrants have been formally exercised. The Warrants were exchanged for an equal number of Series A Warrants in NGR and subsequently cancelled.

With an exercise price of only $0.01, the Warrants were treated as Units for many purposes under the Original LLC Agreement—including for voting and tax matters—regardless of whether the Warrants have been formally exercised. The Warrants were treated as exercised in connection with the Prepetition Reorganization and received new Series A Units in exchange for each original Unit treated as outstanding on account of exercise.

A chart depicting the Debtors' organization structure before and after the Prepetition Reorganization is attached to this Disclosure Statement as **Exhibit C**.

E. The Restructuring Support Agreement and the Plan.

The Debtors negotiated the underlying economics of the Plan and other aspects of the restructuring with the Ad Hoc Committee first in connection with a term sheet and then as part of the RSA and other definitive documents, including the Plan, the Disclosure Statement, the DIP Financing Agreement, and the Backstop Note Purchase Agreement and Rights Offering Procedures (collectively, the "**Definitive Documents**"). The Plan and Definitive Documents collectively provide the opportunity for the Debtors to reorganize as a going concern, continue their day-to-day operations, and exit chapter 11 with a new capital structure and appropriate leverage.

As described more fully below, the Ad Hoc Committee has committed to provide $75 million in debtor-in-possession financing. In addition, the Ad Hoc Committee has agreed to backstop the $50 million rights offering and exchange the DIP financing for convertible PIK debt issued by the reorganized Debtors pursuant to the Plan.

Subject to the Court's approval, the transactions contemplated by the Plan and other Definitive Documents would satisfy all of the Debtors' financial obligations through the following principal terms:

DIP Financing: $75 million of debtor-in-possession financing to be provided by members of the Ad Hoc Committee, a portion of which will be used to repay in full the First Lien Indebtedness, with the balance providing operational liquidity for the duration of these cases.

A Confirmable Plan: Subject to the Court's approval of the Disclosure Statement and in accordance with the RSA, the Ad Hoc Committee—which collectively holds at least approximately 72% of the Second Lien Notes—has agreed to vote in favor the Plan. Moreover, all other creditors impaired by the Plan (namely, the Subordinated PIK Noteholders) are contractually subordinated to the Second Lien Notes and deeply out of the money. Nevertheless, as part of the overall settlement embodied in the RSA and the Plan, the Second Lien Noteholders are voluntarily forgoing their right to part of the distributions under the Plan that they are otherwise entitled to receive so that the Debtors can (i) minimally impair allowed general unsecured claims, such as the claims of suppliers and vendors, and (ii) provide for a pro rata distribution to Subordinated PIK Noteholders of a portion of the new equity of certain of the Reorganized Debtors upon emergence, as described below.

- **New First Lien Notes and Rights Offering**: On the Effective Date, the Reorganized Debtors will issue New First Lien Notes in the original aggregate principal amount equal to $135.25 million, which is the sum of:
    - $75 million, issued to the DIP Lenders in connection with their surrender and exchange of the principal portion of their DIP Loan Claims for New First Lien Notes;
    - $5.25 million, as consideration for the Debtors' right to require the DIP Lenders to surrender all claims for payment of principal of the DIP Loans for New First Lien Notes;
    - $50 million, which will be offered Pro Rata to all holders of Allowed Second Lien Notes Claims through a Rights Offering backstopped in full by the Ad Hoc Committee pursuant to the terms and conditions set forth in the Backstop Agreement; and

- $5 million, as consideration for the right of New Gulf to call the commitments of the Backstop Parties under the Backstop Agreement to purchase all of the Unsubscribed Notes (as defined in the Backstop Agreement).

The New First Lien Notes are convertible into New Common Units (as defined in the Backstop Agreement) in accordance with and subject to the terms and conditions of the Backstop Agreement and the Plan. The terms of the New First Lien Notes eliminate annual debt-service obligations by allowing the Debtors (at their option) to pay all interest payments in-kind for up to 5 years. The effects of dilution caused by the conversion of the New First Lien Notes to New Common Units, as well as by the management incentive program, are described on **Exhibit L**.

The New First Lien Notes are convertible at a conversion rate per $1.00 of New First Lien Notes, such that the original aggregate principal amount of the New First Lien Notes is convertible into 85% of the total number of New Common Units issued and outstanding as of the Effective Date, subject to adjustment under certain anti-dilution protection provisions, as further described on **Exhibit J**. Assuming the New First Lien Notes were converted to New Common Units the day after the Effective Date, and without taking into consideration any discount for lack of marketability, the valuation of the Debtors at the range set forth on **Exhibit H**—approximately $110 million to $170 million total enterprise value—would imply that the holders of the New First Lien Notes could realize between $0.90 and $1.27 for every $1.00 of New First Lien Notes converted. The amount realized ultimately depends on, among other things, the value of the Debtors' enterprise at the time of conversion, the illiquid nature of the New Common Units, the amount of cash on hand held by the Debtors, and the amount of any other debts the Debtors may have incurred at the time of conversion.

- **Exchange of Second Lien Notes**: The holders of Allowed Second Lien Notes Claims—whose Claims amount to approximately $365 million in aggregate principal amount outstanding, plus accrued and unpaid interest, plus the Applicable Premium (as referred to in the Second Lien Notes Indenture) in the amount of not less than $63 million plus other amounts due under the Second Lien Notes Indenture, including, without limitation, all unpaid principal, interest (including at the default rate), premiums, any reimbursement obligations (contingent or otherwise), any fees, expenses and disbursements (including, without limitation, attorneys' fees, financial advisors' fees, related expenses and disbursements), indemnification obligations, any other charges, amounts and costs of whatever nature owing, whether or not contingent, whenever arising, accrued, accruing, due, owing or chargeable in respect thereof, including all "Guaranteed Obligations" as defined in the Second Lien Note Indenture—will receive 95% of the New Equity Interests upon emergence, which amount will be reduced to 87.5% if the Class[14] of holders of Allowed Subordinated PIK Notes Claims accept the Plan. In either case, their recovery is subject to the Dilution Events, which could reduce their total recovery to 9.23% of the New Equity Interests if the Class of holders of Allowed Subordinated PIK Notes Claims rejects the Plan and reduce their total recovery to 8.5% of the New Equity Interests if the Class of holders of Allowed Subordinated PIK Notes Claims accepts the Plan. Pursuant to Article VIII.G.3 of the Plan, distributions to holders of Second Lien Notes may be reduced to satisfy any unpaid fees and expenses of the Second Lien Notes Indenture Trustee. In addition, the holders of Allowed Second Lien Notes Claims have the right to participate Pro Rata in the Rights Offering.

- **Exchange of Subordinated PIK Notes**: The holders of Allowed Subordinated PIK Notes Claims—whose Claims amount to approximately $162 million in aggregate principal amount outstanding—will receive their pro rata share of approximately 12.5% of the New Equity Interests, but only if they vote to accept the Plan, or 5% if they instead vote to reject the Plan. In either case, their recovery is subject to the Dilution Events, which could reduce these recoveries to their pro rata share of approximately 1.21% of the New Equity Interests if they vote to accept the Plan, or their pro rata share of approximately 0.49% of the New Equity Interests if they instead vote to reject the Plan.

The Restructuring Support Agreement may be terminated upon, among other things, the occurrence of certain events, and the failure to meet specified milestones related to filing, confirmation and consummation of the Plan, among other requirements, and in the event of certain breaches by the parties under the

Restructuring Support Agreement. The milestones and associated termination rights are contained in section 15 of the RSA, and summarized as follows (subject to the Due Diligence Out described above):

- on or before December 22, 2015, the Court shall have entered an interim DIP Order;
- on or before January 25, 2016, the Court shall have entered an order approving (i) the assumption of the Restructuring Support Agreement and (ii) the assumption of the Backstop Agreement and the Rights Offering Procedures;
- on or before February 1, 2016, the Court shall have entered (i) a final DIP Order and (ii) an order granting the Disclosure Statement Motion;
- on or before April 26, 2016, the Court shall have entered an order confirming the Plan; and
- on or before May 16, 2016, the Plan will become effective.

Given the consensus among the majority of holders of Second Lien Notes, as evidenced by the Restructuring Support Agreement, the Debtors believe that they will emerge from chapter 11 expeditiously. The Debtors believe that this outcome would be in the best interests of the Debtors, their estates and all stakeholders, as the Restructuring provides for a comprehensive delevering of the Debtors' capital structure and minimizes the risk of a future restructuring by minimizing debt service obligations. Following this right-sizing of their balance sheet, the Debtors will be positioned to weather a prolonged down-cycle, and capitalize on the eventual recovery.

Regiment Capital Ltd ("Regiment") has objected to the adequacy of disclosure herein to the Debtors' efforts to market their assets and as well as to the signature page of Brian Stark (a member of New Gulf's board of managers) to the RSA. In support of the motions to assume the RSA, the Backstop Agreement, and approve DIP financing on a final basis, the Debtors filed the Declarations of Ralph Hill and Firdaus Pohowalla substantially contemporaneously with the filing of this First Amended Disclosure Statement, which will be posted electronically on PrimeClerk's website at https://cases.primeclerk.com/newgulf/Home-DocketInfo. These declarations discuss such matters, and you are encouraged to review them.

VI. THE PREARRANGED CHAPTER 11 CASES

On the Petition Date, each of the Debtors filed a voluntary petition for relief under chapter 11 of the Bankruptcy Code. Upon the filing of ~~a~~the petitions, all actions and proceedings against the Debtors and all acts to obtain property from the Debtors were stayed under section 362 of the Bankruptcy Code. The Debtors continue to operate their business and manage their property as debtors in possession under sections 1107(a) and 1108 of the Bankruptcy Code.

The Debtors expect to proceed expeditiously through the Chapter 11 Cases. To facilitate the Chapter 11 Cases and to minimize disruption to their operations, the Debtors have filed motions seeking from the Bankruptcy Court, among other relief, the relief detailed below. These requests will include, but are not limited to, orders permitting the Debtors to pay employee obligations, pay allowed unsecured claims in the ordinary course of business, and maintain their cash management system consistent with the Debtors' customary practices, for the purpose of satisfying or paying the Debtors' ordinary course operating expenses. Such relief, if granted, will assist in the administration of the Chapter 11 Cases. There can be no assurance, however, that the Court will grant any or all of the relief sought.

Commencing the Chapter 11 Cases will enable the Debtors to implement a financial restructuring on the terms set forth in the Restructuring Support Agreement and the Plan with little to no disruption of the Debtors' oil and gas exploration business. The Debtors believe that the transactions contemplated by the Plan will deleverage its balance sheet, improve go-forward liquidity, and position New Gulf for flexibility and future growth in the industry.

A. Expected Timetable of the Chapter 11 Case as of the Petition Date.

Pursuant to the Restructuring Support Agreement, the Debtors are required to proceed expeditiously through chapter 11 in accordance with the milestones, which require the Debtors to obtain confirmation of the Plan within 130 days of the Petition Date, and consummate the Plan within 150 days of the Petition Date.

While the Debtors will request that the Court approve the timetable set forth in the Disclosure Statement Motion (as defined herein) on the Petition Date, no assurances can be made that such relief will be granted. The failure to meet the milestones and deadlines set forth in the Restructuring Support Agreement could derail the orderly restructuring of the Debtors' significant financial obligations.

B. Significant First Day Motions

On the Petition Date, the Debtors filed several motions requesting that the Court enter orders authorizing the Debtors to continue operating their business in the ordinary course (the "**First Day Motions**"). These First Day Motions were designed to facilitate a smooth transition into chapter 11 and ease the strain on the Debtors' business as a consequence of the filing of the Chapter 11 Cases. There is no guarantee that the Court will grant any or all of the requested relief. The following summary highlights certain of the First Day Motions that were filed.

Stabilizing Operations

Recognizing that any interruption of the Debtors' business, even for a short period, could negatively impact customer and vendor relationships and the Debtors' goodwill, revenue, and profits, which would be detrimental to the value of the Debtors' estates, the Debtors filed the following First Day Motions to ensure stabilization of its operations:

(a) Cash Management System.

The Debtors' maintain a centralized cash management system designed to collect, track, aggregate, and disburse cash on a daily basis. To facilitate a smooth transition into the Chapter 11 Cases, the Debtors sought authority to continue using the existing cash management system, bank accounts, and business forms and to continue intercompany transactions.

(b) Employee Wages Motion.

The Debtors' ability to manage their businesses requires the continued focus and commitment of its employees and independent contractors. These individuals rely on their compensation and benefits to pay their daily living expenses, absent which they would be exposed to significant financial difficulties. The Debtors cannot afford for these individuals to be distracted by unnecessary concern over the payment of their wages and other benefits in the ordinary course of operations. Moreover, the Debtors have substantial cash on hand to pay these obligations. Accordingly, the Debtors sought authority to (a) pay all prepetition wages, salaries, and other compensation to the Debtors' employees and independent contractors; (b) continue all benefit programs and policies, consistent with the ordinary course of business and past practices, on a postpetition basis, whether arising before or after the Petition Date; and (c) alter, modify, or discontinue employee benefit programs as the Debtors deems necessary.

(c) Royalty Motion.

The Debtors hold various interests in numerous oil and gas leases. On the first day, Debtors sought authority to 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 and final basis. Moreover, Debtors also sought authority to continue paying various mineral contractors responsible for providing services, supplies, and materials necessary to ensure continued operation. In addition, as

owners of working interests in various leases and wells operated by third parties, Debtors sought authority to continue reimbursing those operators for the Debtors' share of production costs.

(d) Taxes.

Although the Debtors expect to pay all taxes and regulatory obligations in full pursuant to the Plan, in order to minimize the potential disruption to the Debtors' business during the Chapter 11 Cases, the Debtors sought authority to pay the Debtors' fees and other similar charges and assessments, as well as certain taxes, whether arising prior, or subsequent, to the Petition Date, to the appropriate taxing, licensing, and other governmental authorities.

(e) Utilities.

The Debtors incur utility expenses for electricity, telephone, and other essential services in the ordinary course of their business at their global headquarters located in Tulsa, Oklahoma and their other operating locations. The Debtors sought approval of adequate assurance procedures in the event that any utility provider makes a demand for adequate assurance or otherwise threatens to alter, refuse, or discontinue utility service to the Debtors.

(f) Preservation of Tax Attributes.

Notwithstanding the Prepetition Reorganization, as of the Petition Date, the Debtors had and begin to accrue material tax attributes consisting of Net Operating Losses ("NOLs") and tax credits in connection with their exploration and production operations, all of which may be carried forward to future taxable years (the "Tax Attributes"). As of the Petition Date, it was still too early to determine whether it would be necessary for the Debtors to seek relief requiring any Persons or Entities that have acquired claims to sell-down their claims below an amount that would entitle them to receive more than 4.5 percent of the equity of the reorganized Debtors. Equity holders transferring their equity interests prior to the effective date of a chapter 11 plan may also trigger an ownership change that could impair the value of these assets. As the Tax Attributes may constitute a valuable asset to the Debtors' business, and the failure to preserve such assets could have caused the Debtors' estates to suffer a tax liability to the detriment of the Debtors' stakeholders' interests, the Debtors sought entry of an order establishing a record date for notice and sell-down procedures for trading in claims against the Debtors' estates and for trading in prepetition equity interests in order to preserve the Debtors' ability to maximizes the use of the Tax Attributes.

Procedural Motions and Professional Retention Applications.

The Debtors filed several procedural motions that are standard in chapter 11 cases of similar size and complexity, as well as applications to retain the various professionals who will be assisting the Debtors during the Chapter 11 Cases.

Other Motions Related to the Debtors' Prearranged Chapter 11 Plan Process

(a) Motion to Assume the RSA

The Debtors seek to assume the Restructuring Support Agreement, which was the result of weeks of extensive negotiations and will provide the Debtors a path toward confirmation of a chapter 11 plan. The RSA provides for a comprehensive delevering of the Company's capital structure, which, following this right-sizing of their balance sheet, will allow the Debtors to be well positioned to weather a prolonged down-cycle and capitalize on the eventual recovery.

(b) Motion to Assume the Backstop Agreement and Approve the Rights Offering Procedures

To ensure that the Rights Offering raises the required funds for a successful emergence from bankruptcy, the Debtors have filed a motion seeking (1) to assume the agreement under which certain members of

the Ad Hoc Committee (the "Backstop Parties") have agreed to backstop the Rights Offering (the "Backstop Agreement") and (2) to approve procedures for soliciting participation from the holders of Second Lien Notes other than the Backstop Parties in the Rights Offering (the "Rights Offering Procedures").

The Backstop Agreement memorializes each Backstop Party's commitment to purchase its pro rata share of the Rights Offering Notes (as a holder of the Second Lien Notes) and to purchase any Rights Offering Notes that are not subscribed for in the Rights Offering. In exchange for their commitment to backstop the rights offering, the Debtors agreed in the Backstop Agreement, subject to Court approval to provide the Backstop Parties (i) the Put Option Notes (as defined in the Backstop Agreement), which constitutes a put option premium payment in the total amount of $5 million, payable entirely in New First Lien Notes, (ii) a Liquidated Damages Payment (as defined in the Backstop Agreement), representing liquidated damages payment in the amount of $3.5 million should the Debtors exercise their fiduciary out and consummate an alternative transaction, (iii) payment and reimbursement of all Transaction Expenses (as defined in the Backstop Agreement), which include reasonable fees and expenses incurred by the Backstop Parties and their professionals in connection with the transactions contemplated under, inter alia, the RSA, the Plan, the DIP Facility, the Rights Offering and the Backstop Agreement, and (iv) indemnification of the Backstop Parties and their affiliated parties and representatives from and against any and all losses, claims, damages, liabilities and expenses they may they may sustain, incur or suffer in connection with the transactions contemplated under, inter alia, the RSA, the Plan, the DIP Facility, the Rights Offering and the Backstop Agreement. Because the Backstop Agreement facilitates the success of the Rights Offering and thereby significantly reduces the financing risks associated with consummating the Plan, the Debtors submit, in the exercise of their business judgment, that the payments for which they seek approval of here are fair and reasonable and assumption of the Backstop Agreement is in the best interests of the Debtors' estates and all parties in interest.

In addition, the Debtors seek this Court's approval of procedures to implement the Rights Offering. The Rights Offering Procedures will allow the Debtors to solicit holders of Second Lien Notes to participate in the Rights Offering. The proposed procedures would allow the Debtors to solicit Second Lien Noteholders' participation in the Rights Offering over a 30 day period with the assistance of Prime Clerk. Second Lien Noteholders that wish to subscribe to the Rights Offering would be required to submit certain commitment forms and fund their commitment at the time they subscribe. The Rights Offering Procedures are consistent with other procedures implemented in chapter 11 cases in this district and are both fair and reasonable and necessary to ensure the orderly administration and issuance of the Rights Offering Notes.

Motion to Approve DIP Financing

In addition to the Debtors' initial procedural and operational relief, the Debtors filed a motion on the Petition Date seeking authority to approve the Senior Secured Super Priority Debtor-In-Possession Credit Agreement (the "**DIP Credit Agreement**"), to ensure adequate access to liquidity during the Chapter 11 Cases and to refinance the First Lien Indebtedness owed to MidFirst Bank. The DIP Credit Agreement provides for $75 million in financing on a first lien, superpriority basis. Under the terms of the Plan and the DIP Documents, all DIP Loan Claims will be fully satisfied by a dollar-for-dollar exchange for New First Lien Notes. As further described in the DIP Motion, the DIP Credit Agreement and other DIP Documents also provide for the payment of certain fees the DIP Agent and DIP Lenders, including a payment of $2.25 million in cash, and the payment of fees and expenses of counsel and financial advisors of the DIP Lenders and DIP Agent.

The Debtors have requested $55 million of the DIP Financing be provided on an interim basis, with $38 million used to refinance their First Lien Credit Agreement and $17 million used as interim working capital in order to maintain operations through the end of January, 2016, and an additional $20 million on a final basis. The Debtors believed the DIP Financing is sufficient to fund operations pending a final hearing and that the terms of the DIP Financing are fair and reasonable and ~~represents~~represent the best financing available in the marketplace under the circumstances.

Approval of Disclosure Statement and Solicitation Procedures and Scheduling of Confirmation Hearing

The Debtors will be seeking confirmation of the Plan and emergence from chapter 11 as soon as possible. To that end, the Debtor filed a motion (the "**Disclosure Statement Motion**") on the Petition Date requesting that the Court enter an order (a) approving the Disclosure Statement as having provided adequate information, (b) scheduling a hearing to consider confirmation of the Plan, (c) approving the form and notice of the Confirmation Hearing, (d) establishing a deadline and procedures for objections to the Plan, (e) approving the Solicitation Procedures and Opt Out Procedures and (f) related relief. The Debtors have requested the earliest possible date permitted by the applicable rules and the Court's calendar for the combined Confirmation Hearing.

VII. KEY PROVISIONS OF THE PLAN

A. Classification and Treatment

The classification and treatment afforded to all Claims and Equity Interests are summarized above in Article II of this Disclosure Statement, and provided for and described further in Articles II and III of the Plan. ***Holders of claims that are entitled to vote are strongly encouraged to read the Plan in its entirety, including Articles II and III***.

B. Means for Implementation of the Plan

Operations Between the Confirmation Date and Effective Date.

During the period from the Confirmation Date through and until the Effective Date, the Debtors may continue to operate their businesses as debtors in possession, subject to all applicable orders of the Bankruptcy Court, the Bankruptcy Code, and any limitations set forth in the Plan or in the Confirmation Order, the Restructuring Support Agreement, and the Backstop Agreement.

Issuance of New Equity Interests.

On the Effective Date, the applicable Reorganized Debtors are authorized to issue or cause to be issued the New Equity Interests in accordance with the terms of the Plan and the Organizational Documents, without the need for any further corporate or shareholder action. All of the New Equity Interests, issuable under the Plan, and all New Common Units (as defined in the Backstop Agreement) issuable upon conversion of the New First Lien Notes that are issued under the Plan or pursuant to the Backstop Agreement, when so issued, shall be duly authorized, validly issued, fully paid, and non-assessable, and not to have been issued in violation of any preemptive rights, rights of first refusal or similar rights or any applicable law.

Upon the Effective Date, (i) the New Equity Interests shall not be registered under the Securities Act, and shall not be listed for public trading on any securities exchange, and (ii) none of the Reorganized Debtors will be a reporting company under the Exchange Act. The distribution of New Equity Interests pursuant to the Plan may be made by delivery of one or more certificates representing such New Equity Interests as described herein, by means of book-entry registration on the books of the transfer agent for shares of New Equity Interests or by means of book-entry exchange through the facilities of a transfer agent satisfactory to the Debtors and the Requisite Supporting Noteholders in accordance with the customary practices of such agent, as and to the extent practicable.

New First Lien Notes.

On the Effective Date, the Reorganized Debtors are authorized, without the need for any further corporate or limited liability company action, to enter into the New First Lien Notes Indenture and the other New First Lien Notes Documents and any ancillary documents necessary or appropriate to satisfy the conditions to effectiveness of the Plan and/or the Backstop Agreement that relate to the New First Lien Notes, and to issue the New First Lien Notes. The proceeds of the New First Lien Notes shall be used to pay the Restructuring Expenses and provide the Reorganized Debtors with working capital for their post-Effective Date operations and for other

general corporate purposes. The indebtedness, liabilities and other obligations under the New First Lien Notes Documents shall be secured by first priority security interests in and Liens on all of the assets of the Reorganized Debtors, subject to certain specified exceptions set forth in the New First Lien Notes Documents. The First Lien Notes shall be issued in a minimum denomination of $1,000 and integral multiples of $1,000.

In consideration for the Debtors' right to require the DIP Lenders to surrender all claims for payment of principal of the DIP Loans in exchange for DIP Exchange Notes as set forth above, the DIP Lenders will receive, on the Effective Date, their respective pro rata shares of an additional amount of New First Lien Notes in an aggregate principal amount equal to $5,250,000. The balance of the DIP Loan Claims, including accrued unpaid interest and any other amounts due under the DIP Credit Agreement, will be paid in cash. The remaining balance of the New First Lien Notes will be issued on the Effective Date in accordance with the Rights Offering, pursuant to the Backstop Agreement and the Plan.

The terms of the New First Lien Notes are summarized at **Exhibit J**. The ~~affects~~effects of dilution associated with the New First Lien Notes is described at **Exhibit L** and summarized further at Article V.E of this Disclosure Statement.

The Rights Offering.

Prior to the Effective Date, the Debtors shall conduct the Rights Offering in accordance with the Backstop Agreement Order and the Rights Offering Procedures. Rights Offering Participants shall have the right, subject to the terms of the Rights Offering Procedures and the Plan, to exercise Rights to purchase up to their Pro Rata share of $50 million of original principal amount of New First Lien Notes. Subject to the terms and conditions of the Backstop Agreement, the Backstop Parties shall backstop the full amount of the New First Lien Notes offered for sale in the Rights Offering (not to exceed the Rights Offering Amount) through the commitment to exercise the Rights issued to them in their capacity as Rights Offering Participants and purchase all of the New First Lien Notes that are not subscribed for by other Rights Offering Participants in the Rights Offering.

In consideration for the right of New Gulf to call the commitments of the Backstop Parties under the Backstop Agreement to purchase all of the Unsubscribed Notes (as defined in the Backstop Agreement) in accordance with and subject to the terms of the Backstop Agreement, the Debtors shall be required to issue to the Backstop Parties (or their designees) an additional amount of New First Lien Notes in an aggregate principal amount equal to $5,000,000 (the "**Put Option Notes**"), as described in and subject to the terms and conditions set forth in the Bankruptcy Agreement.

Exemptions from Registration; Securities Law Matters.

To the extent securities were offered prior to the filing of the Plan, such securities were offered in reliance on the exemption provided by Section 4(a)(2) of the Securities Act. The offer, issuance, sale and distribution under the Plan of the (a) New Equity Interests, (b) Rights and (c) New First Lien Notes issued in the DIP Exchange and (d) the issuance of New Equity Interests in connection with any conversion of the New First Lien Notes issued in the DIP Exchange, shall all be exempt from registration under Section 5 of the Securities Act and any other applicable securities laws under, and to the extent provided by, Section 1145 of the Bankruptcy Code. The issuance and distribution of the Backstop Commitment Notes, the Put Option Notes and the New First Lien Notes issued in the Rights Offering to Rights Offering Participants, as well as any New Equity Interests into which such notes are converted, will be exempt from registration under the Securities Act and any other applicable securities laws under Section 4(a)(2) of the Securities Act and/or Regulation D thereunder or section 1145 of the Bankruptcy Code.

Cancellation of Certain Indebtedness, Agreements, and Existing Securities.

On the Effective Date, except for the purposes of evidencing a right to a distribution under the Plan, and except as otherwise specifically provided for in the Plan, (i) the Restructuring Support Agreement, the Prepetition First Lien Credit Agreement, the Second Lien Note Indenture and the Notes Documents (as defined in the Second Lien Notes Indenture), the Subordinated PIK Notes Indenture and the Note Documents (as defined in the

Subordinated PIK Notes Indenture), and any other certificate, note, bond, indenture, or other instrument or document directly or indirectly evidencing or creating any indebtedness or obligation of any of the Debtors giving rise to any Claim (except such certificates, notes, or other instruments or documents evidencing indebtedness or obligations of any Debtors that are specifically Reinstated pursuant to the Plan), (ii) all Equity Interests of the Debtors (excluding Intercompany Interests) and any certificate or other instrument or document directly or indirectly evidencing or creating any Equity Interest in any of the Debtors as of immediately prior to the Effective Date, (iii) all registration rights, preemptive rights, rights of first refusal, rights of first offer, co-sale rights and other investor rights governing or relating to any of the indebtedness, obligations, Equity Interests or other items described in any of clauses (i) or (ii) above, and (iv) all obligations and liabilities arising under, related to, or in connection with, any of the items described in any of clauses (i)-(iii) above, in any such case, shall be deemed automatically extinguished, cancelled and of no further force and effect, without any further act or action under any applicable agreement, law, regulation, order or rule, and the Debtors and the Reorganized Debtors shall not have any continuing obligations thereunder or with respect thereto; and the obligations of any of the Debtors and the Reorganized Debtors pursuant, relating, or pertaining to any agreements, indentures, purchase agreements, certificates of incorporation, certificates of formation, by-laws, limited liability company agreements or similar documents governing or evidencing any of the items described in clauses (i)-(iv) above shall be released and discharged; and the holders of or parties to, or beneficiaries of, any of the items described in clauses (i) – (iv) above, will have no rights arising from or relating to, and will not be entitled to the benefits of, any such items or the cancellation thereof, except the rights expressly provided for pursuant to the Plan; *provided*, *however*, that, notwithstanding the occurrence of the Effective Date, any such indenture or agreement that governs the rights of the holder of a Claim shall continue in effect solely for purposes of allowing holders of such Claims to receive distributions under the Plan as provided in the Plan subject to each Indenture Trustee's rights under sections 6.10 and 7.07 of the Second Lien Notes Indenture and the Subordinated PIK Notes Indenture, as applicable, to recover its compensation, reimbursement of expense and indemnification from the distributions to the holders of Second Lien Notes Claims or Subordinated PIK Notes Claims, as applicable; *provided*, *however*, that the subordination provisions contained in the Subordinated PIK Notes Indenture shall remain in full force and effect (except to the extent necessary to enable the holders of Subordinated PIK Notes to receive and retain the distributions set forth in Article IIID.7 hereof, it being understood that all rights and remedies of the Second Lien Notes Indenture Trustee and the holders of Second Lien Notes with respect to subordination are otherwise expressly preserved). For the avoidance of doubt, nothing in Article IV.E of the Plan shall affect the discharge of or result in any obligation, liability, or expense of the Debtors or the Reorganized Debtors, or affect the discharge of Claims or Equity Interests pursuant to the Bankruptcy Code, the Confirmation Order, or the Plan, or result in any additional obligation, expense, or liability of the Debtors or the Reorganized Debtors.

Upon the payment or other satisfaction of an Allowed Other Secured Claim, the holder of such Allowed Other Secured Claim shall deliver to the Debtors or Reorganized Debtors (as applicable) any Collateral or other property of the Debtors held by such holder, and any termination statements, instruments of satisfactions, or releases of all security interests with respect to its Allowed Other Secured Claim that may be required in order to terminate any related financing statements, mortgages, mechanic's liens, or *lis pendens*.

Intercompany Interests.

Subject to the Restructuring Transactions, the Intercompany Interests shall be retained shall continue in place, solely for the purpose of maintaining the existing corporate structure of the Debtors and the Reorganized Debtors.

Continued Corporate Existence and Vesting of Assets.

Except as otherwise provided in the Plan, each Debtor will, as a Reorganized Debtor, continue to exist after the Effective Date as a separate legal entity, with all of the powers of such a legal entity, in accordance with the applicable laws of the respective jurisdictions in which they are incorporated or organized and pursuant to such Reorganized Debtors' Organizational documents and without prejudice to any right to alter or terminate such existence (whether by merger, dissolution or otherwise) under applicable law. On or after the Effective Date, each Reorganized Debtor, in its sole and exclusive discretion, may take such action as permitted by applicable law and such Reorganized Debtor's Organizational Documents, as such Reorganized Debtor may determine is reasonable and appropriate, including, but not limited to, causing: (i) a Reorganized Debtor to be merged into another Reorganized

Debtor, or its Subsidiary and/or affiliate; (ii) a Reorganized Debtor to be dissolved; (iii) the legal name of a Reorganized Debtor to be changed; or (iv) the closure of a Reorganized Debtor's case on the Effective Date or any time thereafter.

Except as otherwise provided in the Plan, on the Effective Date, all property of each Debtor's Estate, including any property held or acquired by each Debtor or Reorganized Debtor under the Plan or otherwise, will vest in such Reorganized Debtor free and clear of all Claims, Liens, charges, other encumbrances, Equity Interests, and other interests, except for the Liens and Claims established under the Plan; *provided that* nothing in Article IV.G of the Plan shall limit the ability under the Bankruptcy Code of any party-in-interest to object to any Claim prior to the Claims Objection Deadline unless otherwise ordered by the Bankruptcy Court; *provided, further, however,* that the Debtors and the Reorganized Debtors waive and release any Causes of Action against any of the Released Parties as provided for in Article VII.E. of the Plan.

On and after the Effective Date, each Reorganized Debtor may operate its business and may use, acquire, and dispose of property and maintain, prosecute, abandon, compromise, settle or otherwise dispose any Claims or Causes of Action without supervision or approval by the Court and free of any restrictions of the Bankruptcy Code or Bankruptcy Rules, subject only to those restrictions expressly imposed by the Plan or the Confirmation Order as well as the documents and instruments executed and delivered in connection therewith, including the documents, exhibits, instruments, and other materials comprising the Plan Supplement. Without limiting the foregoing, the Reorganized Debtors may pay the charges that they incur from and after the Effective Date for Fee Claims, disbursements, expenses, or related support services (including fees relating to the preparation of Professional fee applications) without application to, or the approval of, the Court.

On the Effective Date or as soon as reasonably practicable thereafter, the Reorganized Debtors may take all actions as may be necessary or appropriate to effect any transaction described in, approved by, contemplated by, or necessary to effectuate the Plan and the Restructuring Transactions, including: (1) the execution and delivery of appropriate agreements or other documents of merger, consolidation, restructuring, conversion, disposition, transfer, dissolution or liquidation containing terms that are consistent with the terms of the Plan and that satisfy the applicable requirements of applicable law and any other terms to which the applicable entities may agree, including, without limitation, the New First Lien Notes and the New First Lien Note Documents; (2) the execution and delivery of appropriate instruments of transfer, assignment, assumption or delegation of any asset, property, right, liability, debt or obligation on terms consistent with the terms of the Plan and having other terms for which the applicable parties agree; (3) the filing of appropriate certificates or articles of incorporation, reincorporation, merger, consolidation, conversion or dissolution pursuant to applicable state law; and (4) all other actions that the applicable entities determine to be necessary or appropriate, including making filings or recordings that may be required by applicable law.

Retention of Avoidance Actions.

As of the Effective Date, all Avoidance Actions shall revest exclusively in the Reorganized Debtors; *provided*, *however*, that the Debtors and the Reorganized Debtors waive and release any Causes of Action against any of the Released Parties as provided for in Article VII.E of the Plan.

Preservation of Causes of Action.

In accordance with section 1123(b) of the Bankruptcy Code, and except as expressly provided in Article VII.E of the Plan, the Reorganized Debtors shall retain all Causes of Action, if any, described in the Plan Supplement. Nothing contained in the Plan or the Confirmation Order shall be deemed a waiver or relinquishment of any claim, Cause of Action, right of setoff, or other legal or equitable defense of any Debtor that is not specifically waived or relinquished by the Plan. The Reorganized Debtors shall have, retain, reserve, and be entitled to assert, all such claims, Causes of Action, rights of setoff, and other legal or equitable defenses that any Debtor had immediately before the Effective Date as fully as if the Chapter 11 Cases had not been commenced, and all of the Reorganized Debtors' legal and equitable rights respecting any claim that is not specifically waived or relinquished by the Plan may be asserted after the Effective Date to the same extent as if the Chapter 11 Cases had not been commenced. No Person may rely on the absence of a specific reference in the Plan or the Disclosure Statement to any Cause of

Action against them as any indication that the Debtors or the Reorganized Debtors, as applicable, will not pursue any and all available Causes of Action against such Person. The Debtors or the Reorganized Debtors, as applicable, expressly reserve all rights to prosecute any and all Causes of Action against any Person, subject to the terms of the Plan. From and after the Effective Date, the Reorganized Debtors shall have the exclusive right, authority, and discretion to determine and to initiate, file, prosecute, enforce, abandon, settle, compromise, release, withdraw, or litigate to judgment any Cause of Action and to decline to do any of the foregoing without further notice to or action, order, or approval of the Court. The Reorganized Debtors are deemed representatives of the Estates for the purpose of prosecuting any Claim or Cause of Action and any objections to Claims pursuant to 11 U.S.C. § 1123(b)(3)(B).

Claims Incurred After the Effective Date.

Claims incurred by the Debtors after the Effective Date may be paid by the Reorganized Debtors in the ordinary course of business and without application for or Court approval, subject to any agreements with such holders of a Claim and applicable law.

Corporate Action.

Each of the matters provided for by the Plan involving the corporate or limited liability company structure of the Debtors or the Reorganized Debtors, and any action under the Plan to be taken by or required of the Debtors of the Reorganized Debtors, whether taken prior to or as of the Effective Date, including, without limitation, (a) the adoption and filing of the Organizational Documents for each of the other Reorganized Debtors; (b) the authorization, issuance, and distribution of New Equity Interests and any other securities and instruments; (c) the adoption, assumption or assignment, as applicable, of Executory Contracts; (d) implementation of the Reorganized NGR Holding Management Incentive Plan; (e) the selection of officers or directors/managers, and (f) the issuance of the New First Lien Notes, the entry into the New First Lien Notes Indenture and the execution and delivery of the New First Lien Notes Documents, and implementation of the Restructuring Transactions shall each be authorized and approved in all respects, without any requirement of further action by any of the Debtors' or Reorganized Debtors' boards of directors or managers, as applicable, or security holders.

The Debtors, the Reorganized Debtors, and the Disbursing Agent, as applicable, shall be authorized to execute, deliver, file, and record such documents (including the Plan Documents), contracts, instruments, releases and other agreements and take such other action as may be necessary to effectuate and further evidence the terms and conditions of the Plan, without the necessity of any further Bankruptcy Court, corporate, board or security holder approval or action. In addition, the selection of the Persons who will serve as the initial directors, officers and managers of the Reorganized Debtors as of the Effective Date shall be deemed to have occurred and be effective on and after the Effective Date without any requirement of further action by the board of directors, board of managers, or stockholders of the applicable Debtor or Reorganized Debtor.

C. Provisions Regarding Corporate Governance of the Reorganized Debtor.

Organizational Documents.

On the Effective Date, the Organizational Documents of each of the Reorganized Debtors shall be deemed authorized in all respects. To the extent applicable, the Organizational Documents for the Reorganized Debtors shall prohibit the issuance of nonvoting equity securities only so long as, and to the extent that, the issuance of nonvoting equity securities is prohibited by the Bankruptcy Code (and any material changes in the form or the classification of Reorganized NGR Holding and/or Reorganized New Gulf shall be addressed in the Plan Supplement).

Appointment of Officers and Directors.

As of the Effective Date, the term of the current members of the board of directors or managers of NGR Holding shall be deemed to have expired and such members shall be deemed removed from such board, without further action by or notice to any Person. On the Effective Date, the initial directors or managers of the New Board shall consist of seven (7) directors/managers, including the Chief Executive Officer of Reorganized NGR

Holding, three (3) directors/managers designated by Värde Partners, Inc., one (1) director/manager designated by Millstreet Capital Management LLC, one (1) director/manager designated by PennantPark Investment Corporation, and one (1) independent director/manager satisfactory to the Ad Hoc Committee. Commencing on the Effective Date, each of the directors of each of the Reorganized Debtors shall serve pursuant to the terms of the applicable organizational documents of such Reorganized Debtor and may be replaced or removed in accordance with such organizational documents.

The Plan Supplement shall identify the members of the boards of directors or the New Board, as applicable, of the Reorganized Debtors.

On the Effective Date, the executive officers of Reorganized NGR Holding shall be those executive officers that were employed by NGR Holding immediately prior to the occurrence of the Effective Date, subject to the execution of amended and restated employment contracts (to the extent applicable) that are acceptable to such employee and the New Board.

Reorganized NGR Holding Management Incentive Plan

A new management incentive program (the "**MIP**") shall be implemented immediately following the Effective Date. The MIP will provide for equity and/or equity-based awards, subject to the terms and conditions provided in the MIP and any individual award agreements. The pool available for grants of awards under the MIP will be equal to 9% in the aggregate of the new equity interests (on a fully diluted basis and not subject to dilution as of any Dilution Events) as of the Effective Date. For a description of the effects of the Dilution Events, please see **Exhibit L**. The New Board (in consultation with the CEO) of Reorganized NGR Holding shall grant one half of the MIP pool (4.5% of the new equity interests) to the Executive Team (as defined below) on or as soon as administratively practicable after the Effective Date, and such awards shall vest one-third at grant and one-third on each of the first and second anniversaries of such grant, subject to such terms and conditions as provided under the MIP and individual award agreements. 25% of the MIP pool (2.25% of the new equity interests) will be available for grants to certain non-executive employees following emergence pursuant to and subject to guidelines established by the New Board in consultation with the CEO and shall contain such vesting provisions and other terms and conditions as determined by the New Board, in consultation with the CEO. The remaining portion of the MIP pool (i.e., 2.25% of the new equity interests) shall be available for awards, as determined by the New Board in its discretion after the Effective Date to the Executive Team and shall vest based on such terms and conditions determined by the New Board at the time of grant. For purposes of the MIP, "Executive Team" shall refer to Chairman and CEO; SVP & Chief Financial Officer; SVP Geology & Geophysics; SVP Drilling & Completions; SVP Production Operations Engineering; and VP Strategic Planning & Development. In addition, the MIP shall provide that awards shall provide that awards shall allow for net settlement to satisfy any required tax withholding not to exceed the statutory minimum and shall vest on a change in control that occurs while a grantee is employed by the Company. The material terms and conditions of the MIP will be included in the Plan Supplement.

Indemnification of Directors, Officers, and Employees.

From and after the Effective Date, indemnification obligations owed by NGR Holding to directors, managers, officers, or employees of the Debtors who served or were employed by any Debtor on or after May 1, 2014, to the extent provided in the articles or certificate of formation or limited liability company agreement of NGR Holding in effect as of immediately prior to the Petition Date, will be deemed assumed pursuant to the Plan and shall survive Confirmation of the Plan, and, for the avoidance of doubt, the Reorganized Debtors shall indemnify all such directors, managers, officers or employees for any claims or liabilities resulting from Covered Actions arising from NGR Holding's limited liability company agreement, except for fraud, gross negligence or willful misconduct, each as determined by a final non-appealable order. The Reorganized Debtors shall obtain a directors and officers tail policy providing for such continuing coverage for a period of seven years following the Effective Date on substantially the same terms as existed as of the Petition Date.

D. Effect of Confirmation of the Plan.

General Settlement of Claims and Interests.

Pursuant to section 363 of the Bankruptcy Code and Bankruptcy Rule 9019 and in consideration for the distributions and other benefits provided pursuant to the Plan, the provisions of the Plan shall constitute a good faith compromise of all Claims, Equity Interests and controversies relating to the contractual, legal, and subordination rights that a holder of a Claim may have with respect to any Allowed Claim, or any Distribution to be made on account of such Allowed Claim, subject in each case to Article IV.E. hereof.

Without limiting the foregoing, the provisions of the Plan shall, upon consummation, constitute a good faith compromise and settlement, pursuant to Bankruptcy Rule 9019 and section 1123 of the Bankruptcy Code, among the Debtors and the Ad Hoc Committee of all disputes among the parties, including those arising from, or related to the Second Lien Notes Claims. In the event that, for any reason, the Confirmation Order is not entered or the Effective Date does not occur, the Debtors and the Ad Hoc Committee reserve all of their respective rights with respect to any and all disputes that would have been resolved and settled under the Plan had the Effective Date occurred.

The entry of the Confirmation Order shall constitute the Court's approval of each of the compromises and settlements embodied in the Plan, and the Court's findings shall constitute its determination that such compromises and settlements are in the best interests of the Debtors, their Estates, creditors, and other parties-in-interest, and are fair, equitable, and within the range of reasonableness. The Plan and the Confirmation Order shall have res judicata, collateral estoppel, and estoppel (judicial, equitable, or otherwise) effect with respect to all matters provided for, or resolved pursuant to, the Plan and/or the Confirmation Order, including, without limitation, the release, injunction, exculpation, discharge, and compromise provisions contained in the Plan and/or the Confirmation Order. The provisions of the Plan, including, without limitation, its release, injunction, exculpation and compromise provisions, are mutually dependent and non-severable.

Subordination of 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, subject in each case to Article IV.E. hereof. However, the Debtors (with the consent of the Requisite Supporting Noteholders) reserve the right to reclassify any Allowed Claim or Equity Interest in accordance with any contractual, legal or equitable subordination relating thereto, unless otherwise provided in a settlement agreement concerning such Allowed Claim.

Discharge of the Debtors.

Pursuant to section 1141(d) of the Bankruptcy Code, and except as otherwise specifically provided in the Plan or in any contract, instrument, or other agreement or document created or assumed pursuant to 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, 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, the Reorganized Debtors 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, Equity Interests and Causes of Action, including demands, liabilities and Causes of Action that arose before the Effective Date, any contingent or non-contingent liability, whether on account of representations or warranties issued or otherwise, whether on or 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 deemed to be satisfied, discharged and released in full, and the Debtors' liability with respect thereto, shall be extinguished completely, including 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 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; or (iii) the holder of such a Claim or Equity Interest has accepted the Plan or is entitled to receive a distribution under the Plan; and (d) all holders of such Claims and Equity Interests shall be precluded from ever asserting against the Debtors, the Debtors' Estates, the Reorganized Debtors, their successors, assigns and affiliates, 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 occurrence of the Effective Date.

Upon the Effective Date, all Claims and Causes of Action against any Debtor related to or arising from any act, omission, transaction, event or other occurrence taking place on or prior to the Effective Date in any way relating to a non-Debtor affiliate and/or subsidiary of the Debtors, shall receive the classification and treatment provided for such Claims in the Plan and shall be discharged and all holders thereof forever precluded and enjoined, pursuant to sections 105, 524, 1141 of the Bankruptcy Code, from prosecuting or asserting any such discharged Claim and Cause of Action against any Reorganized Debtor.

Releases, Exculpations, and Injunctions of Released Parties.

Release of Liens. **Except (a) with respect to the Liens securing the indebtedness, obligations, and liabilities under the New First Lien Notes Documents, and (b) as otherwise expressly 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, and other security interests against any property of the Debtors' Estates (including all liens provided for in the DIP Order on account of the DIP Loan Claims) shall be fully released and discharged, and all of the right, title, and interest of any holder of such mortgages, deeds of trust, Liens, pledges, and other security interests shall revert to the Reorganized Debtors and each of their successors and assigns.**

Releases by the Debtors. **For good and valuable consideration (including the service of the Released Parties to facilitate the reorganization of the Debtors, the implementation of the restructuring contemplated by the Restructuring Support Agreement and the Plan and the compromises contained in the Plan), the adequacy of which is hereby confirmed, and except as otherwise specifically provided in the Plan, on and after the Effective Date, the Debtors, the Reorganized Debtors and the Debtors' Estates, including any successor to the Debtors or any Estate representative, shall be deemed to conclusively, absolutely, unconditionally, irrevocably and forever release, waive and discharge all claims, interests, obligations, suits, judgments, damages, demands, debts, rights, remedies, Causes of Action and liabilities that could have been asserted by or on behalf of the Debtors or their Estates or Reorganized Debtors, whether directly, indirectly, derivatively or in any representative or any other capacity, against the Released Parties (and each such Released Party shall be deemed forever released, waived and discharged by the Debtors and Reorganized Debtors), whether liquidated or unliquidated, fixed or contingent, matured or unmatured, known or unknown, foreseen or unforeseen, existing as of the Effective Date 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 taking place on or prior to the Effective Date in any way relating the Covered Actions, provided, however, that the foregoing shall not operate to waive or release (i) any Causes of Action, if any, expressly set forth in and preserved by the Plan or the Plan Supplement (with the consent of the Requisite Supporting Noteholders); (ii) any Causes of Action arising from fraud, gross negligence, or willful misconduct as determined by final non-appealable order; and/or (iii) the rights of the Debtors or the Reorganized Debtors to enforce the Plan and the contracts, instruments, releases and other agreements or documents delivered under or in connection with the Plan or assumed pursuant to the Plan or assumed pursuant to final non-appealable order. The foregoing release shall be effective as of and**

subject to the occurrence of the Effective Date without further notice to or order of the Bankruptcy Court, act or action under applicable law, regulation, order, or rule or the vote, consent, authorization or approval of any person and the Confirmation Order will permanently enjoin the commencement, prosecution or continuation by any person or entity, whether directly, derivatively or otherwise, of any Claims, obligations, suits, judgments, damages, demands, debts, rights, Causes of Action, or liabilities released pursuant to this release.[15]

Releases by Holders of Claims and Equity Interests. **For good and valuable consideration (including the service of the Released Parties to facilitate the reorganization of the Debtors, the implementation of the restructuring contemplated by the Restructuring Support Agreement and the Plan and the compromises contained in the Plan), the adequacy of which is hereby confirmed, and except as otherwise specifically provided in the Plan, , on and after the Effective Date, to the fullest extent permitted by applicable law, each of the Releasing Parties shall be deemed to conclusively, absolutely, unconditionally, irrevocably and forever release, waive and discharge all claims, interests, obligations, suits, judgments, damages, demands, debts, rights, remedies, Causes of Action and liabilities that could have been asserted by or on behalf of the Debtors or their Estates or Reorganized Debtors, whether directly, indirectly, derivatively or in any representative or any other capacity, against the other Released Parties (and each such other Released Party shall be deemed forever released, waived and discharged by the other Released Parties), whether liquidated or unliquidated, fixed or contingent, matured or unmatured, known or unknown, foreseen or unforeseen, existing as of the Effective Date 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 taking place on or prior to the Effective Date in any way relating to the Covered Actions; provided, however, that the foregoing shall not operate to waive or release (i) any Causes of Action, if any, expressly set forth in and preserved by the Plan or the Plan Supplement (with the consent of the Requisite Supporting Noteholders); (ii) any Causes of Action arising from fraud, gross negligence, or willful misconduct as determined by final non-appealable order; and/or (iii) the rights of the Debtors or the Reorganized Debtors to enforce the Plan and the contracts, instruments, releases and other agreements or documents delivered under or in connection with the Plan or assumed pursuant to the Plan or assumed pursuant to final non-appealable order. The foregoing release shall be effective as of and subject to the occurrence of the Effective Date without further notice to or order of the Bankruptcy Court, act or action under applicable law, regulation, order, or rule or the vote, consent, authorization or approval of any person and the Confirmation Order will permanently enjoin the commencement, prosecution or continuation by any person or entity, whether directly, derivatively or otherwise, of any Claims, obligations, suits, judgments, damages, demands, debts, rights, Causes of Action, or liabilities released pursuant to this release. Each Person providing releases under the Plan, including the Debtors, the Reorganized Debtors, the Estates and the Releasing Parties, shall be deemed to have granted the releases set forth in those sections notwithstanding that such Person may hereafter discover facts in addition to, or different from, those which it now knows or believes to be true, and without regard to the subsequent discovery or existence of such different or**

[15] Under the Plan, the term "Covered Action" means any and all claims, liabilities or Causes of Action for any act or omission, transaction, event or other occurrence taking place on or prior to the Effective Date based on, arising under or in any way relating to the Debtors, their affiliates and former affiliates, their limited liability company agreements or other organizational documents, the Prepetition Reorganization, the Chapter 11 Cases, the purchase, sale, transfer, or rescission of the purchase, sale, or transfer of any security, asset, right, or interest of the Debtors or the Reorganized Debtors, the formulation, negotiation, preparation, dissemination, implementation, administration, solicitation, confirmation or consummation of the Chapter 11 Cases, the Plan, the Disclosure Statement, the Organizational Documents of the Reorganized Debtors, the Restructuring Transactions, the Rights Offering, the sale or issuance of the Rights, the New Equity Interests or the New First Lien Notes or any other debt or security to be offered, issued, or distributed in connection with the Plan, the Restructuring Support Agreement and the Backstop Agreement and the transactions or arrangements contemplated thereby, or any contract, instrument, release or other agreement or document created or entered into in connection with the Plan or any other act taken or omitted to be taken in connection with or in contemplation of the Chapter 11 Cases or the restructuring of the Debtors or Reorganized Debtors.

additional facts, and such Person expressly waives any and all rights that it may have under any statute or common law principle which would limit the effect of such releases to those claims or causes of action actually known or suspected to exist at the time of execution of such release.

Exculpation. **Notwithstanding anything in the Plan to the contrary, the Exculpated Parties shall neither have nor incur any liability to any holder of any Claim or Interest or any other party in interest, or any of their respective agents, employees, representatives, financial advisors, attorneys, or agents acting in such capacity, or affiliates, or any of their successors or assigns, for any act or omission in connection with, or arising out of or related to any act taken or omitted to be taken in connection with any Covered Action; provided that nothing in the foregoing "Exculpation" shall exculpate any Entity from any liability resulting from any act or omission that is determined by Final Order to have constituted fraud, willful misconduct, gross negligence, or criminal conduct; 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.**

Notwithstanding anything in the Plan to the contrary, as of the Effective Date, pursuant to section 1125(e) of the Bankruptcy Code, the Solicitation Parties upon appropriate findings of the Bankruptcy Court will be deemed to have solicited acceptance of the Plan in good faith and in compliance with the applicable provisions of the Bankruptcy Code, and to have participated in good faith and in compliance with the applicable provisions of the Bankruptcy Code, in the offer, issuance, sale, or purchase of a security, offered or sold under the Plan of a Reorganized Debtor, and shall not be liable to any Person on account of such solicitation or participation.

In addition to the protections afforded in Article VII of the Plan to the Exculpated Parties and the Solicitation Parties, and not in any way reducing or limiting the application of such protections, the Bankruptcy Court shall have exclusive jurisdiction over any and all Causes of Action asserted against any Debtor or Solicitation Party for Covered Actions that are not otherwise exculpated, released or enjoined by the Plan.

Injunction. EXCEPT AS OTHERWISE EXPRESSLY PROVIDED IN THE PLAN, THE PLAN SUPPLEMENT OR RELATED DOCUMENTS, AS OF THE CONFIRMATION DATE, BUT SUBJECT TO THE OCCURRENCE OF THE EFFECTIVE DATE, ALL PERSONS WHO HAVE HELD, HOLD, OR MAY HOLD CLAIMS OR EQUITY INTERESTS ARE PERMANENTLY ENJOINED, FROM AND AFTER THE CONFIRMATION DATE, FROM TAKING ANY OF THE FOLLOWING ACTIONS AGAINST, AS APPLICABLE, THE DEBTORS, THE REORGANIZED DEBTORS, THE RELEASED PARTIES, THE EXCULPATED PARTIES OR THE SOLICITATION PARTIES OR ANY OF THEIR PROPERTY, OR ANY DIRECT OR INDIRECT TRANSFER OF ANY PROPERTY OF, OR DIRECT OR INDIRECT SUCCESSOR IN INTEREST TO, ANY OF THE FOREGOING PERSONS OR ENTITIES: (1) COMMENCING OR CONTINUING IN ANY MANNER ANY ACTION OR OTHER PROCEEDING OF ANY KIND ON ACCOUNT OF OR IN CONNECTION WITH OR WITH RESPECT TO ANY SUCH CLAIMS, CAUSES OF ACTION, OR EQUITY INTERESTS; (2) ENFORCING, ATTACHING, LEVYING, COLLECTING, OR OTHERWISE RECOVERING BY ANY MANNER OR MEANS ANY JUDGMENT, AWARD, DECREE, OR ORDER AGAINST SUCH RELEASED PARTIES ON ACCOUNT OF OR IN CONNECTION WITH OR WITH RESPECT TO ANY SUCH CLAIMS, CAUSES OF ACTION, OR EQUITY INTERESTS; (3) CREATING, PERFECTING, OR ENFORCING ANY ENCUMBRANCE OF ANY KIND AGAINST SUCH RELEASED PARTIES OR AGAINST THE PROPERTY OR ESTATES OF SUCH RELEASED PARTIES ON ACCOUNT OF OR IN CONNECTION WITH OR WITH RESPECT TO ANY SUCH CLAIMS, CAUSES OF ACTION, OR EQUITY INTERESTS; (4) ASSERTING ANY RIGHT OF SETOFF, SUBROGATION, OR RECOUPMENT OF ANY KIND AGAINST ANY OBLIGATION DUE FROM ANY OF THE DEBTORS OR REORGANIZED DEBTORS OR AGAINST THE PROPERTY OR INTERESTS IN PROPERTY OF ANY OF THE DEBTORS OR REORGANIZED DEBTORS ON ACCOUNT OF OR IN CONNECTION WITH OR WITH RESPECT TO ANY SUCH CLAIMS, CAUSES OF ACTION, OR EQUITY INTEREST; (5) COMMENCING OR CONTINUING IN ANY MANNER ANY ACTION OR OTHER PROCEEDING OF ANY KIND ON ACCOUNT OF OR IN CONNECTION WITH OR WITH RESPECT TO ANY SUCH CLAIMS, CAUSES OF ACTION, OR EQUITY

INTERESTS RELEASED, SETTLED, OR DISCHARGED PURSUANT TO THE PLAN OR CONFIRMATION ORDER, (6) ACTING OR PROCEEDING IN ANY MANNER, IN ANY PLACE WHATSOEVER, THAT DOES NOT CONFORM TO OR COMPLY WITH THE PROVISIONS OF THIS PLAN TO THE FULL EXTENT PERMITTED BY APPLICABLE LAW; AND (7) COMMENCING OR CONTINUING, IN ANY MANNER OR IN ANY PLACE, ANY ACTION THAT DOES NOT COMPLY WITH OR IS INCONSISTENT WITH THE PROVISIONS OF THIS PLAN; PROVIDED, HOWEVER, THAT NOTHING CONTAINED HEREIN SHALL PRECLUDE SUCH PERSONS FROM EXERCISING THEIR RIGHTS, OR OBTAINING BENEFITS, PURSUANT TO AND CONSISTENT WITH THE TERMS OF THIS PLAN.

By accepting Distributions pursuant to the Plan, each holder of an Allowed Claim or Interest will be deemed to have specifically consented to the Injunctions set forth in Article VII.H of the Plan.

Limitations on Exculpations and Releases. **Notwithstanding anything contained in the Plan to the contrary, the releases and exculpation contained in the Plan do not release any obligations of any party arising under the Plan or any document, instrument or agreement (including those set forth in the New First Lien Notes Documents and the Plan Supplement) executed to implement the Plan.**

Injunction Against Interference with Plan.

Upon the entry of the Confirmation Order, all holders of Claims and Interests and other parties in interest, along with their respective present or former affiliates, employees, agents, officers, directors, or principals, shall be enjoined from taking any actions to interfere with the implementation or consummation of the Plan.

Preservation of Insurance.

The Debtors' discharge, exculpation and release, and the release in favor of the Released Parties, as provided in the Plan, shall not, except as necessary to be consistent with the Plan, diminish or impair the enforceability of any insurance policy that may provide coverage for claims against the Debtors, the Reorganized Debtors, their current and former directors and officers, or any other Person.

E. Distributions Under the Plan

One of the key concepts under the Bankruptcy Code is that only claims and interests that are "allowed" may receive distributions under a chapter 11 plan. This term is used throughout the Plan and the descriptions in the Plan. In general, an Allowed Claim or Equity Interest means that the Debtors agree, or if there is a dispute, the Bankruptcy Court determines, by Final Order, that the Claim or Equity Interest, and the amount thereof, is in fact a valid obligation of or Equity Interest in the Debtors.

Procedures for Treating Disputed Claims

Objections to Claims. Except insofar as a Claim is Allowed under the Plan, the Debtors, the Reorganized Debtors, and any other party in interest shall be entitled to object to Claims. Any objections to Claims shall be filed and served by the Claims Objection Deadline. Any Claims not objected to by the Claims Objection Deadline shall be deemed Allowed unless such period is extended upon approval of the Bankruptcy Court.

Expungement and Disallowance of Claims.

Paid, Satisfied, Amended, Duplicate or Superseded Claims. Any Claim that has been paid, satisfied, amended, duplicated or superseded, may be adjusted or expunged on the Claims Register by the Reorganized Debtors on or after 14 calendar days after the date on which notice of such adjustment or expungement has been filed with the Bankruptcy Court, without the need for the Debtors to have filed an objection to such claim, and without any further action, order or approval of the Bankruptcy Court.

Claims by Persons From Which Property Is Recoverable. Unless otherwise agreed to by the Reorganized Debtors or ordered by the Bankruptcy Court, any Claims held by any Person or Entity from

which property is recoverable under sections 542, 543, 550 or 553 of the Bankruptcy Code, or that is a transferee of a transfer avoidable under sections 522(f), 522(h), 544, 545, 547, 548, 549 or 724(a) of the Bankruptcy Code, shall be deemed disallowed pursuant to section 502(d) of the Bankruptcy Code, and any holder of such Claim may not receive any Distributions on account of such Claim until such time as such Cause of Action against that Person or Entity has been resolved.

Indemnification Claims.—All Claims filed on account of an indemnification obligation to a director, officer or employee shall be deemed satisfied and expunged from the Claims Register as of the Effective Date, to the extent such indemnification obligation is assumed (or honored or reaffirmed, as the case may be) pursuant to the Plan, without any further notice to or action, order or approval of the Bankruptcy Court.

Untimely Claims.—Any Claim that was required to be filed by the Claims Bar Date, but was not timely filed, shall not be Allowed, shall be deemed disallowed, and shall be forever barred, estopped and enjoined from asserting such Claim against the Debtors, the Reorganized Debtors, their respective affiliates or their respective property, and such Claim shall be deemed discharged as of the Effective Date, unless otherwise ordered by a Final Order of the Bankruptcy Court.

Amendments to Proofs of Claim.—On or after the Effective Date, a Proof of Claim may not be amended (other than solely to update or correct the name or address of the holder of such Claim) without the prior authorization of the Bankruptcy Court or the Reorganized Debtors, as applicable, and any such amended Proof of Claim filed without such prior authorization shall be deemed disallowed in full and expunged without any further notice to or action, order or approval of the Bankruptcy Court.

No Distributions Pending Allowance.—If an objection to a Claim or a portion thereof is filed as set forth in Article VIII of the Plan or the Claim otherwise remains a Disputed Claim, except as otherwise provided in a Final Order of the Bankruptcy Court, no payment or Distribution provided under the Plan shall be made on account of such Claim or portion thereof, as applicable, unless and until such Disputed Claim becomes an Allowed Claim.

Distributions After Allowance.—To the extent that a Disputed Claim ultimately becomes an Allowed Claim, Distributions (if any) shall be made to the holder of such Allowed Claim in accordance with the applicable provisions of the Plan and any order of the Court.

Administration Responsibilities.—Except as otherwise specifically provided in the Plan, after the Effective Date the Reorganized Debtors, with the consent of the Requisite Supporting Noteholders, shall have the sole authority to (a) file, withdraw or litigate to judgment objections to Claims, (b) settle or compromise any Disputed Claim without any further notice to or action, order or approval of the Bankruptcy Court, and (c) administer and adjust, or cause to be administered and adjusted, the Claims Register to reflect any such settlements or compromises without any further notice to or action, order or approval of the Bankruptcy Court; *provided that* nothing in Article VIII.8 of the Plan shall limit the ability under the Bankruptcy Code of any party-in-interest to object to any Claim prior to the Claim Objection Bar Date unless otherwise ordered by the Bankruptcy Court.

Allowed Claims

Delivery of Distributions in General.—Except as otherwise provided in the Plan, Distributions under the Plan shall be made by the Disbursing Agent to the holders of Allowed Claims in all Classes for which a Distribution is provided in the Plan at the addresses set forth on the Schedules or in the Debtors' books and records, as applicable, unless such addresses are superseded by Proofs of Claim or transfers of Claim filed pursuant to Bankruptcy Rule 3001 by the Distribution Record Date (or at the last known addresses of such holders if the Debtors or the Reorganized Debtors have been notified in writing of a change of address).

Delivery of Distributions to Holders of Second Lien Notes Claims and Subordinated PIK Notes Claims.—The Indenture Trustees shall act as Disbursing Agents for the purposes of Distributions to be made under

the Plan on account of each Second Lien Notes Claim and Subordinated PIK Notes Claim in accordance with the terms of the Second Lien Notes Indenture or the Subordinated PIK Notes Indenture (as applicable and other than any subordination provisions therein) and the Plan. Notwithstanding anything in the Plan to the contrary, and without limiting the exculpation and release provisions of the Plan, the Indenture Trustees shall not have any liability to any Person with respect to Distributions made or directed to be made by the Indenture Trustees.

Distribution of Cash. Any payment of Cash by the Reorganized Debtors pursuant to the Plan shall be made at the option and in the sole discretion of the Reorganized Debtors by (i) a check drawn on, or (ii) wire transfer from, a domestic bank selected by the Reorganized Debtors.

Unclaimed Distributions of Cash. Any Distribution of Cash under the Plan that is unclaimed after six months after it has been delivered (or attempted to be delivered) shall, pursuant to section 347(b) of the Bankruptcy Code, become the property of the Reorganized Debtors notwithstanding any state or other escheat or similar laws to the contrary, and the entitlement by the holder of such unclaimed Allowed Claim to such Distribution shall be extinguished and forever barred.

Distributions of New Equity Interests. On or about the Effective Date, the Disbursing Agent shall distribute the New Equity Interests in accordance with Article IV.B of the Plan.

Unclaimed Distributions of New Equity Interests. Any Distribution of New Equity Interests under the Plan that is unclaimed after six months after it has been delivered (or attempted to be delivered) shall be retained by the Reorganized Debtors, notwithstanding any state or other escheat or similar laws to the contrary, and the entitlement by the holder of such Allowed Claim to such Distribution or any subsequent Distribution on account of such Allowed Claim shall be extinguished and forever barred.

Saturdays, Sundays, or Legal Holidays. If any payment, Distribution or act under the Plan is required to be made or performed on a date that is not a Business Day, then the making of such payment or Distribution or the performance of such act may be completed on the next succeeding Business Day, and shall be deemed to have been completed as of the required date.

Fractional New Equity Interests and De Minimis Distributions. Notwithstanding any other provision in the Plan to the contrary, no fractional units of New Equity Interests shall be issued or distributed pursuant to the Plan. Whenever any Distribution of a fraction of a unit of New Equity Interests would otherwise be required under the Plan, the actual Distribution made shall reflect a rounding of such fraction to the nearest whole unit (up or down), with half units or less being rounded down and fractions in excess of a half of a unit being rounded up. No consideration will be provided in lieu of fractional units that are rounded down. Fractional units of New Equity Interests that are not distributed in accordance with Article VII.B.8 of the Plan shall be cancelled. The Reorganized Debtors shall not be required to, but may in their sole and absolute discretion, make any payment on account of any Claim in the event that the costs of making such payment exceeds the amount of such payment.

Distributions to Holders of Claims:

Initial Distribution to Claims Allowed as of the Effective Date. On or as soon as reasonably practicable after the Effective Date, or as otherwise expressly set forth in the Plan, the Disbursing Agent shall distribute Cash, New Equity Interests, or Collateral, as the case may be, to the holders of Allowed Claims as contemplated in the Plan.

Claims Allowed after the Effective Date. Each holder of a Claim that becomes an Allowed Claim subsequent to the Effective Date shall receive the Distribution to which such holder of an Allowed Claim is entitled as set forth in Article III of the Plan, and Distributions to such holder shall be made in accordance with the provisions of the Plan. As soon as practicable after

the date that the Claim becomes an Allowed Claim, the Reorganized Debtors shall provide to the holder of such Claim the Distribution (if any) to which such holder is entitled under the Plan as of the Effective Date, without any interest to be paid on account of such Claim.

Special Rules for Distributions to Holders of Disputed Claims.—Notwithstanding any provision otherwise in the Plan and except as otherwise agreed to by the relevant parties, no partial payments and no partial Distributions shall be made with respect to a Disputed Claim until all such disputes in connection with such Disputed Claim have been resolved by settlement or Final Order. In the event that there are Disputed Claims requiring adjudication and resolution, the Reorganized Debtors shall establish appropriate reserves for potential payment of such Claims. If the Debtors, Reorganized Debtors or any other party in interest dispute any General Unsecured Claim, such dispute shall be governed by Article VIII.A.3 of the Plan.

Interest on Claims.—Except as specifically provided for in the Plan, no Claims, Allowed or otherwise (including Administrative Claims), shall be entitled, under any circumstances, to receive any interest on a Claim.

Allocation of Consideration

The aggregate consideration to be distributed to the holders of Allowed Claims in each Class under the Plan shall be treated as first satisfying an amount equal to the principal amount of the Allowed Claim for such holders, and any remaining consideration as satisfying accrued, but unpaid interest, as applicable.

Estimation.

Prior to or after the Effective Date, the Debtors (with the consent of the Requisite Supporting Noteholders) or the Reorganized Debtors, as applicable, may (but are not required to), at any time, request that the Court estimate (i) any Disputed Claim pursuant to section 502(c) of the Bankruptcy Code or (ii) any contingent or unliquidated Claim pursuant to section 502(c) of the Bankruptcy Code, for any reason, regardless of whether the Debtors or the Reorganized Debtors have previously objected to such Claim or whether the Court has ruled on any such objection. The Court will retain jurisdiction to estimate any Claim at any time, including during proceedings concerning any objection to such Claim. In the event that the Court estimates any Claim, such estimated amount shall constitute either (i) the Allowed amount of such Claim, (ii) the amount on which a reserve is to be calculated for purposes of any reserve requirement under the Plan or (iii) a maximum limitation on such Claim, as determined by the Court. If the estimated amount constitutes the maximum limitation on such Claim, the Debtors (with the consent of the Requisite Supporting Noteholders) or the Reorganized Debtors, as the case may be, may elect to object to any ultimate allowance of such Claim. All of the aforementioned objection, estimation, and resolution procedures are cumulative and not necessarily exclusive of one another.

Insured Claims.

If any portion of an Allowed Claim is an Insured Claim, no Distributions under the Plan shall be made on account of such Allowed Claim until the holder of such Allowed Claim has exhausted all remedies with respect to any applicable insurance policies. To the extent that the Debtors' insurers agree to satisfy a Claim in whole or in part, then immediately upon such agreement, the portion of such Claim so satisfied may be expunged without an objection to such Claim having to be filed and without any further notice to or action, order or approval of the Court.

Setoffs and Recoupments.

Each Reorganized Debtor, or such entity's designee (including, without limitation, the Disbursing Agent) as instructed by such Reorganized Debtor, may, pursuant to section 553 of the Bankruptcy Code or applicable non-bankruptcy law, set off and/or recoup against any Allowed Claim, and the distributions to be made pursuant to the Plan on account of such Allowed Claim, any and all claims, rights and Causes of Action that a Reorganized Debtor or its successors may hold against the holder of such Allowed Claim after the Effective Date; provided, however, that neither the failure to effect a setoff or recoupment nor the allowance of any Claim under the

Plan will constitute a waiver or release by a Reorganized Debtor or such entity's designee or its successor of any and all claims, rights (including, without limitation, rights of setoff and/or recoupment) and Causes of Action that a Reorganized Debtor or such entity's designee or its successor may possess against such holder. For the avoidance of doubt, the Distribution Trustee shall not have any authority to exercise any rights of the Debtors or Reorganized Debtors to setoff or recoupment.

Rights and Powers of Disbursing Agent

Powers of Disbursing Agent.—The Disbursing Agent shall be empowered to: (i) effect all actions and execute all agreements, instruments, and other documents necessary to perform its duties under the Plan; (ii) make all applicable distributions or payments contemplated hereby; (iii) employ professionals to represent it with respect to its responsibilities; and (iv) exercise such other powers as may be vested in the Disbursing Agent by order of the Bankruptcy Court (including any order issued after the Effective Date), pursuant to the Plan, or as deemed by the Disbursing Agent to be necessary and proper to implement the provisions hereof.

Expenses Incurred on or After the Effective Date.—Except as otherwise ordered by the Bankruptcy Court, and subject to the written agreement of the Reorganized Debtors, the amount of any reasonable fees and expenses incurred by the Disbursing Agent on or after the Effective Date (including, without limitation, taxes) and any reasonable compensation and expense reimbursement Claims (including, without limitation, reasonable attorney and other professional fees and expenses) made by the Disbursing Agent shall be paid in Cash by the Reorganized Debtors.

Fees and Expenses of the Second Lien Notes Indenture Trustee.—All fees and expenses of the Second Lien Notes Indenture Trustee must be paid in full in cash on the Effective Date. The Second Lien Notes Indenture Trustee shall retain all rights under sections 6.10 and 7.07 of the Second Lien Notes Indenture to exercise its charging lien against the distributions to the holders of Second Lien Notes Claims.

Fees and Expenses of the Subordinated PIK Notes Indenture Trustee.—The reasonable and documented fees and expenses incurred by the Subordinated PIK Notes Indenture Trustee solely with respect to the negotiation and documentation of the Subordinated PIK Notes Indenture Trustee's successorship as indenture trustee for the Subordinated PIK Notes and the facilitation of distributions under the Plan (but not any other fees or expenses), in an aggregate amount of up to $70,000, shall be paid in cash on the Effective Date. The accrued but unpaid fees and expenses incurred by The Bank of New York Mellon Trust Company, N.A., in its capacity as former indenture trustee for the Subordinated PIK Notes, in an aggregate amount of up to $30,000, shall be paid to The Bank of New York Mellon Trust Company, N.A. in cash on the Effective Date. The Subordinated PIK Notes Indenture Trustee shall retain all rights under sections 6.10 and 7.07 of the Subordinated PIK Notes Indenture to exercise its charging lien against the distributions to the holders of Subordinated PIK Notes Claims.

F. Retention of Jurisdiction.

Notwithstanding the entry of the Confirmation Order and the occurrence of the Effective Date, on and after the Effective Date, the Court shall retain exclusive jurisdiction over all matters arising out of, or related to, the Chapter 11 Cases and the Plan pursuant to sections 105(a) and 1142 of the Bankruptcy Code, including jurisdiction:

i. to resolve any matters related to (a) the assumption, assumption and assignment, or rejection of any Executory Contract to which one or more of the Debtors or the Reorganized Debtors is party or with respect to which the Debtors or the Reorganized Debtors may be liable and to hear, determine, and, if necessary, liquidate, any Claims arising therefrom, including Cure Claims pursuant to section 365 of the Bankruptcy Code; and (b) any dispute regarding whether a contract or lease is or was executory or expired;

ii. to determine, adjudicate, or decide any other applications, adversary proceedings, contested matters, and any other matters pending on the Effective Date;

iii. to ensure that distributions to holders of Allowed Claims are accomplished as provided in the Plan;

iv. to resolve disputes as to the ownership of any Claim or Equity Interest;

v. 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;

vi. enter and implement such orders as may be appropriate in the event the Confirmation Order is for any reason stayed, revoked, reversed, modified, or vacated;

vii. issue such orders in aid of execution of the Plan, to the extent authorized by section 1142 of the Bankruptcy Code;

viii. consider any modifications of the Plan, to cure any defect or omission, or to reconcile any inconsistency in any order of the Court, including the Confirmation Order;

ix. hear and determine all applications for compensation and reimbursement of expenses of professionals under sections 330, 331, and 503(b) of the Bankruptcy Code;

x. hear and determine disputes arising in connection with the interpretation, implementation, consummation, or enforcement of the Plan;

xi. hear and determine any issue for which the Plan requires a Final Order of the Court;

xii. hear and determine matters concerning state, local, and federal taxes in accordance with sections 346, 505, and 1146 of the Bankruptcy Code;

xiii. hear and determine disputes arising in connection with compensation and reimbursement of expenses of professionals for services rendered during the period commencing on the Petition Date through and including the Effective Date;

xiv. hear and determine any Causes of Action preserved under the Plan;

xv. hear and determine any matter regarding the existence, nature, and scope of the Debtors' discharge;

xvi. to hear and determine all Causes of Actions for Covered Actions as provided in Article VII.G of the Plan;

xvii. to hear and determine any matter, case, controversy, suit, dispute, or Cause of Action (i) regarding the existence, nature, and scope of the discharge, releases, injunctions, and exculpation provided under the Plan, and (ii) enter such orders as may be necessary or appropriate to implement such discharge, releases, injunctions, exculpations, and other provisions;

xviii. enter a final decree closing the Chapter 11 Cases;

xix. to 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;

xx. adjudicate any and all disputes arising from or relating to distributions under the Plan;

xxi. to adjudicate any and all disputes arising from or relating to the Rights Offering Procedures;

xxii. enforce all orders previously entered by the Court; and

xxiii. hear any other matter not inconsistent with the Bankruptcy Code.

For the avoidance of doubt, the Court shall not retain exclusive jurisdiction with respect to the following documents entered into by the Reorganized Debtors on or after the Effective Date: (i) the New First Lien Notes Indenture, (ii) the New First Lien Notes Documents, (iii) the Organizational Documents for any of the other Reorganized Debtors, and (iv) the Reorganized NGR Holding Management Incentive Plan.

G. Executory Contracts and Unexpired Leases.

The Bankruptcy Code grants the Debtors the power, subject to the approval of the Court, to assume or reject executory contracts and unexpired leases. If an executory contract or unexpired lease is rejected, the other party to the agreement may file a claim for damages, if any, incurred by reason of the rejection. In the case of the Debtors' rejection of leases of real property, such damage claims are subject to certain caps imposed by the Bankruptcy Code.

Assumption of Executory Contracts.

Unless an Executory Contract: (i) was assumed or rejected, as mutually agreed upon by the Debtors and the Requisite Supporting Noteholders; (ii) was previously expired or terminated pursuant to its own terms; (iii) is the subject, as mutually agreed upon by the Debtors and the Requisite Supporting Noteholders, of a motion to reject filed on or before the Confirmation Date; or (iv) is designated specifically or by category as an Executory Contract on the Schedule of Rejected Executory Contracts, each Executory Contract shall be deemed assumed, without the need for any further notice to or action, order, or approval of the Bankruptcy Court, as of the Effective Date under section 365 of the Bankruptcy Code. The assumption of Executory Contracts under the Plan may include the assignment of certain of such contracts to the Debtors. The Confirmation Order will constitute an order of the Bankruptcy Court approving the above-described assumptions and assignments pursuant to sections 365 and 1123 of the Bankruptcy Code as of the Effective Date.

Except as otherwise provided in the Plan or agreed to by the Debtors, the Requisite Supporting Noteholders and the applicable counterparty, each assumed Executory Contract shall include all modifications, amendments, supplements, restatements, or other agreements related thereto, and all rights related thereto, if any, including all easements, licenses, permits, rights, privileges, immunities, options, rights of first refusal, and any other interests. Modifications, amendments, supplements, and restatements to prepetition Executory Contracts that have been executed by the Debtors and the applicable contract counter-party during the Chapter 11 Cases shall not be deemed to alter the prepetition nature of the Executory Contract or the validity, priority, or amount of any Claims that may arise in connection therewith.

In connection with their assumption of Executory Contracts pursuant to the Plan, the Debtors believe that their financial projections, which, together with the assumptions on which they are based, are attached hereto as **Exhibit F** (the "Financial Projections"), demonstrate the Debtors' ability to perform under such Executory Contracts going forward and provide adequate assurance of future performance.

Cure Claims

Cure Payments.—Except to the extent that less favorable treatment has been agreed to by the non-Debtor party or parties to each such Executory Contract, any monetary defaults arising under each Executory Contract to be assumed pursuant to the Plan (subject to the consent of the Requisite Supporting Noteholders) shall be satisfied, pursuant to section 365(b)(1) of the Bankruptcy Code, by payment of the appropriate amount (the "**Cure Amount**") in Cash on the later of thirty (30) calendar days after: (i) the Effective Date; and (ii) the date on which any Cure Dispute relating to such Cure Amount has been resolved (either consensually or through judicial decision).

Cure Schedule and Objections.—No later than twenty-one (21) calendar days prior to the commencement of the Confirmation Hearing, the Debtors shall file a cure schedule (which shall be satisfactory in form, substance and amount to the Requisite Supporting Noteholders), that includes the identity of the proposed assignee, if any, for any Executory Contract, and serve such cure schedule on each applicable counterparty. Any party that fails to object to the applicable Cure Amount listed on the Cure Schedule on or prior to the Cure Objection Deadline, shall be forever barred, estopped and enjoined from disputing the Cure Amount set forth on the Cure Schedule (including a Cure Amount of $0.00) and/or from asserting any Claim against the applicable Debtor arising under section 365(b)(1) of the Bankruptcy Code except as set forth on the Cure Schedule.

Cure Disputes.—In the event of a dispute (each, a "Cure Dispute") regarding: (i) the Cure Amount; (ii) the ability of the applicable Reorganized Debtor or the proposed assignee to provide "adequate assurance of future performance" (within the meaning of section 365 of the Bankruptcy Code) under the contract or lease to be assumed or assumed and assigned; or (iii) any other matter pertaining to the proposed assumption or assumption and assignment, the cure payments required by section 365(b)(1) of the Bankruptcy Code shall be made following the entry of a Final Order resolving such Cure Dispute and approving the assumption or assumption and assignment. To the extent a Cure Dispute relates solely to the Cure Amount, the applicable Debtor may assume and/or assume and assign the applicable contract or lease prior to the resolution of the Cure Dispute provided that such Debtor or proposed assignee reserves Cash in an amount sufficient to pay the full amount reasonably asserted as the required cure payment by the non-Debtor party to such contract or lease (or such smaller amount as may be fixed or estimated by the Bankruptcy Court or otherwise agreed to by such non-Debtor party and the Reorganized Debtors). To the extent the Cure Dispute is resolved or determined unfavorably to the applicable Debtor or Reorganized Debtor, as applicable, such Debtor or Reorganized Debtor, as applicable, may reject the applicable Executory Contract after such determination.

To the extent applicable, if under any Executory Contract, including related instruments and agreements, assumed or deemed assumed during the Chapter 11 Cases, the transactions contemplated by the Plan would (i) constitute a "change of control" or "assignment" (or terms with similar effect) under, (ii) would result in a violation, breach or default under, (iii) increase, accelerate or otherwise alter any obligations or liabilities of the Debtors or the Reorganized Debtors under, or (iv) result in the creation or imposition of a Lien upon any property or asset of the Debtors or the Reorganized Debtors pursuant to, the applicable Executory Contract, such a result will be unenforceable with respect to the transactions contemplated by the Plan, and any consent or advance notice required under such Executory Contract shall be deemed satisfied by ConfirmationOn the Effective Date, each Executory Contract that is listed on the Schedule of Rejected Executory Contracts shall be deemed rejected or repudiated pursuant to Bankruptcy Code section 365. Until the Effective Date, the Debtors, with the consent of the Requisite Supporting Noteholders, expressly reserve their right to amend the Schedule of Rejected Executory Contracts to delete any Executory Contract therefrom or to add any Executory Contract thereto.

All Claims arising from the rejection of Executory Contracts, if any, will be treated as General Unsecured Claims. All such Claims shall be discharged on the Effective Date, and shall not be enforceable against the Debtors, the Reorganized Debtors or their respective properties or interests in property. In the event that the rejection of an Executory Contract by any of the Debtors pursuant to the Plan results in damages to the other party or parties to such contract or lease, a Claim for such damages, if not evidenced by a timely filed proof of claim, shall be

forever barred and shall not be enforceable against the Debtors or the Reorganized Debtors, or their respective properties or interests in property as agents, successors or assigns, unless a proof of claim is filed with the Bankruptcy Court and served upon counsel for the Debtors and the Reorganized Debtors on or before the date that is thirty (30) days after the effective date of such rejection (which may be the Effective Date, or the date on which the Debtors reject the applicable contract or lease pursuant to an order of the Bankruptcy Court).

ASSUMPTION OF ANY EXECUTORY CONTRACT PURSUANT TO THE PLAN OR OTHERWISE SHALL RESULT IN THE FULL RELEASE AND SATISFACTION OF ANY CLAIMS OR DEFAULTS, WHETHER MONETARY OR NONMONETARY, INCLUDING DEFAULTS OF PROVISIONS RESTRICTING THE CHANGE IN CONTROL OR OWNERSHIP INTEREST COMPOSITION OR OTHER BANKRUPTCY-RELATED DEFAULTS, ARISING UNDER ANY ASSUMED EXECUTORY CONTRACT AT ANY TIME BEFORE THE DATE ANY OF THE DEBTORS OR THE REORGANIZED DEBTORS ASSUMES SUCH EXECUTORY CONTRACT. ANY PROOFS OF CLAIM FILED WITH RESPECT TO AN EXECUTORY CONTRACT THAT HAS BEEN ASSUMED SHALL BE DEEMED DISALLOWED AND EXPUNGED, WITHOUT FURTHER NOTICE TO OR ACTION, ORDER OR APPROVAL OF THE COURT.

Obligations arising under insurance policies assumed by any of the Debtors before the Effective Date shall be adequately protected in accordance with any order authorizing such assumption.

Reservation of Rights.

Nothing contained in the Plan shall constitute an admission by the Debtors that any such contract or lease is in fact an Executory Contract or that any Debtor or Reorganized Debtor has any liability thereunder. If there is a dispute regarding whether a contract or lease is or was executory or unexpired at the time of assumption, the Debtors (with the consent of the Requisite Supporting Noteholders) or the Reorganized Debtors, as applicable, shall have 45 days following entry of a Final Order resolving such dispute to alter their treatment of such contract or lease, in which case the deemed assumptions and rejections provided for in the Plan shall not apply to such contract or lease.

Assignment.

Any Executory Contract to be held by any of the Debtors or the Reorganized Debtors and assumed under the Plan or otherwise in the Chapter 11 Cases, if not expressly assigned to a third party previously in the Chapter 11 Cases, will be deemed assigned to the applicable Reorganized Debtor pursuant to section 365 of the Bankruptcy Code. If an objection to a proposed assumption, assumption and assignment, or Cure Claim is not resolved in favor of the Debtors before the Effective Date, the applicable Executory Contract may be designated by the Debtors (with the consent of the Requisite Supporting Noteholders) or the Reorganized Debtors for rejection within five Business Days of the entry of the order of the Court resolving the matter against the Debtors. Such rejection shall be deemed effective as of the Effective Date.

Insurance Policies.

Notwithstanding anything in the Plan to the contrary, all of the Debtors' insurance policies and any agreements, documents or instruments relating thereto, are treated as and deemed to be Executory Contracts under the Plan. On the Effective Date, the Debtors shall be deemed to have assumed all insurance policies and any agreements, documents, and instruments related thereto. Unless otherwise determined by the Bankruptcy Court prior to the Effective Date, or agreed to by the parties thereto prior to the Effective Date, no payments shall be required to cure any defaults (if any) of the Debtors existing as of the Effective Date with respect to each such insurance policy or agreement, and to the extent that the Bankruptcy Court determines otherwise as to any such insurance policy or agreement, the Debtors' rights to seek the rejection of such insurance policy or agreement or other available relief within thirty (30) days of such determination are fully reserved; *provided, however*, that the rights of any party that issues an insurance policy or agreement to object to such proposed rejection on any and all grounds are fully reserved. Nothing in the Plan, the Plan Documents, the Plan Supplement or the Confirmation Order (a) alters, modifies or otherwise amends the terms and conditions of (or the coverage provided by) any of the insurance policies

or agreements, (b) limits the Reorganized Debtors from asserting a right or claim to the proceeds of any insurance policy or agreement that insures any Debtor, was issued to any Debtor or was assumed by the Reorganized Debtors by operation of the Plan or (c) impairs, alters, waives, releases, modifies or amends any of the Debtors' or Reorganized Debtors' legal, equitable or contractual rights, remedies, claims, counterclaims, defenses or Causes of Action in connection with any of such insurance policies or agreements.

Post-Petition Contracts and Leases.

All contracts, agreements, and leases that were entered into by one or more of the Debtors or assumed by any of the Debtors after the Petition Date shall be deemed assigned by the applicable Debtor(s) to the applicable Reorganized Debtor(s) on the Effective Date.

Compensation and Benefit Programs.

Except as such benefits may be otherwise terminated by the Debtors in a manner permissible under applicable law, or as may otherwise set forth in the Plan Supplement, all Existing Benefits Agreements shall be deemed assumed as of the Effective Date. Notwithstanding anything to the contrary contained in the Plan, pursuant to section 1129(a)(13) of the Bankruptcy Code, on and after the Effective Date, all retiree benefits (as such term is defined in section 1114 of the Bankruptcy Code), if any, shall continue to be paid in accordance with applicable law.

VIII. CONFIRMATION AND EFFECTIVENESS OF THE PLAN

A. Conditions Precedent to Effectiveness

The Plan provides that the following conditions are conditions to the entry of the Confirmation Order unless such conditions, or any of them, have been satisfied or duly waived in accordance with Article XI.B of the Plan:

i. the Confirmation Order entered by the Court shall be in form and substance consistent with the Restructuring Support Agreement and otherwise satisfactory to the Debtors and the Requisite Supporting Noteholders;

ii. the Confirmation Order shall have become a Final Order and shall not have been stayed, modified, or vacated;

iii. the Plan Supplement and the Definitive Documents (as such term is defined in the Restructuring Support Agreement) shall be in form and substance consistent with the Restructuring Support Agreement and otherwise satisfactory to the Debtors and the Requisite Supporting Noteholders and shall have been executed and delivered, and any conditions precedent contained to effectiveness therein having been satisfied or waived in accordance therewith;

iv. all other actions, documents, certificates, and agreements necessary to implement the Plan, each in form and substance satisfactory to the Debtors and the Requisite Supporting Noteholders, shall have been effected or executed and delivered to the required parties and, to the extent required, filed with the applicable Governmental Units in accordance with applicable laws;

v. all necessary authorizations, consents, and all governmental, regulatory and third party approvals, authorizations, certifications, rulings, no-action letters, opinions, waivers and/or consents in connection with the Plan, if any having been obtained and remaining in full force and effect, and there existing no claim, action, suit, investigation, litigation or proceeding, pending or threatened in any court or before any arbitrator or governmental instrumentality, which would prohibit the consummation of the Plan;

vi. the Reorganized Debtors shall have executed the New First Lien Notes Indenture and all other New First Lien Notes Documents, and all conditions precedent to effectiveness and issuance of the New First Lien Notes (including the issuance of the DIP Exchange Notes) shall have been satisfied or waived in accordance with the terms of the New First Lien Notes;

vii. (i) the Restructuring Support Agreement shall not have been terminated in accordance with the terms thereof, and the Restructuring Support Agreement shall be in full force and effect, and (ii) all conditions to closing set forth in the Restructuring Support Agreement shall have been satisfied or waived in accordance with its terms

viii. (i) the Backstop Agreement shall not have been terminated in accordance with the terms thereof, and the Backstop Agreement shall be in full force and effect, and (ii) all conditions to closing set forth in the Backstop Agreement shall have been satisfied or waived in accordance with its terms

ix. each of the ENXP Joint Operating Agreements shall have been assumed by order of the Bankruptcy Court, the Cure Amount, if any, associated with assuming the ENXP Joint Operating Agreements shall not exceed $1,000,000 or such other amount acceptable to the Requisite Supporting Noteholders, and such assumption shall otherwise be on such terms and conditions that are in the ENXP Joint Operating Agreements as of the petition date or such other terms and conditions that are acceptable to the Requisite Supporting Noteholders;

x. all Allowed ENXP Claims (including, without limitation, any Cure Costs), in the aggregate, shall be no greater than $1,000,000 or, if greater than $1,000,000, an amount otherwise acceptable to the Requisite Supporting Noteholders; and the principal amount of the New ENXP Note, if any, shall be no greater than $1,000,000 or, if greater than $1,000,000, an amount otherwise acceptable to the Requisite Supporting Noteholders and all other terms of the New ENXP Note, if any, shall be acceptable to the Requisite Supporting Noteholders; and

xi. all unpaid Transaction Expenses shall have been paid pursuant to the applicable fee letters of such professionals.

B. Waiver of Conditions Precedent to Effectiveness

The Debtors, with the prior written consent of the Requisite Supporting Noteholders, may waive conditions set forth in Article XI.A of the Plan above at any time without leave of or order of the Court and without any formal action.

If any condition precedent to the Effective Date is waived pursuant to Article XI.B of the Plan and the Effective Date occurs, the waiver of such condition shall benefit from the "mootness doctrine," and the act of consummation of the Plan shall foreclose any ability to challenge the Plan in any court.

C. Effect of Failure of Conditions

In the event that the Effective Date does not occur on or before ~~[•], but in no event later than [•],~~May 16, 2016, upon notification submitted by the Debtors (with the consent of the Requisite Supporting Noteholders) to the Court: (i) the Confirmation Order may be vacated, (ii) no distributions under the Plan shall be made; (iii) the Debtors and all holders of Claims and Equity Interests shall be restored to the status quo ante as of the day immediately preceding the Confirmation Date as though the Confirmation Date had never occurred; and (iv) the Debtors' obligations with respect to the Claims and Equity Interests shall remain unchanged and nothing contained in the Plan shall constitute or be deemed a waiver, release, or discharge of any Claims or Equity Interests by or against

the Debtors or any other person or to prejudice in any manner the rights of the Debtors or any person in any further proceedings involving the Debtors unless extended by Court order.

D. Vacatur of Confirmation Order

If a Final Order denying confirmation of the Plan is entered, or if the Confirmation Order is vacated, then the Plan shall be null and void in all respects, and nothing contained in the Plan shall: (i) constitute a waiver, release, or discharge of any Claims or Equity Interests; (ii) prejudice in any manner the rights of the holder of any Claim or Equity Interest; (iii) prejudice in any manner any right, remedy, or claim of the Debtors; or (iv) be deemed an admission against interest by the Debtors.

E. Modification of the Plan

Subject to the limitations contained in the Plan, and subject to the terms of the Restructuring Support Agreement, (i) the Debtors reserve the right, in accordance with the Bankruptcy Code and the Bankruptcy Rules, with the prior written consent of the Requisite Supporting Noteholders, to amend or modify the Plan prior to the entry of the Confirmation Order, including amendments or modifications to satisfy section 1129(b) of the Bankruptcy Code, and (ii) after entry of the Confirmation Order, with the prior written consent of the Requisite Supporting Noteholders, the Debtors or the Reorganized Debtors, as the case may be, may, upon order of the Court, amend or modify the Plan, in accordance with section 1127(b) of the Bankruptcy Code. Notwithstanding the foregoing, the Confirmation Order shall authorize the Debtors or the Reorganized Debtors, as the case may be, with the consent of the Requisite Supporting Noteholders, to make appropriate technical adjustments, remedy any defect or omission, or reconcile any inconsistencies in the Plan, the documents included in the Plan Supplement, any and all exhibits to the Plan, and/or the Confirmation Order, as may be necessary to carry out the purposes and effects of the Plan, provided, however, that such action does not materially and adversely affect the treatment of the Class of holders of Allowed Claims or Equity Interests pursuant to the Plan.

F. Revocation, Withdrawal, or Non-Consummation

Right to Revoke or Withdraw. The Debtors (with the prior written consent of the Requisite Supporting Noteholders) reserve the right to revoke or withdraw the Plan at any time before the Effective Date; *provided*, *however*, that this provision shall have no impact on the rights of the Ad Hoc Committee, as set forth in the Restructuring Support Agreement, in respect of any such revocation or withdrawal.

Effect of Withdrawal, Revocation, or Non-Consummation. If the Debtors revoke or withdraw the Plan prior to the Effective Date, or if the Confirmation Date or the Effective Date does not occur, the Plan, any settlement or compromise embodied in the Plan (including the fixing or limiting to an amount certain any Claim or Equity Interest or Class of Claims or Equity Interests), the assumption or rejection of Executory Contracts or benefit plans effected by the Plan, any release, exculpation, or indemnification provided for in the Plan, and any document or agreement executed pursuant to the Plan shall be null and void. In such event, nothing contained in the Plan, and no acts taken in preparation for consummation of the Plan shall be deemed to constitute a waiver or release of any Claims by or against or Equity Interests in the Debtors or any other Person, to prejudice in any manner the rights of the Debtors or any Person in any further proceedings involving the Debtors, or to constitute an admission of any sort by the Debtors or any other Person.

IX. CONFIRMATION PROCEDURES

A. Confirmation Hearing

Section 1129(a) of the Bankruptcy Code requires a bankruptcy court, after notice, to hold a hearing on confirmation of a chapter 11 plan and section 1129(b) provides that any party in interest may object to the confirmation of the chapter 11 plan. On the Petition Date, the Debtors filed a motion to schedule a hearing on confirmation of the Plan (the "**Confirmation Hearing**"). Notice of the Confirmation Hearing will be provided to

holders of Claims and Equity Interests or their agents or representatives as established in the order establishing the schedule for the Confirmation Hearing and related objections (the "**Notice of Confirmation Hearing**"). Objections to confirmation of the Plan must be filed with the Court by the date set forth in the Notice of Confirmation Hearing and will be governed by Bankruptcy Rules 3020(b) and 9014 and the local rules of the Court. UNLESS AN OBJECTION IS TIMELY FILED AND SERVED, IT MAY NOT BE CONSIDERED BY THE COURT.

B. Standards for Confirmation

At the Confirmation Hearing, the Bankruptcy Court will confirm the Plan only if all of the requirements of section 1129 of the Bankruptcy Code are met. Among the requirements for confirmation of a plan are that the plan is (i) accepted by all Impaired classes of Claims and Equity Interests or, if rejected by an Impaired class, that the plan "does not discriminate unfairly" and is "fair and equitable" as to such class, (ii) feasible and (iii) in the "best interests" of creditors and equity interest holders 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 Plan complies with the applicable provisions of the Bankruptcy Code.
- 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, or officer, the Reorganized Debtors, 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 the Reorganized Debtors and the nature of any compensation for such Insider.
- Any governmental regulatory commission with jurisdiction, after confirmation of the Plan, over the rates of the Debtors has approved any rate change provided for in the Plan, or such rate change is expressly conditioned on such approval.
- 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 or Equity Interests is Impaired under the Plan, at least one Class of Claims or Equity Interests 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 Debtors, 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.

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. To assist holders in determining whether the Plan meets this requirement, the Debtors, with the assistance of Barclays Capital Inc. ("**Barclays**"), have prepared an unaudited liquidation analysis, which is attached hereto as **Exhibit G** (the "**Liquidation Analysis**"). The distributions to all classes of Claims and Interests will exceed any likely recovery under chapter 7 of the Bankruptcy Code. Therefore, as more fully discussed in further detail in Article X.A of this Disclosure Statement, the Debtors believe that the Plan satisfies the best interests test of Bankruptcy Code section 1129(a)(7).

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 their ability to meet their obligations under the Plan. As part of this analysis, and as discussed in further detail in Article X.A of this Disclosure Statement, the Debtors have prepared ~~projections (~~the ~~"~~Financial Projections~~")~~. Based on such Financial Projections, the Debtors believe that they will be able to make all payments required under the Plan. Therefore, Confirmation of the Plan is not likely to be followed by liquidation or the need for further reorganization.

Confirmation Without Acceptance by All Impaired Classes

Under Bankruptcy Code section 1129(b), 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. In these cases, only the class of NGR Holding Equity Interests is deemed to reject the Plan. As set forth more fully below, the Plan does not unfairly discriminate against the holders of such NGR Holding Equity Interests and is fair and equitable with respect to such Interests. Holders of NGR Holding Equity Interests are out of the money and accordingly not entitled to receive any distributions under the Bankruptcy Code.

No Unfair Discrimination

This test applies to Classes of Claims or Equity 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 Equity Interests. The Debtors believe the Plan and the treatment of all Classes of Claims and Equity Interests under the Plan satisfy the foregoing requirements for nonconsensual confirmation.

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 Equity Interests receive more than 100% of the amount of the allowed Claims or Equity Interests in such Class. As to the dissenting Class, the test sets different standards depending on the type of Claims or Equity 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: (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 non-accepting class will not receive any property under the chapter 11 plan.

- Equity Interests: Either (1) each holder of an impaired 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 holders of interests that are junior to the non-accepting class will not receive or retain any property under the chapter 11 plan.

The Debtors believe the Plan satisfies the "fair and equitable" requirement notwithstanding that Class 11 is deemed to reject the Plan, because, as to such Class, there is no Class of equal priority receiving more favorable treatment and no Class that is junior to such Class will receive or retain any property on account of the Claims in such Class.

The Release, Exculpation and Injunction Provisions Contained in the Plan

Article VII.E of the Plan provides for releases of certain claims and Causes of Action that the Debtors may hold against the Released Parties. The Released Parties are comprised of the following Entities: (a) the Debtors and Reorganized Debtors; (b) the DIP Agent; (c) the DIP Lenders; (d) the Ad Hoc Committee; (e) the RSA Parties; (f) the Indenture Trustees; (g) the Prepetition First Lien Agent and Lenders; (h) the holders of the Second Lien Notes; (i) the holders of the Subordinated PIK Notes; (j) the holders of NGR Holding Equity Interests; and (k) with respect to each of the foregoing Entities in clauses (a) through (j), such Entity's predecessors, successors and assigns, affiliates, subsidiaries, funds, portfolio companies, management companies, and each of their respective current and former (to the extent employed or serving at any time during the Chapter 11 Cases) directors, officers, members, employees, partners, managers, independent contractors, agents, representatives, principals, Professionals, consultants, financial advisors, attorneys, accountants, investment bankers, and other professional advisors (each solely in their capacity as such); provided however, that the Released Parties shall not include any Person that receives and returns a Ballot or confirmation notice, as the case may be, indicating that such Person elects to opt out of the Plan releases provided for in Article VII.F of the Plan. Any holder that elects to opt out of the voluntary releases set forth in Article VII.F the Plan shall not receive the benefit of the releases (1) by the Debtors as set forth in Article VII.E of the Plan and (2) by the holders of other Claims and Equity Interests as set forth in Article VII.F of the Plan, and the Debtors or Reorganized Debtors, as the case may be, reserve all rights, claims and causes of action against such Holders, including claims arising under Chapter 5 of the Bankruptcy Code. Holders of the ENXP Secured Claim in Class 4(b) and General Unsecured Claims in Class 5 are not included among the Releasing Parties granting releases under Article VII.F of the Plan. Accordingly, the Ballots distributed to Holders of Class 4(b) and Class 5 Claims do not include an election that allows the Holder to opt out of the releases in Article VII.F.

Article VII.F of the Plan provides for releases of certain claims and Causes of Action that holders of Claims or Equity Interests may hold against the Released Parties in exchange for good and valuable consideration,

including the service of the Released Parties to facilitate the reorganization of the Debtors, the implementation of the restructuring contemplated by the Restructuring Support Agreement or the Plan, and the compromises contained in the Plan (the "**Third-Party Release**"). The holders of Claims and Interests who are releasing certain claims and Causes of Action against the Released Parties under the Third-Party Release include: (a) the Debtors and Reorganized Debtors; (b) the DIP Agent; (c) the DIP Lenders; (d) the Ad Hoc Committee; (e) the RSA Parties; (f) the Indenture Trustees; (g) the Prepetition First Lien Agent and Lenders; (h) the holders of the Second Lien Notes; (i) the holders of the Subordinated PIK Notes; (j) the holders of NGR Holding Equity Interests; and (k) with respect to each of the foregoing Entities in clauses (a) through (j), such Entity's predecessors, successors and assigns, affiliates, subsidiaries, funds, portfolio companies, management companies, and each of their respective current and former (to the extent employed or serving at any time during the Chapter 11 Cases) directors, officers, members, employees, partners, managers, independent contractors, agents, representatives, principals, Professionals, consultants, financial advisors, attorneys, accountants, investment bankers, and other professional advisors (each solely in their capacity as such); provided however, that the Released Parties shall not include any Person that receives and returns a Ballot or confirmation notice, as the case may be, indicating that such Person elects to opt out of the Plan releases provided for in Article VII.F of the Plan. Any holder that elects to opt out of the voluntary releases set forth in Article VII.F the Plan shall not receive the benefit of the releases (1) by the Debtors as set forth in Article VII.E of the Plan and (2) by the holders of other Claims and Equity Interests as set forth in Article VII.F of the Plan, and the Debtors or Reorganized Debtors, as the case may be, reserve all rights, claims and causes of action against such Holders, including claims arising under Chapter 5 of the Bankruptcy Code. Holders of the ENXP Secured Claim in Class 4(b) and General Unsecured Claims in Class 5 are not included among the Releasing Parties granting releases under Article VII.F of the Plan. Accordingly, the Ballots distributed to Holders of Class 4(b) and Class 5 Claims do not include an election that allows the Holder to opt out of the releases in Article VII.F.

Article VII.G of the Plan provides for the exculpation from liability of each Exculpated Party for any Restructuring-Related Actions. The Exculpated Parties are comprised of the following Entities: (i) each Debtor, (ii) each member of the Creditors' Committee in their capacity as such, and (iii) the current and former officers, directors, managers, professionals, advisors, accountants, attorneys, investment bankers, consultants, employees, agents and other representatives of the Debtors and any Creditors' Committee. The released and exculpated claims are limited to those claims or Causes of Action that may have arisen in connection with, related to, or arising out of the restructuring of the Debtors or the Chapter 11 Cases.

Article VII.H of the Plan permanently enjoins Entities who have held, hold, or may hold Claims or Equity Interests against the Debtors that have been released or discharged pursuant to the Plan or are subject to exculpation pursuant to the Plan from asserting such Claims or Equity Interests, or taking certain other actions, against the Debtors, the Reorganized Debtors and the Released Parties.

Under applicable law, the Debtors' release of the Released Parties is appropriate where: (a) there is an identity of interest between the debtor and the third party, such that a suit against the released non-debtor party is, at core, a suit against the debtor or will deplete assets of the estate; (b) there is a substantial contribution by the non-debtor of assets to the reorganization; (c) the injunction is essential to the reorganization; (d) there is overwhelming creditor support for the injunction; and (e) the chapter 11 plan will pay all or substantially all of the claims affected by the injunction. *See In re Indianapolis Downs, LLC*, 486 B.R. 286, 303 (Bankr. D. Del. 2013). Importantly, these factors are "neither exclusive nor are they a list of conjunctive requirements," but "[i]nstead, they are helpful in weighing the equities of the particular case after a fact-specific review." *Id.* Further, a chapter 11 plan may provide for a release of third party claims against non-debtors, such as the Third-Party Release, where such releases are consensual. *Id.* at 304–06. In addition, exculpation is appropriate where it applies to estate fiduciaries. *Id.* at 306. Finally, an injunction is appropriate where it is necessary to the reorganization and fair pursuant to section 105(a) of the Bankruptcy Code. *See In re W.R. Grace & Co.*, 475 B.R. 34, 107 (D. Del. 2012).

The Debtors believe that the releases, exculpations, and injunctions set forth in the Plan are appropriate because, among other things, the releases are narrowly tailored to the Debtors' restructuring proceedings, and each of the Released Parties has afforded value to the Debtors and aided in the reorganization process, which facilitated the Debtors' ability to propose and pursue confirmation of the Plan. The Debtors believe that each of the Released Parties has played an integral role in negotiating and formulating the Restructuring Support Agreement and the Plan and has expended significant time and resources analyzing and negotiating the issues presented by the Debtors' prepetition capital structure. Furthermore, holders of Second Lien Notes Claims are voluntarily forgoing

their right to part of the distributions under the Plan that they are otherwise entitled to receive so that the Debtors can (i) pay in full Allowed General Unsecured Claims, such as the Claims of suppliers and vendors, in the ordinary course according to existing business terms and (ii) provide a distribution of a portion of the New Equity Interests to holders of Subordinated PIK Notes Claims. In addition, certain holders of Second Lien Notes Claims have agreed to backstop the Rights Offering. The Debtors further believe that such releases, exculpations, and injunctions are a necessary part of the Plan. Finally, the Debtors believe the Third-Party Release is entirely consensual under the established case law in the United States Bankruptcy Court for the District of Delaware. *See Indianapolis Downs*, 486 B.R. at 304–06. The Debtors will be prepared to meet their burden to establish the basis for the releases, exculpations, and injunctions for each of the Released Parties and each Exculpated Party as part of Confirmation of the Plan.

C. Alternatives to Confirmation and Consummation of the Plan

If the Plan is not confirmed and consummated, the alternatives to the Plan include (i) liquidation of the Debtor under chapter 7 of the Bankruptcy Code and (ii) an alternative plan of reorganization or a plan of liquidation.

While the Plan provides for the reorganization of the Debtors' business as a going concern and the conversion of approximately $527 million of funded debt to equity, a different plan might involve either a reorganization and continuation of the Debtors' business or, in the alternative, a sale or liquidation of the Debtors' assets. In the event the Plan is not confirmed, there is no guaranty the Debtors will be able to obtain any investment at all, let alone one that would provide recoveries as favorable to its stakeholders as those provided pursuant to the Plan. As an alternative to a going -concern reorganization, a sale or liquidation of Debtors' assets would, in Debtors' view, be unlikely to provide returns equal or greater to the returns provided by the Plan.

The Debtors believe that any alternative to the Plan would provide far less certainty and could involve a larger Claims pool, diminished recoveries, significant delay, and larger administrative costs. The Debtors believe that the Plan, as described in the Plan, enables creditors to realize the highest and best value under the circumstances as compared to any foreseeable alternative.

If no plan is confirmed, the Chapter 11 Cases may be converted to cases under chapter 7 of the Bankruptcy Code, pursuant to which a trustee would be appointed or elected to liquidate the Debtors' assets for distribution in accordance with the priorities established by chapter 7 of the Bankruptcy Code. A discussion of the effects that a chapter 7 liquidation would have on the recoveries of holders of Claims and Equity Interests is set forth in the Liquidation Analysis annexed as **Exhibit ~~F~~G** to this Disclosure Statement. For the reasons above, the Debtors believe that liquidation under chapter 7 of the Bankruptcy Code would result in smaller distributions being made to creditors than those provided for in the Plan.

X. LIQUIDATION ANALYSIS, VALUATION AND FINANCIAL PROJECTIONS

A. Liquidation Analysis

The Debtors believe that the Plan provides a greater recovery for holders of Allowed Claims and Equity Interests as would be achieved in a liquidation under chapter 7 of the Bankruptcy Code. This belief is based on a number of considerations, including: (a) the likely erosion in value of the Debtors' assets in a chapter 7 case in the context of an expeditious liquidation and the "forced sale" atmosphere that would prevail under a chapter 7 liquidation; (b) the additional Administrative Claims generated by conversion to a chapter 7 case and any related costs in connection with a chapter 7 liquidation; (c) the absence of a robust market for the liquidation sale of the Debtors' assets and services in which such assets and services could be marketed and sold; and (d) the additional claims that would arise by reason of the breach or rejection in a chapter 7 of obligations under leases and executory contracts that would otherwise be assumed under the Plan.

The Debtors, with the assistance of Barclays ~~Capital Inc. ("**Barclays**")~~, have prepared the Liquidation Analysis, which is attached hereto as **Exhibit G**, to assist holders of Claims and Interests in evaluating the Plan. The Liquidation Analysis compares the projected 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 Liquidation 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.

The DIP Loans are secured by liens and security interests on substantially all assets of the Debtors, including with respect to the After-Acquired Leases, but subject to permitted liens as provided by the Final DIP Order [D.I. 259]. Accordingly, in the event of a hypothetical chapter 7 liquidation, estimated recoveries would be insufficient to repay in full the DIP Loans, chapter 7 administrative claims, chapter 11 professional fee claims, other priority claims, and thereafter make any distribution to general unsecured creditors.

B. Valuation Analysis

The Plan provides for the distribution of New Equity Interests to holders of Second Lien Notes Claims in Class 3 and Subordinated PIK Notes Claims in Class 6 upon consummation of the Plan. Accordingly, Barclays, at the request of the Debtors, has performed an analysis, which is attached hereto as **Exhibit H**, of the estimated implied value of Reorganized NGR and its subsidiaries on a going-concern basis as of December 17, 2015 (the "**Valuation Analysis**"). The Valuation Analysis, including the procedures followed, assumptions made, qualifications, and limitations on review undertaken described therein, should be read in conjunction with Article XI of this Disclosure Statement, entitled "**Certain Risk Factors to be Considered**." The Valuation Analysis is dated December 17, 2015, and is based on data and information as of that date. Barclay's makes no representations as to changes to such data and information that may have occurred since the date of the Valuation Analysis.

C. Financial Projections

In connection with the planning and development of the Plan, the Debtors prepared projections for 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 are based on forecasts of key economic variables and may be significantly impacted by, among other factors, changes in the competitive environment, regulatory changes, and/or a variety of other factors, including the factors listed in this Disclosure Statement and in the projections. Accordingly, the estimates and assumptions underlying the projections are inherently uncertain and are subject to significant business, economic, and competitive uncertainties. Therefore, such 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 should be read in conjunction with the assumptions, qualifications, and explanations set forth in this Disclosure Statement and other financial information. The Debtors' financial projections for the calendar years 2016 through 2018 including management's assumptions related thereto, are attached hereto as **Exhibit F**.[16]

The Financial Projections are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Factors that could cause actual results to differ materially include, but are not limited to: the ability of Reorganized NGR to operate the Reorganized Debtors' businesses consistent with its projections generally, including the ability to maintain or increase revenue and cash flow to satisfy its liquidity needs, service its indebtedness and finance the ongoing obligations of its business, and to manage its future operating expenses and make necessary capital expenditures; the ability of the Reorganized Debtors to comply with the covenants and conditions under their credit facilities and their ability to borrow thereunder; material declines in demand for oil and gas; changes in production of, or demand for, hydrocarbons; social or political unrest or conflict in areas where New Gulf conducts its business; increases in costs including, without limitation, wages, insurance,

[16] ENXP has asserted that it has a secured claim in an amount of up to approximately $15,000,000. Allowance of ENXP's asserted secured claim in the full amount would increase the debtors' principal and interest expenses set forth in the projections by approximately $3,000,000 per year (plus interest at Prime plus 2%) in the aggregate for the first 5 years following the Effective Date. The Debtors contest the validity and amount of ENXP's secured claim.

provisions, changes in rules and regulations applicable to the industry; actions by the courts, the U.S. Department of Justice or other governmental or regulatory authorities, and the results of the legal proceedings to which the Reorganized Debtors or any of their affiliates may be subject; changes in the condition of the Debtors' assets or applicable regulatory standards; the Reorganized Debtors' ability to attract and maintain key executives, managers and employees; changes in general political conditions; and adverse changes in foreign currency exchange rates affecting the Debtors' expenses.

D. Dilution Events

As described in the Plan and herein, many of the distributions are subject to the Dilution Events. For an analysis of the effects of the Dilution Events, namely the conversion of the New First Lien Notes to equity in the reorganized Debtors and the management incentive plan, please see **Exhibit L**.

The projections should be read in conjunction Article XI of this Disclosure Statement, entitled "Certain Risk Factors to be Considered."

XI. CERTAIN RISK FACTORS TO BE CONSIDERED

Holders of claims against the Debtors should read and consider carefully the risk factors set forth below, as well as the other information set forth in this Disclosure Statement (and the documents delivered together herewith and/or incorporated herein by reference) prior to voting to accept or reject the plan. These risk factors should not, however, be regarded as constituting the only risks involved in connection with the plan and its implementation. Any of the following risks, as well as additional risks and uncertainties not currently known to the Debtors or that the Debtors deem immaterial, could materially adversely affect the Debtors' business, financial condition, results of operations and cash flows or cause the value of the securities offered under the plan to decline. The Debtors cannot assure you that any of the events discussed in the risk factors below will not occur, and if such events do occur you may lose all or part of your investment in the company.

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 or reject the plan, holders of claims and equity interests should read and carefully consider the risk factors set forth below, as well as all other information set forth or otherwise referenced or incorporated by reference in this Disclosure Statement.

A. Certain Bankruptcy Law Considerations

Parties in Interest May Object to the Debtors' Classification of Claims and Interests.

Section 1122 of the Bankruptcy Code provides that a debtor may place a claim or an equity interest in a particular class under a plan of reorganization 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 Equity Interests in the Plan complies with the Bankruptcy Code requirements because the Debtors classified Claims and Equity Interests, each encompassing Claims or Equity Interests, as applicable, that are substantially similar to the other Claims and Equity Interests in each such Class. Nevertheless, there can be no assurance that the Court will reach the same conclusion.

Contingencies Not to Affect Votes of Impaired Classes to Accept or Reject the Plan.

The distributions available to holders of Allowed Claims under the Plan can be affected by a variety of contingencies, including, without limitation, whether or not the Court enters an order subordinating certain Allowed Claims to other Allowed Claims. The occurrence of any and all such contingencies, which could affect the distributions available to holders of Allowed Claims under the Plan, will not affect the validity of the vote taken by the Voting Class to accept or reject the Plan or require any sort of revote by the Voting Class.

The Restructuring Support Agreement Could be Terminated.

The Restructuring Support Agreement contains certain provisions that give the Ad Hoc Committee the ability to terminate the Restructuring Support Agreement if various conditions are satisfied.

Risk of Non-Confirmation, Non-Occurrence, or Delay of the Plan.

If votes are received from holders of Second Lien Note Claims, General Unsecured Claims and/or Subordinated PIK Note Claims in number and amount sufficient to satisfy the requirements to confirm a chapter 11 plan, then the Debtors will commence the Chapter 11 Cases and seek Confirmation of the Plan as soon as reasonably practicable. If insufficient votes are received, the Debtors may seek to accomplish an alternative to the Plan. There can be no assurance that the terms of an alternative plan would be similar, or as favorable, to the Holders of Allowed Claims as those proposed by the Plan.

For the Debtors to emerge successfully from the Chapter 11 Cases as a viable entity, the Debtors, like any other chapter 11 debtor, must obtain approval of the Plan from its creditors and confirmation of the Plan through the Court, and then successfully implement the Plan. The foregoing process requires the Debtors to (i) meet certain statutory requirements with respect to the adequacy of this Disclosure Statement, (ii) solicit and obtain creditor acceptances of the Plan, and (iii) fulfill other statutory conditions with respect to the confirmation of the Plan.

Although the Debtors believe that the Plan satisfies all of the requirements necessary for confirmation by the Court, there can be no assurance that the Court will reach the same conclusion. Moreover, there can be no assurance that modifications to the Plan will not be required for Confirmation, or that such modifications would not necessitate the re-solicitation of votes to accept the Plan, as modified. Additionally, by its terms, the Plan will not become effective unless, among other things, the conditions precedent described in Article VIII.A of this Disclosure Statement have been satisfied or waived in accordance with Article XI.A of the Plan.

Risk of Non-Occurrence of the Effective Date.

Although the milestones in the Restructuring Support Agreement require that the Effective Date occur by May 16, 2016, there can be no assurance as to such timing or that the conditions to the Effective Date contained in the Plan will ever occur. The impact that a prolonging of the Chapter 11 Cases may have on the Company's operations cannot be accurately predicted or quantified. The continuation of the Chapter 11 Cases, particularly if the Plan is not approved, confirmed, or implemented within the time frame currently contemplated, could adversely affect operations and relationships between New Gulf and its customers, suppliers, vendors, service providers, and other creditors and result in increased professional fees and similar expenses. Failure to confirm the Plan could further weaken the Company's liquidity position, which could jeopardize the Company's exit from chapter 11.

Impact of the Chapter 11 Cases on the Debtors.

The Chapter 11 Cases may affect the Debtors' relationships with, and its ability to negotiate favorable terms with, creditors, customers, suppliers, vendors, employees, and other personnel and counterparties. While the Debtors expect to continue normal operations, public perception of its continued viability may affect, among other things, the desire of new and existing customers to enter into, or continue, agreements or arrangements with the Debtors. The failure to maintain any of these important relationships could adversely affect the Debtors' business, financial condition, and results of operations. Because of the public disclosure of the Chapter 11 Cases and concerns vendors may have about liquidity, the Debtors' ability to maintain normal credit terms with vendors may be impaired. Also, the Debtors' transactions that are outside of the ordinary course of business are generally subject to the approval of the 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' business, financial conditions, and results of operations cannot be accurately predicted or quantified at this time.

The ENXP JOAs could be rejected by the Debtors or by ENXP

As described herein, ENXP is a chapter 11 debtor in cases pending in the United States Bankruptcy Court for the Northern District of Texas. As the Debtors and ENXP are debtors-in-possession, either or both could reject the ENXP Joint Operating Agreements pursuant to Bankruptcy Code section 365 and/or a chapter 11 plan of reorganization. If the ENXP Joint Operating Agreements are rejected, there could be a material adverse impact on the Debtors and their business.

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 business 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 the Debtors' (i) ability to implement the substantial changes to the capital structure; (ii) ability to obtain adequate liquidity and financing sources; (iii) ability to maintain confidence in the Company's viability as a continuing entity and to attract and retain sufficient business from customers; and (iv) ability to retain key employees, as well as the overall strength and stability of general economic conditions of the financial and energy 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 the Debtors' business.

In addition, the Plan relies upon Financial Projections, including with respect to revenues, EBITDA, debt service, and cash flow. 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 Company's case, the forecasts are even more speculative than normal, because they involve fundamental changes in the nature of its capital structure. Accordingly, New Gulf acknowledges that its actual financial condition and results of operations may differ, perhaps materially, from what was anticipated. Consequently, there can be no assurance that the results or developments contemplated by any plan of reorganization implemented will occur or, even if they do occur, that they will have the anticipated effects on the Debtors and their subsidiaries 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.

Rejection of Enbridge Agreements

The Financial Projections and projected recoveries to General Unsecured Creditors included in the Disclosure Statement assume that the Debtors will assume their existing agreements with Enbridge, including the gas gathering, processing and purchasing agreement. The Debtors may ultimately determine not to assume their agreements with Enbridge. Rejection of these agreements may impact the Debtors' ability to bring to market certain of their hydrocarbons and may increase the amount of unsecured claims as a result of Enbridge asserting rejection damages claim, which Enbridge may assert is substantial.

B. Certain Risks Related to the Debtors' Business and Operations

The volatility of oil and natural gas prices due to factors beyond the Debtors' control greatly affects the Debtors profitability.

The Debtors' revenues, operating results, profitability, capital and future rate of growth and the carrying value of the Debtors' oil and natural gas properties depend primarily upon the prevailing commodity prices. Historically, the markets for oil and natural gas have been volatile. For example, during the past five years, the Henry Hub prompt month contract price of natural gas has ranged from a low of $1.82 per MMBtu in April 2012 to a high of $8.12 per MMBtu in February 2014. During 2015, the Henry Hub prompt month contract price of natural gas ranged from $1.92 per MMBtu to $3.32 per MMBtu. On December 14, 2015, the Henry Hub prompt month contract price of natural gas was $2.06 per MMBtu. These markets will continue to be volatile in the future. The prices the Debtors will receive for the Debtors' production, and the levels of the Debtors' production, will depend on numerous factors beyond the Debtors control. These factors include the following:

- worldwide and regional economic conditions impacting the global supply and demand for oil and natural gas;
- the level of commodity prices and expectations about future commodity prices;
- the actions of the Organization of Petroleum Exporting Countries, or OPEC;
- the price and quantity of imports of foreign oil and natural gas;
- political conditions in or hostilities in oil-producing and natural gas-producing regions and related sanctions, including current conflicts in the Middle East and conditions in Africa, South America, Russia and Ukraine;
- the continued threat of terrorism and the impact of military and other action, including U.S. military operations in the Middle East;
- overall domestic and global economic conditions;
- the level of global oil and domestic natural gas exploration and production;
- the level of global oil and domestic natural gas inventories;
- the level of consumer product demand;
- prevailing prices on local oil and natural gas price indexes in the areas in which the Debtors operate;
- localized supply and demand fundamentals and natural gas gathering, processing and transportation availability;
- the cost of exploring for, developing, producing and transporting reserves;
- weather conditions and natural disasters;
- domestic and foreign governmental regulations and taxes;
- authorization of exports from the United States of liquefied natural gas or oil;
- speculation as to the future price of oil and the speculative trading of oil and natural gas futures contracts;
- price and availability of competitors' supplies of oil and natural gas;
- risks associated with operating drilling rigs;
- technological advances affecting exploration and production operations and overall energy consumption; and
- the price and availability of alternative fuels.

These factors and the volatility of the energy markets make it extremely difficult to predict future oil and natural gas price movements with any certainty. A further or extended decline in commodity prices could materially affect the Debtors future business, financial condition, results of operations and the Debtors level of expenditures for the development of the Debtors' reserves.

Furthermore, oil prices and natural gas prices do not necessarily fluctuate in direct relationship to each other. Because approximately 58% of the Debtors estimated proved reserves as of October 1, 2015, are oil, the Debtors' financial results are more sensitive to fluctuations in oil prices.

Substantially all of the Debtors production is sold to purchasers under contracts at market-based prices. Lower oil, natural gas and NGL prices will reduce the Debtors cash flows and the present value of the Debtors' reserves. Lower oil, natural gas and NGL prices may also reduce the amount of oil, natural gas and NGLs that the Debtors can produce economically. Substantial decreases in oil, natural gas and NGL prices could render uneconomic a significant portion of the Debtors identified drilling locations. This may result in significant downward adjustments to the Debtors estimated proved reserves. As a result, a substantial or extended decline in oil, natural gas or NGL prices may materially and adversely affect the Debtors' business, financial condition, results of operations, liquidity or ability to finance planned capital expenditure.

An extended period of depressed oil prices or additional decreases in prices may cause the Debtors to reduce the Debtors' capital expenditure budget and scale back the Debtors drilling and development plans and adversely affect the Debtors' business, cash flows and results of operations.

Between July 2014 and January 2016, the NYMEX prompt month contract price for WTI oil price fell from in excess of $100 per Bbl to below $30 per Bbl, the lowest price seen since 2009. The reduction in price has been caused by many factors, including substantial increases in U.S. oil production and reserves from unconventional (shale) reservoirs, without an offsetting increase in demand. This environment could cause the prices for oil to remain at current levels or to fall to lower levels. Because of the decline in oil prices, the Debtors have reduced the Debtors' capital expenditure budget and scaled back the Debtors drilling and development plans significantly from levels anticipated prior to the decline in prices. If prices for oil continue to remain depressed for lengthy periods or decline further, the Debtors may make further reductions in the Debtors' capital expenditure budget and drilling and development plans. The Debtors also may be required to write down the value of the Debtors' oil and natural gas properties, and some of the Debtors undeveloped locations may no longer be economically viable. These factors may materially adversely affect the Debtors' business, cash flows and results of operations.

The Debtors development and production projects require significant capital expenditures and the Debtors may be unable to obtain necessary capital or financing on satisfactory terms, which could lead to a loss of properties and a decline in the Debtors' oil and natural gas reserves.

The oil and natural gas industry is capital intensive. The Debtors make and expect to continue to make significant capital expenditures in the Debtors' business for the development and production of oil and natural gas reserves. In 2014, the Debtors drilling capital expenditures were $23 million. In 2015, the Debtors expect the Debtors drilling capital expenditures to total approximately $75 million, plus an additional $10 million for leasing, infrastructure and capital workovers.

Following emergence from chapter 11, we intend to finance our capital expenditures with cash flows from operations and borrowings under our New First Lien Notes. Our cash flows from operations and access to capital are subject to a number of variables, including:

- the scope, rate of progress and cost of the Debtors exploration and production activities;
- the prices at which the Debtors' oil and natural gas are sold;
- the Debtors ability to acquire, locate and produce new reserves;
- the Debtors ability to produce oil or natural gas from those reserves;
- the terms and timing of any drilling and other production-related arrangements that the Debtors may enter into;

- fluctuations in the Debtors working capital needs;
- interest payments and debt service requirements;
- prevailing economic conditions;
- the availability and costs of gathering, processing and transportation services;
- the regulations applicable to the Debtors owned gathering and natural gas transportation facilities;
- the ability of the Debtors banks and other lenders to lend to us;
- the cost and timing of governmental permits or approvals; and
- the effects of competition by larger companies operating in the oil and natural gas industry.

The Debtors cannot assure you that the Debtors' operations and other capital resources will provide cash in sufficient amounts to maintain planned or future levels of capital expenditures. Further, the Debtors actual capital expenditures in 2016 could exceed the Debtors budget. In the event the Debtors' capital expenditure requirements at any time are greater than the amount of capital we have available, we could be required to seek additional sources of capital, which may include traditional reserve base borrowings, debt financing, joint ventures, production payment financings, sales of assets, private or public offerings of debt or equity securities or other means.

The Debtors' business and operating results can be harmed by factors such as the availability, terms and cost of capital, increases in interest rates or a reduction in the Debtors credit rating. Recent and continuing disruptions and volatility in the global financial markets may lead to an increase in interest rates or a contraction in credit availability. Changes in any one or more of these factors could cause the Debtors cost of doing business to increase, limit the Debtors access to capital, limit the Debtors ability to pursue acquisition opportunities, reduce the Debtors cash flows available for drilling and place the Debtors at a competitive disadvantage. In addition, the Debtors ability to access the private and public debt or equity markets is dependent upon a number of factors outside the Debtors control, including oil and natural gas prices as well as economic conditions in the financial markets. We cannot assure you that we will be able to obtain debt or equity financing on terms favorable to us, or at all.

If we are unable to fund the Debtors' capital requirements, we may be required to curtail the Debtors' operations relating to the exploration and development of the Debtors prospects, which in turn could lead to a possible loss of properties and a decline in the Debtors' reserves, or may be otherwise unable to implement the Debtors development plan, complete acquisitions or otherwise take advantage of business opportunities or respond to competitive pressures, any of which could have a material adverse effect on the Debtors production, revenues and results of operations. In addition, a delay in or the failure to complete proposed or future infrastructure projects could delay or eliminate potential efficiencies and related cost savings.

Drilling for oil and natural gas is a speculative activity and involves numerous risks and substantial and uncertain costs that could adversely affect us.

The Debtors future financial condition and results of operations will depend on the success of the Debtors exploitation, exploration, development and production activities. The Debtors drilling activities are subject to many risks. For example, we cannot assure you that wells drilled by the Debtors will be productive or that we will recover all or any portion of the Debtors investment in such wells. Drilling for oil and natural gas often involves unprofitable efforts, not only from dry holes but also from wells that are productive but do not produce sufficient oil or natural gas to return a profit at then-realized prices after deducting drilling, operating and other costs. The seismic data and other technologies we use do not allow the Debtors to know conclusively prior to drilling a well that oil or natural gas is present or that it can be produced economically. The costs of exploration, exploitation and development activities are subject to numerous uncertainties beyond the Debtors control, and increases in those costs can adversely affect the economics of a project. In addition, the application of new techniques for the Debtors such as horizontal drilling may make it more difficult to accurately estimate these costs. Further, the Debtors drilling and

producing operations may be curtailed, delayed, canceled or otherwise negatively impacted as a result of other factors, including:

- increases in the costs of, shortages of or delays in obtaining rigs, equipment, qualified personnel or other services;
- facility or equipment malfunctions;
- unexpected operational events;
- pressure or irregularities in geological formations;
- adverse weather conditions;
- reductions in oil and natural gas prices;
- delays imposed by or resulting from compliance with regulatory requirements;
- proximity to and capacity of natural gas gathering, processing and transportation facilities;
- availability of water for use in fracture stimulation;
- availability of disposal locations for waste that we generate;
- compliance with changing environmental and other regulatory requirements;
- environmental hazards, such as natural gas leaks, oil spills, salt water spills, pipeline ruptures and discharges of toxic gases;
- lost or damaged oilfield development and service tools;
- pipe or cement failures, casing collapses or other downhole failures;
- loss of drilling fluid circulation;
- fires, blowouts, surface craterings and explosions;
- uncontrollable flows of oil, natural gas or well fluids;
- loss of leases due to incorrect payment of royalties;
- costs and availability of contractual arrangements for properties or equipment associated with the Debtors activities;
- the possibility of new regulations or court decisions that prohibit or restrict the Debtors future ability to drill or produce from allocation wells;
- the limited availability of financing at acceptable rates;
- title problems; and
- limitations in the market for oil and natural gas.

Any of these risks can cause substantial losses, including personal injury or loss of life, damage to or destruction of property, natural resources and equipment, pollution, environmental contamination or loss of wells and other regulatory penalties.

Even if drilled, the Debtors completed wells may not produce reserves of oil or natural gas that are economically viable or that meet the Debtors earlier estimates of economically recoverable reserves. A productive well may become uneconomic if water or other deleterious substances are encountered that impair or prevent the production of oil or natural gas from the well. The Debtors overall drilling success rate or the Debtors drilling success rate for activity within a particular project area may decline. Unsuccessful drilling activities could result in a significant decline in the Debtors production and revenues and materially harm the Debtors' operations and financial condition by reducing the Debtors available cash and resources. Because of the risks and uncertainties of the Debtors' business, the Debtors' future performance in exploration and drilling may not be comparable to the historical performance of the Debtors properties.

The Debtors' estimated reserves are based on many assumptions that may turn out to be inaccurate. Any significant inaccuracies in these reserve estimates or underlying assumptions will materially affect the quantities and present value of the Debtors' reserves.

Numerous uncertainties are inherent in estimating quantities of oil and natural gas reserves. This Disclosure Statement and the exhibits thereto contain projections and forecasts that include estimates of certain of the Debtors' reserves. These estimates are based upon the CG&A Report. The process of estimating oil and natural gas reserves is complex, requiring significant decisions and assumptions in the evaluation of available geological, engineering and economic data for each reservoir, and these reports rely upon various assumptions, including assumptions regarding future oil and natural gas prices, production levels, and operating and development costs.

In order to prepare estimates of the proved reserves included in this Disclosure Statement, CGA must project production rates and the timing of development expenditures as well as analyze available geological, geophysical, production and engineering data. The extent, quality and reliability of this data can vary. The process also requires economic assumptions about matters such as oil and natural gas prices, drilling and operating expenses, capital expenditures, taxes and availability of funds. As a result, estimated quantities of proved reserves and projections of future production rates, including the CG&A type curve, and the timing of development expenditures may prove to be inaccurate. Over time, we may make material changes to reserve estimates taking into account the results of actual drilling and production. Any significant variance from the Debtors' assumptions by actual results could greatly affect the estimates of reserves, the economically recoverable quantities of oil and natural gas attributable to any particular group of properties, the classifications of reserves based on risk of recovery and estimates of the future net cash flows.

Properties that we decide to drill may not contain natural gas, NGLs or oil in commercially viable quantities, or at all.

Properties that we decide to drill that do not yield natural gas, NGLs or oil in commercially viable quantities will adversely affect the Debtors' results of operations and financial condition. The Debtors' project areas are in various stages of development, ranging from project areas with current drilling or production activity to project areas that consist of recently acquired leasehold acreage that have no production history or that have limited drilling or production history. If the wells in the process of being completed do not produce sufficient revenues to return a profit or if we drill dry holes in the future, the Debtors' business may be materially affected. In addition, there is no way to predict in advance of drilling and testing whether any particular prospect will yield natural gas, NGLs or oil in sufficient quantities to recover 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 the Debtors to know conclusively prior to drilling whether natural gas, NGLs or oil will be present or, if present, whether natural gas, NGLs or oil will be present in commercial quantities. We cannot assure you that the analogies we draw from available data from other wells, more fully explored prospects or producing fields will be applicable to the Debtors' drilling prospects.

The Debtors' operating history may not be sufficient for investors to evaluate the Debtors' business and prospects.

We are a company in the initial stages of exploration, development and exploitation of the Debtors' leasehold acreage. Companies in their initial stages of development face substantial business risks and may suffer significant losses. We have generated substantial net losses and negative cash flows from operating activities since the Debtors' inception and expect to continue to incur substantial net losses from operating activities until the Debtors' production increases.

In considering the Plan and the information provided in this Disclosure Statement, you should consider that there is only limited historical and financial operating information available upon which to base your evaluation of the Debtors' performance. We face challenges and uncertainties in financial planning as a result of the unavailability of historical data and uncertainties regarding the nature, scope and results of the Debtors' future activities. New companies must develop successful business relationships, establish operating procedures, hire staff, install management information and other systems, establish facilities and obtain licenses, as well as take other measures necessary to conduct their intended business activities. We may not be successful in implementing the Debtors' business strategies or in completing the development of the infrastructure necessary to conduct the Debtors' business as planned. In the event that one or more of the Debtors' drilling programs is not completed or is delayed or terminated, the Debtors' operating results will be adversely affected and the Debtors' operations will differ materially from the activities described in this prospectus. As a result of industry factors or factors relating specifically to us, we may have to change the Debtors' methods of conducting business, which may cause a material adverse effect on the Debtors' results of operations and financial condition. The uncertainty and risks described in this prospectus may impede the Debtors' ability to economically find, develop, exploit and acquire oil and natural gas reserves. As a result, we may not be able to achieve or sustain profitability or positive cash flows provided by the Debtors' operating activities in the future.

The standardized measure of discounted future net cash flows from the Debtors' estimated proved reserves will not be the same as the current market value of the Debtors' estimated proved reserves.

You should not assume that the Standardized Measure of discounted future net cash flows from the Debtors' proved reserves is the current market value of the Debtors' estimated proved reserves. In accordance with SEC requirements, we based the discounted future net cash flows from the Debtors' proved reserves on the 12-month first-day-of-the-month oil and natural gas average prices without giving effect to derivative transactions. Actual future net cash flows from the Debtors' oil and natural gas properties will be affected by factors such as:

- the actual prices we receive for oil and natural gas;
- the Debtors' actual development and production expenditures;
- the amount and timing of actual production; and
- changes in governmental regulations or taxation.

The timing of both the Debtors' production and the Debtors' incurrence of expenses in connection with the development and production of oil and natural gas properties will affect the timing and amount of actual future net revenues from proved reserves, and thus their actual present value. In addition, the 10% discount factor we use when calculating discounted future net cash flows may not be the most appropriate discount factor based on interest rates in effect from time to time and risks associated with the Debtors or the oil and natural gas industry in general. Actual future prices and costs may differ materially from those used in the present value estimates included in this prospectus which could have a material effect on the value of the Debtors' reserves that could adversely affect the Debtors' business, results of operations and financial condition.

Approximately 61% of the Debtors' total estimated proved reserves as of October 1, 2015 were classified as proved undeveloped and may ultimately prove to be less than estimated.

Recovery of proved undeveloped reserves requires significant capital expenditures and successful drilling operations. As of October 1, 2015, approximately 61% of the Debtors' total estimated pro forma proved reserves were undeveloped. The future drilling of undeveloped reserves is highly dependent upon the Debtors' ability to fund estimated total capital development costs of approximately $140 million, of which $25 million are expected to be incurred in the 2016. We cannot be sure that these estimated costs are accurate. Further, the Debtors' drilling efforts may be delayed or unsuccessful, and actual reserves may prove to be less than current reserve estimates, each of which could have a material adverse effect on the Debtors' financial condition, results of operations and cash flows.

The development of the Debtors' estimated proved undeveloped reserves may take longer and may require higher levels of capital expenditures than we anticipate. Therefore, the Debtors' estimated proved undeveloped reserves may not be ultimately developed or produced.

As of October 1, 2015, approximately 61% of the Debtors' total estimated proved reserves were classified as proved undeveloped. The Debtors' approximately 11.0 MMBoe of estimated proved undeveloped reserves will require an estimated $140 million of development capital over the next five years. Development of these undeveloped reserves may take longer and require higher levels of capital expenditures than we anticipate. Delays in the development of the Debtors' reserves, increases in costs to drill and develop such reserves, or decreases in commodity prices will reduce the PV-10 value of the Debtors' estimated proved undeveloped reserves and future net revenues estimated for such reserves and may result in some projects becoming uneconomic. In addition, delays in the development of reserves could cause the Debtors to have to reclassify the Debtors' proved undeveloped reserves as unproved reserves.

Substantially all of the Debtors' producing properties and operations are located in the East Texas Basin, making the Debtors vulnerable to risks associated with operating in one geographic area.

The Debtors' properties are geographically concentrated. As of September 30, 2015, substantially all of the Debtors' oil and natural gas assets were in the East Texas Basin. As a result of this concentration, we may be disproportionately exposed to the impact of regional supply and demand factors, delays or interruptions of production from wells in this area caused by governmental regulation, processing or transportation capacity constraints, availability of equipment, facilities, personnel or services, natural disasters, adverse weather conditions, market limitations or interruption of the processing or transportation of crude oil, natural gas or NGLs, and changes in regional and local political regimes and regulations. In addition, the effect of fluctuations on supply and demand may become more pronounced within specific geographic oil and natural gas producing areas such as the East Texas Basin, which may cause these conditions to occur with greater frequency or magnify the effects of these conditions. Due to the concentrated nature of the Debtors' portfolio of properties, a number of the Debtors' properties could experience any of the same conditions at the same time, resulting in a relatively greater impact on the Debtors' results of operations than they might have on other companies that have a more diversified portfolio of properties. Such delays or interruptions could have a material adverse effect on the Debtors' business, financial condition and results of operations.

The Debtors' potential drilling locations are expected to be drilled over several years, making them susceptible to uncertainties that could materially alter the occurrence of timing of their drilling. In addition, we may not be able to raise the substantial amount of capital that would be necessary to drill a substantial portion of the Debtors' potential drilling locations.

We have provided information regarding potential drilling locations on the Debtors' existing acreage. The Debtors' ability to drill and develop these locations is subject to a number of uncertainties, including the availability of capital, seasonal conditions, regulatory approvals, availability of drilling services and equipment, lease expirations, gathering systems, processing marketing and pipeline transportation constraints, oil and natural gas

prices, drilling and production costs, drilling results and other factors. Because of these uncertainties, we do not know if the potential drilling locations will ever be drilled or if we will be able to produce oil or natural gas from these or any other potential drilling locations. Pursuant to SEC rules and guidance, subject to limited exceptions, proved undeveloped reserves may only be booked if they relate to wells scheduled to be drilled within five years of the date of booking. SEC rules and guidance may limit the Debtors' potential to book proved undeveloped reserves as we pursue the Debtors' drilling program.

If commodity prices decrease to a level such that the Debtors' future undiscounted cash flows from the Debtors' properties are less than their carrying value for a significant period of time, we will be required to take write-downs of the carrying values of the Debtors' properties.

Accounting rules require that we periodically review the carrying value of the Debtors' properties for possible impairment. Based on specific market factors and circumstances at the time of prospective impairment reviews, and the continuing evaluation of development plans, production data, economics and other factors, we may be required to write-down the carrying value of the Debtors' properties. A write-down constitutes a non-cash charge to earnings. We may incur impairment charges in the future, which could have a material adverse effect on the Debtors' results of operations for the periods in which such charges are taken.

Unless we replace oil and natural gas reserves the Debtors' future reserves and production will decline.

Producing oil and natural gas reservoirs generally are characterized by declining production rates that vary depending upon reservoir characteristics and other factors. Unless we conduct successful ongoing development and exploration activities or continually acquire properties containing proved reserves, the Debtors' proved reserves will decline as those reserves are produced. The Debtors' future oil and natural gas reserves and production, and therefore the Debtors' future cash flow and results of operations, are highly dependent on the Debtors' success in efficiently developing and exploiting the Debtors' current reserves and economically finding or acquiring additional recoverable reserves. We may not be able to develop, find or acquire sufficient additional reserves to replace the Debtors' current and future production. If we are unable to replace the Debtors' current and future production, the value of the Debtors' reserves will decrease, and the Debtors' business, financial condition and results of operations would be adversely affected.

Prospects that we decide to drill may not yield oil or natural gas in commercially viable quantities.

Prospects that we decide to drill that do not yield oil or natural gas in commercially viable quantities will adversely affect the Debtors' financial condition and results of operations. The Debtors' prospects are in various stages of evaluation, and may range from a prospect that is ready to drill to a prospect that will require substantial additional seismic data processing and interpretation and other technical analysis. There is no way to predict in advance of drilling and testing whether any particular prospect will yield oil or natural gas in sufficient quantities to recover 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 the Debtors to know conclusively prior to drilling whether oil or natural gas will be present or, if present, whether oil or natural gas will be present in commercial quantities.

The Debtors' use of 2-D and 3-D seismic data is subject to interpretation and may not accurately identify the presence of oil and natural gas, which could adversely affect the results of the Debtors' drilling operations.

Even when properly used and interpreted, 2-D and 3-D seismic data and visualization techniques are only tools used to assist geoscientists in identifying subsurface structures and hydrocarbon indicators and do not enable the interpreter to know whether hydrocarbons are, in fact, present in those structures. In addition, the use of 3-D seismic and other advanced technologies requires greater predrilling expenditures than traditional drilling strategies, and we could incur losses as a result of such expenditures. As a result, the Debtors' drilling activities may not be successful or economical.

Declining general economic, business or industry conditions may have a material adverse effect on the Debtors' business, results of operations, liquidity and financial condition.

Concerns over the worldwide economic outlook, geopolitical issues, the availability and cost of credit and the United States mortgage and real estate markets contributed to increased volatility and diminished expectations for the global economy. These factors, combined with volatile commodity prices, declining business and consumer confidence and increased unemployment resulted in a worldwide recession during the second half of 2008 and 2009. Concerns about global economic growth could have a significant adverse effect on global financial markets and commodity prices. If the economic climate in the United States or abroad were to deteriorate, demand for petroleum products could diminish, which could depress the prices at which we could sell the Debtors' oil and natural gas and ultimately decrease the Debtors' revenue and profitability.

Changes in the differential between benchmark prices of oil and natural gas and the reference or regional index price used to price the Debtors' actual oil and natural gas sales could have a material adverse effect on the Debtors' results of operations and financial condition.

The reference or regional index prices that we will use to price the Debtors' oil and natural gas sales sometimes will reflect a discount to the relevant benchmark prices. The difference between the benchmark price and the price we reference in the Debtors' sales contracts is called a differential. We cannot accurately predict oil and natural gas differentials. Changes in differentials between the benchmark price for oil and natural gas and the reference or regional index price we reference in the Debtors' sales contracts could have a material adverse effect on the Debtors' results of operations and financial condition.

Derivative transactions may limit the Debtors' potential gains and involve other risks.

In order to manage the Debtors' exposure to price risks in the marketing of the Debtors' oil and natural gas production, we may hedge oil and natural gas prices through derivative financial arrangements with respect to a portion of the Debtors' anticipated production. While intended to reduce the effects of volatile oil and natural gas prices, such transactions may limit the Debtors' potential gains and increase the Debtors potential losses if oil and natural gas prices were to rise substantially over the price established by the derivative. In addition, such transactions may expose the Debtors to the risk of loss in certain circumstances, including instances in which:

- the Debtors' production is less than expected;
- there is a widening of price base differentials between delivery points of the Debtors' production and the delivery point assumed in the derivative agreement;
- the counterparties to the Debtors' futures contracts fail to perform under the contracts; or
- an event materially affects oil or natural gas prices or the relationship between the derivative strike price index and the oil and natural gas sales price.

In addition, the Debtors' commodity derivative transactions may expose the Debtors to credit risk in the event of default by counterparties. Further deterioration in the credit markets may impact the credit ratings of the Debtors' potential counterparties and affect their ability to fulfill their obligations to the Debtors and their willingness to enter into future transactions with us. A default under any of these agreements could negatively impact the Debtors' financial performance.

Market conditions or transportation impediments may hinder access to oil and natural gas markets or delay production.

We deliver oil and natural gas through gathering, processing and pipeline systems that in some cases we do not own. Market conditions, the unavailability of satisfactory oil and natural gas transportation or the remote location of the Debtors' drilling operations may restrict the Debtors' access to oil and natural gas markets or delay production. In addition, natural gas produced in the East Texas Basin has a high Btu content that requires gas processing to remove the NGLs before it can be redelivered into transmission pipelines. Industry-wide in the East Texas Basin, there is currently a shortage of gas gathering and processing capacity.

The availability of a ready market for oil and natural gas production depends on a number of factors, including the demand for and supply of oil and natural gas, the proximity of reserves to gathering, processing and pipeline facilities or trucking and terminal facilities and the availability of trucks and other transportation equipment. Federal and state regulation of oil and natural gas production and transportation, tax and energy policies, changes in supply and demand, pipeline pressures or quality standards, damage to or destruction of pipelines and general economic conditions could adversely affect the Debtors' ability to produce, gather and transport the Debtors' oil and natural gas. We may be required to shut-in wells or delay initial production for lack of a viable market or because of inadequacy or unavailability of pipeline or gathering system capacity. If that occurs, we will be unable to realize revenue from those wells until the production can be tied to a gathering system. This can result in considerable delays from the initial discovery of a reservoir to the actual production of the oil and natural gas and realization of revenues. Furthermore, if we are required to shut in wells, we might also be obligated to pay shut-in royalties to certain mineral interest owners in order to maintain the Debtors' leases.

The unavailability or high cost of drilling rigs, equipment, supplies, personnel and oilfield services could adversely affect the Debtors' ability to execute exploration plans on a timely basis and within budget, and consequently could adversely affect the Debtors' anticipated cash flow.

We utilize third-party services to maximize the efficiency of the Debtors' operations. The cost of oilfield services typically fluctuates based on demand for those services. Shortages or the high cost of drilling rigs, equipment, supplies, personnel or oilfield services could delay or adversely affect the Debtors' exploration operations or cause the Debtors to incur significant expenditures that are not provided for in the Debtors' capital budget, which could have a material adverse effect on the Debtors' business, financial condition and results of operations. The cost to develop the Debtors' projects has not been fixed and remains dependent upon a number of factors, including the completion of detailed cost estimates and final engineering, contracting and procurement costs. The Debtors' drilling and operation schedules may not proceed as planned and may experience delays or cost overruns. Any delays may increase the costs of the projects, requiring additional capital, and such capital may not be available on a timely and cost-effective fashion.

If commodity prices decrease to a level such that the Debtors' future undiscounted cash flows from the Debtors' properties are less than their carrying value for a significant period of time, we will be required to take write-downs of the carrying values of the Debtors' properties.

Accounting rules require that we periodically review the carrying value of the Debtors' properties for possible impairment. Based on specific market factors and circumstances at the time of prospective impairment reviews, and the continuing evaluation of development plans, production data, economics and other factors, we may be required to write-down the carrying value of the Debtors' properties. A write-down constitutes a non-cash charge to earnings. We may incur impairment charges in the future, which could have a material adverse effect on the Debtors' results of operations for the periods in which such charges are taken.

Part of the Debtors' strategy involves drilling in existing or emerging shale plays using the latest available horizontal drilling and completion techniques, which involve risks and uncertainties in their application.

The Debtors' operations involve utilizing the latest drilling and completion techniques as developed by the Debtors and the Debtors' service providers. Risks that we may face while drilling include, but are not limited to, failing to land the Debtors' wellbore in the desired drilling zone, not staying in the desired drilling zone while drilling horizontally through the formation, not running the Debtors' casing the entire length of the wellbore, failing to effectively control the level of pressure flowing from particular wells, and not being able to run tools and other equipment consistently through the horizontal wellbore. Risks that we may face while completing the Debtors' wells include, but are not limited to, not being able to fracture stimulate the planned number of stages, not being able to run tools the entire length of the wellbore during completion operations and not successfully cleaning out the wellbore after completion of the final fracture stimulation stage. In addition, to the extent we engage in horizontal drilling, those activities may adversely affect the Debtors' ability to successfully drill in one or more of the Debtors' identified vertical drilling locations. The Debtors' experience with horizontal drilling utilizing the latest drilling and completion techniques is limited. Ultimately, the success of these drilling and completion techniques can only be evaluated over time as more wells are drilled and production profiles are established over a sufficiently long time period. If the Debtors' drilling results are less than anticipated or we are unable to execute the Debtors'

drilling program because of capital constraints, lease expirations, access to gathering systems and/or commodity prices decline, the return on the Debtors' investment in these areas may not be as attractive as we anticipate. Further, as a result of any of these developments we could incur material write-downs of the Debtors' oil and natural gas properties and the value of the Debtors' undeveloped acreage could decline in the future.

The Debtors' failure to successfully identify, complete and integrate future acquisitions of properties or businesses could reduce the Debtors' operating results and slow the Debtors' growth.

There is intense competition for acquisition opportunities in the Debtors' industry and we may not be able to identify attractive acquisition opportunities. Even if we do identify attractive acquisition opportunities, we may not be able to complete the acquisitions or do so on commercially acceptable terms. Competition for acquisitions may increase the cost of, or cause the Debtors to refrain from, completing acquisitions. The Debtors' ability to complete acquisitions is dependent upon, among other things, the Debtors' ability to obtain debt and equity financing and, in some cases, regulatory approvals. Further, these acquisitions may be in geographic regions in which we do not currently operate, which could result in unforeseen operating difficulties and difficulties in coordinating geographically dispersed operations, personnel and facilities. In addition, if we enter into new geographic markets, we may be subject to additional and unfamiliar legal and regulatory requirements. Compliance with these regulatory requirements may impose substantial additional obligations on the Debtors and the Debtors' management, cause the Debtors to expend additional time and resources in compliance activities and increase the Debtors' exposure to penalties or fines for non-compliance with such additional legal requirements. Completed acquisitions could require the Debtors to invest further in operational, financial and management information systems and to attract, retain, motivate and effectively manage additional employees. The inability to effectively manage the integration of acquisitions could reduce the Debtors' focus on subsequent acquisitions and current operations, which, in turn, could negatively impact the Debtors' results of operations and growth. The Debtors' financial condition and results of operations may fluctuate significantly from period to period, based on whether or not significant acquisitions are completed in particular periods.

Any acquisition involves potential risks, including, among other things:

- the validity of the Debtors' assumptions about estimated proved reserves, future production, commodity prices, revenues, capital expenditures, operating expenses and costs;
- an inability to obtain satisfactory title to the assets we acquire;
- a decrease in the Debtors' liquidity by using a significant portion of the Debtors' available cash or borrowing capacity to finance acquisitions;
- a significant increase in the Debtors' interest expense or financial leverage if we incur additional debt to finance acquisitions;
- the assumption of unknown liabilities, losses or costs for which we obtain no or limited indemnity or other recourse;
- the diversion of management's attention from other business concerns;
- an inability to hire, train or retain qualified personnel to manage and operate the Debtors' growing assets; and
- the occurrence of other significant changes, such as impairment of oil and natural gas properties, goodwill or other intangible assets, asset devaluation or restructuring charges.

The Debtors' acreage must be drilled before lease expiration, in order to hold the acreage by production. In a highly competitive market for acreage, failure to drill sufficient wells to hold acreage may result in a substantial lease renewal cost, or if renewal is not feasible, loss of the Debtors' lease and prospective drilling opportunities.

Leases on oil and natural gas properties typically have a term of three to five years, after which they expire unless, prior to expiration, production is established within the spacing units covering the ~~undeveloped acres. For information about expiration dates for the Debtors' leases on~~ undeveloped acres. The cost to renew such leases may increase significantly, and we may not be able to renew such leases on commercially reasonable terms or at all. Moreover, many of the Debtors' leases require lessor consent to pool, which may make it more difficult to hold the Debtors' leases by production. Any reduction in the Debtors' current drilling program, either through a reduction in capital expenditures or the unavailability of drilling rigs, could result in the loss of acreage through lease expirations. We cannot assure you that we will have the liquidity to deploy these rigs when needed, or that commodity prices will warrant operating such a drilling program. Any such losses of leases could materially and adversely affect the growth of the Debtors' asset base, cash flows and results of operations.

We are subject to complex federal, state, local and other laws, regulations and permitting requirements that could adversely affect the timing, cost, manner or feasibility of conducting the Debtors' operations or expose the Debtors to significant liabilities.

We are required to obtain permits from one or more governmental authorities in order to perform drilling and completion activities, including hydraulic fracturing. As with all such permitting processes, there is a degree of uncertainty as to whether a permit will be granted, the time it will take for a permit to be issued, and the conditions that may be imposed in connection with the granting of the permit. We may experience delays in receiving such permits, approvals and certificates. Delays in permitting could result in delays in execution of the Debtors' drilling and development program.

The process of complying with all applicable government regulations is complex and requires the Debtors to expend substantial time and resources. We cannot assure you that we will be able to comply on a continuous or timely basis with all applicable regulations, and delays in compliance, or failure to comply, could have a material adverse effect on the Debtors' business, financial condition, results of operations and the Debtors' ability to maintain and obtain needed licenses. Changes in existing regulations or the adoption of new regulations at the federal level or in the states in which we operate or pursue new opportunities could delay or prevent the Debtors' compliance with those regulations. The Debtors' failure to comply with applicable laws or regulations, whether federal or state could result in, among other things, the termination of leases to which we are a party or the suspension of some of the Debtors' operations, both of which would have a material adverse effect on the Debtors' business.

See Article IV.P—"Regulation and Environmental Matters" for a further description of the laws and regulations that affect us.

We are not the operator on a portion of the Debtors' acreage, and, therefore, we will not be able to control the timing of exploration or development efforts, associated costs, or the rate of production of any non-operated assets.

Although we are the operator on the majority of the Debtors' acreage, we are not the operator on approximately 10% of the Debtors' real property interests. As we carry out the Debtors' exploration and development programs in the future, we may enter into arrangements with respect to existing or future drilling locations that result in additional drilling locations being operated by others. As a result, we may have limited ability to exercise influence over the operations of the drilling locations operated by the Debtors' partners. Dependence on the operator could prevent the Debtors from realizing the Debtors' target returns for those locations. The success and timing of exploration and development activities operated by the Debtors' partners will depend on a number of factors that will be largely outside of the Debtors' control, including:

- the timing and amount of capital expenditures;
- the operator's expertise and financial resources;
- the approval of other participants in drilling wells;

- the selection of technology; and
- the rate of production of reserves, if any.

This limited ability to exercise control over the operations of some of the Debtors' drilling locations may cause a material adverse effect on the Debtors' business, financial condition and results of operations.

The marketability of the Debtors' production is dependent upon transportation and other facilities, certain of which we do not control. When these facilities are unavailable, the Debtors' operations can be interrupted and the Debtors' revenues reduced.

The marketability of the Debtors' production depends in part upon the availability, proximity and capacity of transportation facilities owned by third parties. In addition, natural gas produced in the East Texas Basin has a high Btu content that requires gas processing to remove the NGLs before it can be redelivered into transmission pipelines. Industry-wide in the East Texas Basin, there is currently a shortage of gas gathering and processing capacity. The lack of available capacity on these systems and facilities could result in the shut-in of producing wells or the delay, or discontinuance, of development plans for properties. Federal and state regulation of oil and natural gas production and transportation, tax and energy policies, changes in supply and demand, pipeline pressures or quality standards, damage to or destruction of pipelines and general economic conditions could adversely affect the Debtors' ability to produce, gather and transport the Debtors' oil and natural gas. We may be required to shut-in wells or delay initial production because of inadequacy or unavailability of pipeline or gathering system capacity. If that occurs, we will be unable to realize revenue from those wells until the production can be tied to a gathering system. This can result in considerable delays from the initial discovery of a reservoir to the actual production of the oil and natural gas and realization of revenues. Furthermore, if we are required to shut in wells, we might also be obligated to pay shut-in royalties to certain mineral interest owners in order to maintain the Debtors' leases.

The disruption of third-party facilities due to maintenance, force majeure and/or weather could also negatively impact the Debtors' ability to market and deliver the Debtors' products. We have no control over when or if such facilities are restored by third-party owners or operators, or what prices will be charged for their services. A total shut-in of production resulting from the acts or omissions of third-party transportation providers, or circumstances affecting third-party transportation facilities, could adversely affect the Debtors' financial condition and results of operations.

Market conditions or operational impediments may hinder access to oil and natural gas markets or delay production.

Market conditions or the unavailability of satisfactory natural gas, NGL or oil transportation arrangements may hinder the Debtors' access to market or delay the Debtors' production. The availability of a ready market for the Debtors' production depends on a number of factors, including the demand for and supply of natural gas, NGLs or oil and the proximity of reserves to pipelines and terminal facilities. The Debtors' ability to market the Debtors' production depends in substantial part on the availability and capacity of gathering systems, pipelines and processing facilities owned and operated by third parties. The Debtors' failure to obtain such services on acceptable terms could materially harm the Debtors' business. We may be required to shut in wells due to lack of a market or inadequacy or unavailability of natural gas, NGL or oil pipeline or gathering system capacity. In addition, if quality specifications for the third-party pipelines with which we connect change so as to restrict the Debtors' ability to transport product, the Debtors' access to markets could be impeded. If the Debtors' production becomes shut in for any of these or other reasons, we would be unable to realize revenue from those wells until other arrangements were made to deliver the products to market.

We are required to pay fees to the Debtors' service providers based on minimum volumes regardless of actual volume throughput.

We have various gas transportation service agreements in place, each with minimum volume delivery commitments. As of December 15, 2015, the Debtors' average annual contractual firm transportation and firm sales obligations for 2016 were approximately 8 Bcf, which are in excess of the Debtors' average pro forma daily gross operated production of approximately 3 Bcf for 2016. While we believe that the Debtors' future natural gas volumes will be sufficient to satisfy the minimum requirements under the Debtors' gas transportation services agreements based on the Debtors' current production and the Debtors' exploration and development plan, we can provide no such assurances that such volumes will be sufficient. We are obligated to pay fees on minimum volumes to the Debtors' service providers regardless of actual volume throughput, which could be significant. If these fees on minimum volumes are substantial, we may not be able to generate sufficient cash to cover these obligations, which may require the Debtors to reduce or delay the Debtors' planned investments and capital expenditures or seek alternative means of financing.

Any new regulations or court decisions that prohibit or restrict the Debtors' ability to drill or produce from "allocation wells," as well as uncertainty regarding the methodology of allocating production from allocation wells among royalty owners, could have a material negative impact on the Debtors' ability to seek approval of allocation units and wells in the future.

In Texas, "allocation wells" allow an oil and natural gas producer to drill a horizontal well under two or more leaseholds that are owned by the producer. The Debtors' assets include producing allocation wells and, the Debtors intend to be active in drilling allocation wells. Recently, there have been legal actions challenging certain permit applications for allocation wells. While the Railroad Commission of Texas recently approved a number of drilling permits for allocation wells, if, in the future, the Railroad Commission of Texas or the state courts determine that oil and natural gas producers are no longer entitled to such permits, it could have an adverse impact on the Debtors' ability to drill horizontal lateral wells on some of the Debtors' leases, which in turn could have a material adverse impact on the Debtors' anticipated future production.

Further, an oil and natural gas producer's royalty payment obligations under allocation wells in Texas must be calculated on a well-by-well basis. In addition to challenging certain permit allocations for allocation wells, there have been challenges to the method of allocating royalties under an allocation well. Any challenges to the permit allocations or to the methodology we use to allocate production under the Debtors' oil and natural gas wells could cause the Debtors to incur substantial litigation costs and compliance costs, which could have a material adverse effect on the Debtors' financial condition and results of operations.

We may incur significant costs and liabilities as a result of environmental, health and safety laws and regulations that govern the Debtors' operations. You should consider the following specific regulations relating to the environment, health and safety that affect the Debtors' business.

The Debtors' ownership and operation of oil and natural gas properties and gathering and transportation facilities are subject to stringent and complex federal, state and local laws and regulations governing health and safety aspects of the Debtors' operations, the discharge of materials into the environment or otherwise relating to environmental protection. These laws and regulations may impose numerous obligations that are applicable to the Debtors' operations including the acquisition of permits before conducting drilling or underground injection activities; the restriction of types, quantities and concentration of materials that can be released into the environment; the limitation or prohibition of drilling activities on certain lands lying within wilderness, wetlands and other protected areas; the application of specific health and safety criteria addressing worker protection; and the imposition of substantial liabilities for pollution resulting from operations. Numerous governmental authorities, such as the U.S. Environmental Protection Agency (the "**EPA**"), the U.S. Pipeline and Hazardous Materials Safety Administration (the "**PHMSA**"), and analogous state agencies, have the power to enforce compliance with these laws and regulations and the permits issued under them, oftentimes requiring difficult and costly actions. Failure to comply with these laws and regulations may result in the assessment of administrative, civil or criminal penalties; the imposition of investigatory or remedial obligations; and the issuance of injunctions limiting or preventing some or all of the Debtors' operations.

There is inherent risk of incurring significant environmental costs and liabilities in the performance of the Debtors' operations due to the Debtors' handling of petroleum hydrocarbons and wastes, because of air

emissions and wastewater discharges related to the Debtors' operations, and as a result of historical industry operations and waste disposal practices. Under certain environmental laws and regulations, we could be subject to strict, joint and several liability for the removal or remediation of previously released materials or property contamination regardless of whether we released the contamination or whether the operations were in compliance with all applicable laws at the time those actions were taken. Private parties, including the owners of properties upon which the Debtors' wells are drilled and facilities where the Debtors' petroleum hydrocarbons or wastes are taken for reclamation or disposal, may also have the right to pursue legal actions to enforce compliance as well as to seek damages for non-compliance with environmental laws and regulations or for personal injury or property damage. In addition, the risk of accidental spills or releases could expose the Debtors to significant liabilities that could have a material adverse effect on the Debtors' financial condition or results of operations. Changes in environmental laws and regulations occur frequently, and any changes that result in more stringent or costly waste handling, storage, transport, disposal or cleanup requirements could require the Debtors to make significant expenditures to attain and maintain compliance or may otherwise have a material adverse effect on the Debtors' own results of operations, competitive position or financial condition. We may not be able to recover some or any of these costs from insurance.

Legislative and regulatory initiatives relating to hydraulic fracturing could result in increased costs and additional operating restrictions or delays.

Hydraulic fracturing is an essential and common practice in the oil and natural gas industry that stimulates production of natural gas and/or oil from dense subsurface rock formations. Hydraulic fracturing involves using water, sand, and certain chemicals to fracture the hydrocarbon-bearing rock formation to facilitate flow of the hydrocarbons into the wellbore. We expect to routinely apply hydraulic fracturing techniques in many of the Debtors' oil and natural gas drilling and completion programs. The hydraulic fracturing process is typically regulated by state oil and natural gas commissions.

A number of states, including Texas, have adopted or are considering adopting more stringent permitting, public disclosure, and well construction requirements for hydraulic fracturing operations. In addition, local land use restrictions, such as city ordinances, may restrict or prohibit the performance of well drilling in general and/or hydraulic fracturing in particular. In the event state, local, or municipal legal restrictions are adopted in areas where we are currently conducting, or in the future plan to conduct operations, we may incur additional compliance costs that may be significant in nature, experience delays or curtailment in the pursuit of exploration, development, or production activities, and perhaps even be precluded from the drilling of wells.

Federal agencies also are moving to regulate hydraulic fracturing. Pursuant to the Safe Drinking Water Act, the EPA has asserted authority over certain hydraulic fracturing activities using diesel fuel and has released final guidance documents explaining the permitting process for such activity in those states in which EPA is the permitting authority. In May 2014, the EPA announced plans for developing proposed rules under Section 8(a) and 8(d) of the Toxic Substances Control Act related to the reporting of chemical substances and mixtures used in hydraulic fracturing. Additionally, the U.S. Department of the Interior issued final rules in March 2015 that impose new requirements on hydraulic fracturing operations conducted on federal lands. The rules require companies to publicly disclose the chemicals used in hydraulic fracturing operations after fracturing operations have been completed and include provisions addressing well-bore integrity and flowback water management plans.

Apart from these regulatory activities, the EPA has commenced a study of the potential environmental effects of hydraulic fracturing on drinking water and groundwater. The EPA released a draft report in June 2015 with a final peer-reviewed report planned for a 2016 release. The results of that study may lead to further regulation at the federal, state and local levels.

Increased study, regulation and attention given to the hydraulic fracturing process could lead to greater opposition to its use, including litigation regarding, oil and natural gas production activities using hydraulic fracturing techniques. New legislation or regulation also could lead to operational delays or increased operating costs in the production of oil and natural gas, including from the developing shale plays, or could make it more difficult to perform hydraulic fracturing. The adoption of any federal, state or local laws or the implementation of regulations regarding hydraulic fracturing could potentially cause a decrease in the completion of new oil and natural

gas wells, increased compliance costs and delays, any of which could adversely affect the Debtors' financial position, results of operations and cash flows.

Climate change laws and regulations restricting emissions of "greenhouse gases" could result in increased operating costs and reduced demand for the oil and natural gas that we produce while the physical effects of climate change could disrupt the Debtors' production and cause the Debtors to incur significant costs in preparing for or responding to those effects.

Recent studies indicate that emissions of certain gases, known as greenhouse gases, including methane and carbon dioxide, may be warming the Earth's atmosphere. Methane is a primary component of natural gas and carbon dioxide is a byproduct of the burning of oil, natural gas and refined petroleum products. In response to these studies, governments have been adopting domestic and international climate change laws. Internationally, the United Nations Framework Convention on Climate Change and the Copenhagen Accord address greenhouse gas emissions.

In the United States, Congress has considered comprehensive legislation to reduce emissions of greenhouse gases; however, no such legislation has been passed. It is uncertain at this time whether, or in what form, such federal climate change legislation will be adopted in the United States.

The EPA, however, has been using its existing authority to address greenhouse gases. In 2009, the EPA published its findings that emissions of carbon dioxide, methane and other "greenhouse gases" present an endangerment to human health and the environment because emissions of such gases are, according to the EPA, contributing to warming of the Earth's atmosphere and other climatic changes. These findings by the EPA have allowed the agency to proceed with the adoption and implementation of regulations restricting emissions of greenhouse gases under existing provisions of the federal Clean Air Act. Among other things, EPA regulations now require specified large greenhouse gas emitters in the United States, including companies in the energy industry, to annually report those emissions. Additionally, since 2011, new sources or modifications of existing sources of significant quantities of greenhouse gas emissions have been required to obtain permits—and to use best available control technology to control those emissions—pursuant to the Clean Air Act as a prerequisite to the development of that emissions source. Beyond that, the EPA is continuing to assess other potential controls on greenhouse gas emissions from oil and natural gas operations, including limits on methane from oil wells. For example, in June 2013, the Obama Administration announced its Climate Action Plan, which, among other things, directs federal agencies to develop a strategy for the reduction of methane emissions, including emissions from the oil and gas sector. Pursuant to this plan, EPA announced in January 2015 a plan to regulate methane emissions from the oil and gas sector. While the existing regulations have not to date materially affected the Debtors, such regulations may over time require the Debtors to incur costs to reduce emissions of greenhouse gases associated with the Debtors' operations or could adversely affect demand for the oil and natural gas we produce.

Climate change is also being addressed by various courts throughout the United States, including the US Supreme Court. Certain of EPA's greenhouse gas rules are undergoing legal challenges and numerous other challenges are being filed by groups seeking additional regulation of a variety of additional sources of greenhouse gas emissions. Litigants in such cases may also challenge air emissions permits that greenhouse gas emitters apply for, seek to force emitters to reduce their emissions or seek damages for alleged climate change impacts to the environment, people and property. Although we are not currently a party to any climate change litigation, we are monitoring these developments.

In addition, more than half of the states, either individually or through multi-state regional initiatives, have begun to address greenhouse gas emissions, primarily through renewable energy standards or regional greenhouse gas cap and trade programs. Although most of the state-level initiatives have to date been focused on large sources of greenhouse gas emissions, such as electric power plants, it is possible that smaller sources could become subject to greenhouse gas-related regulation.

Depending on the particular program, we could be required to control emissions or to purchase and surrender allowances for greenhouse gas emissions resulting from the Debtors' operations. Any future laws or

implementing regulations that may be adopted to address greenhouse gas emissions thus could require the Debtors to incur increased operating costs and could adversely affect demand for the oil and natural gas we produce.

Finally, it should be noted that some scientists have concluded that increasing concentrations of greenhouse gases 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 the Debtors' exploration and production operations. Significant physical effects of climate change could also have an indirect effect on the Debtors' financing and operations by disrupting the transportation or process-related services provided by midstream companies, service companies or suppliers with whom we have a business relationship. We may not be able to recover through insurance some or any of the damages, losses, or costs that may result from potential physical effects of climate change.

Conservation measures and technological advances could reduce demand and increase impediments for oil and natural gas.

Fuel conservation measures, alternative fuel requirements, increasing consumer demand for alternatives to oil and natural gas, technological advances in fuel economy and energy generation devices could reduce demand and increase impediments for oil and natural gas extraction. The impact of the changing demand and impediments for oil and natural gas extraction may have a material adverse effect on the Debtors' business, financial condition, results of operations and cash flows.

The Debtors' ability to produce natural gas and oil economically and in commercial quantities could be impaired if we are unable to acquire adequate supplies of water for the Debtors' drilling operations or are unable to dispose of or recycle the water we use at a reasonable cost and in accordance with applicable environmental rules.

The hydraulic fracturing process on which we depend to produce commercial quantities of natural gas and oil requires the use and disposal of significant quantities of water. The Debtors' inability to secure sufficient amounts of water or sufficient quality water, such as in times of drought, or to dispose of or recycle the water used in the Debtors' operations, could adversely impact the Debtors' operations.

Further, waste from oil and natural gas production, including hydraulic fracturing wastewater, commonly are disposed of in permitted underground injection wells. Some researchers have linked such injection to earthquakes that have occurred in the vicinity of disposal wells. Any future government requirements that may be adopted to address concerns about earthquakes could result in the Debtors incurring increased disposal or recycling costs.

Operating hazards, natural disasters or other interruptions of the Debtors' operations could result in potential liabilities, which may not be fully covered by the Debtors' insurance.

Risks inherent to the Debtors' industry include the potential for significant losses associated with equipment design, operational failures or vehicle operator error. These risks can result in explosions and discharges of toxic gases, chemicals and hazardous substances, and, in rare cases, uncontrollable flows of gas or well fluids into environmental media, as well as personal injury, loss of life, long-term suspension or cessation of operations, interruption of the Debtors' business or the businesses of third parties upon which we depend, and damage to geologic formations, environmental media and natural resources, equipment, facilities or property. In addition, we use and generate hazardous substances and wastes in the Debtors' operations and some of the properties that we currently lease are, or have in the past been, used for industrial purposes. If any of these properties contain unknown contamination, or if any of the hazardous substances that we generate are released into the environment at the Debtors' leased properties or at off-site locations, we could be required to conduct expensive investigation and cleanup and may be exposed to liability for personal injury, wrongful death, property damage, loss of oil and natural gas production, pollution and other environmental damages. In an extreme case, such liabilities could materially impair the Debtors' profitability, insurability, or competitive position.

We have not insured and cannot fully insure against all risks and have not attempted to insure fully against risks where the cost of available coverage is excessive relative to the perceived risks presented. In addition, certain pollution and environmental risks generally are not insurable. The oil and natural gas business generally, and the Debtors' operations specifically, are subject to certain operating hazards such as:

- environmental hazards, such as uncontrollable releases of oil, natural gas, brine, well fluids, toxic gas or other pollution into the environment, including groundwater, air and shoreline contamination;
- unexpected drilling conditions, such as abnormally pressured formations;
- mechanical difficulties, such as stuck oilfield drilling and service tools and pipe, cement or casing failures;
- fires, explosions and ruptures of pipelines;
- personal injuries and death;
- natural disasters;
- liabilities from accidents or damage by or to the Debtors' equipment;
- well blowouts;
- cratering (catastrophic failure); and
- reservoir damage.
- Any of these risks could adversely affect the Debtors' ability to conduct operations or result in substantial loss to the Debtors as a result of claims for:
- injury or loss of life;
- damage to and destruction of property, natural resources and equipment;
- pollution and other environmental damage;
- regulatory investigations and penalties;
- suspension of the Debtors' operations; and
- repair and remediation costs.

In addition, the Debtors' operations are susceptible to damage from natural disasters such as flooding or tornados, which involve increased risks of personal injury, property damage and marketing interruptions. Unusually severe weather could curtail the Debtors' operations, including drilling of new wells or production from existing wells, and depending on the severity of the weather, could have a material adverse effect on the Debtors' business, financial condition and results of operation. The occurrence of one of these operating hazards may result in injury, loss of life, suspension of operations, environmental damage and remediation or governmental investigations and penalties. Such liabilities could reduce, or even eliminate, the funds available for exploration and development, or could result in a loss of the Debtors' properties.

We do not carry business interruption insurance coverage. The Debtors' insurance might be inadequate to cover the Debtors' liabilities. Insurance costs are expected to continue to increase over the next few years, and we may decrease coverage and retain more risk to mitigate future cost increases. If we incur substantial

liability, and the damages are not covered by insurance or are in excess of policy limits, then the Debtors' business, results of operations and financial condition may be materially adversely affected.

We may not be able to keep pace with technological developments in the Debtors' industry.

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

Competition in the oil and natural gas industry is intense, and many of the Debtors' competitors have resources that are greater than the Debtors.

We operate in a highly competitive environment for developing properties, marketing oil and natural gas and securing equipment and trained personnel. As a relatively small oil and natural gas company, many of the Debtors' competitors, major and large independent oil and natural gas companies, possess and employ financial, technical and personnel resources substantially greater than the Debtors. Those companies may be able to develop and acquire more prospects and productive properties than the Debtors' financial or personnel resources permit. The Debtors' ability to acquire additional prospects and discover reserves in the future will depend on the Debtors' ability to evaluate and select suitable properties and execute the Debtors' exploration and development activities in a highly competitive environment. Also, there is substantial competition for capital available for investment in the oil and gas industry. Those companies may be able to pay more for productive oil and natural gas properties and exploratory drilling locations or to identify, evaluate, bid for and purchase a greater number of properties and locations than the Debtors' financial or personnel resources permit.

Furthermore, these companies may also be better able to withstand the financial pressures of unsuccessful drilling attempts, sustained periods of volatility in financial and commodity markets and generally adverse global and industry-wide economic conditions, and may be better able to absorb the burdens resulting from changes in relevant laws and regulations, which would adversely affect the Debtors' competitive position. In addition, companies may be able to offer better compensation packages to attract and retain qualified personnel than we are able to offer. The cost to attract and retain qualified personnel in the regions in which we operate has increased over the past few years due to competition and may increase substantially in the future. We may not be able to compete successfully in the future in developing reserves, acquiring prospective reserves, marketing hydrocarbons, attracting and retaining quality personnel and raising additional capital.

We depend upon a limited number of purchasers for the sale of most of the Debtors' production. The loss of one or more of these purchasers could, among other factors, limit the Debtors' access to suitable markets for the hydrocarbons we produce.

The availability of a ready market for any hydrocarbons we produce depends on numerous factors beyond the control of the Debtors' management, including but not limited to the extent of domestic production and imports of oil, the proximity and capacity of natural gas pipelines, the availability of skilled labor, materials and equipment, the effect of state and federal regulation of oil and natural gas production and federal regulation of natural gas sold in interstate commerce. In addition, we depend upon a limited number of purchasers for the sale of most of the Debtors' production. The loss of significant customers could adversely affect the Debtors' revenues and have a material adverse effect on the Debtors' financial condition and results of operations. We cannot assure you that any of the Debtors' customers will continue to do business with the Debtors or that we will continue to have ready access to suitable markets for the Debtors' future production.

The loss of senior management or technical personnel may adversely affect the Debtors' operations.

We depend on the services of the Debtors' senior management and technical personnel. The Debtors' success is substantially dependent on the continued service of certain of key employees. These key employees have been important in determining the strategic direction of the Debtors' business and for executing the Debtors' growth strategy and are integral to the Debtors' brand, culture and reputation. The loss of the services of any of these key employees could have a material adverse effect on the Debtors' business and prospects, as we may not be able to find suitable individuals to replace them on a timely basis, if at all.

Recent federal legislation could have an adverse impact on the Debtors' ability to use derivative instruments to reduce the effects of commodity prices, interest rates and other risks associated with the Debtors' business.

We intend to enter into a number of commodity derivative contracts in order to hedge a portion of the Debtors' oil and natural gas production and, periodically, interest expense. On July 21, 2010, the President signed into law the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "**Dodd-Frank Reform Act**"), which, among other provisions, establishes federal oversight and regulation of the over-the-counter derivatives market and entities that participate in that market. The legislation required the Commodities Futures Trading Commission ("**CFTC**") and the SEC to promulgate rules and regulations implementing the new legislation, which they have done since late 2010 and continue to do into 2015. From late 2010 and continuing to the present date, the CFTC has proposed dozens of rules implementing the Dodd-Frank Reform Act, and has promulgated most of the required final rules based on those proposals. Due to these new rules, it is increasingly clear that the costs of derivatives-based hedging for commodities will likely increase for all market participants. Of particular concern, the Dodd-Frank Reform Act does not explicitly exempt end users from the requirements to post margin in connection with hedging activities. While several senators have indicated that it was not the intent of the Act to require margin from end users, the exemption is not in the Act. While rules proposed by the CFTC and federal banking regulators appear to allow for non-cash collateral and certain exemptions from margin for end users, the rules are not final and uncertainty remains. The full range of new Dodd-Frank requirements enacted, to the extent applicable to the Debtors or the Debtors' derivatives counterparties, may result in increased costs and cash collateral requirements for the types of derivative.

We may incur losses as a result of title defects in the properties we currently own or in which we will invest.

Title insurance covering mineral leaseholds is not generally available and, in all instances, including when we acquire oil and natural gas leases or interests, we forego the expense of retaining lawyers to examine the title to the mineral interest to be placed under lease or already placed under lease until the drilling block is assembled and ready to be drilled. Rather, we rely upon the judgment of oil and natural gas lease brokers or landmen who perform the fieldwork in examining records in the appropriate governmental office before attempting to acquire a lease in a specific mineral interest.

Of the assets we currently own, we have conducted title examinations on substantially all producing properties. We have yet to conduct title examinations on the Debtors' proved undeveloped properties as it is customary in the Debtors' industry to take these steps prior to the drilling of an oil or gas well. However, it is the normal practice in the Debtors' industry for the person or company acting as the operator of the well to obtain a preliminary title review to ensure there are no obvious defects in title to the well. Frequently, as a result of such examinations, certain curative work must be done to correct defects in the marketability of the title, and such curative work entails expense. The Debtors' failure or the failure of any other owners of the assets, including the well, to cure any title defects may delay or prevent the Debtors from utilizing the associated mineral interest, which may adversely impact the Debtors' ability in the future to increase production and reserves. Additionally, undeveloped acreage has greater risk of title defects than developed acreage because the title examination pertaining to undeveloped acreage is not determined until the company begins development plans for such property. Without examination of the mineral title interests, there could be operating agreements, rights of first refusal or other restrictive third party agreements customary in the oil and gas industry that could adversely affect the Debtors' ability to develop or operate on the affected properties. The existence of material title deficiencies can substantially impair the value of the leases and may adversely affect the Debtors' results of operations and financial condition. If

there are any such title defects, restrictions, third party rights or defects in assignment of leasehold rights in properties in which we hold an interest or that we acquire, we will suffer a financial loss.

Certain U.S. federal income tax deductions currently available with respect to oil and natural gas exploration and development may be eliminated, and additional state taxes on natural gas extraction may be imposed, as a result of future legislation.

The Obama Administration's budget proposal for fiscal year 2015 and legislation introduced in a prior session of Congress include proposals that would, if enacted, 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, (1) the repeal of the percentage depletion allowance for oil and natural gas properties, (2) the elimination of current deductions for intangible drilling and development costs, (3) the elimination of the deduction for certain domestic production activities, and (4) 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 any legislation as a result of these proposals or any other similar change in U.S. federal income tax law 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, as well as any changes to or the imposition of new state or local taxes (including the imposition of, or increase in, production, severance or similar taxes), could negatively affect the Debtors' financial condition and results of operations.

We depend on computer and telecommunications systems and failures in the Debtors' systems or cyber security attacks could significantly disrupt the Debtors' business operations.

We are heavily dependent on the Debtors' information systems and computer based programs, including the Debtors' well operations information, seismic data, electronic data processing and accounting data. If any of such programs or systems were to fail or create erroneous information in the Debtors' hardware or software network infrastructure, possible consequences include the Debtors' loss of communication links, inability to find, produce, process and sell oil and natural gas and inability to automatically process commercial transactions or engage in similar automated or computerized business activities. Any such consequence could have a material adverse effect on the Debtors' business.

We have entered into agreements with third parties for hardware, software, telecommunications and other information technology services in connection with the Debtors' business. In addition, we may develop proprietary software systems, management techniques and other information technologies that incorporate software licensed from third parties. It is possible we could incur interruptions from cyber security attacks, computer viruses or malware. Unauthorized access to the Debtors' seismic data, reserves information or other proprietary information could lead to data corruption, communication interruption, or other operational disruptions in the Debtors' exploration or production operations. Also, computers control nearly all of the oil and gas distribution systems in the United States, which are necessary to transport the Debtors' production to market. A cyber attack directed at oil and gas distribution systems could damage critical distribution and storage assets or the environment, delay or prevent delivery of production to markets and make it difficult or impossible to accurately account for production and settle transactions. Further, as cyber attacks continue to evolve, we may be required to expend significant additional resources to continue to modify or enhance the Debtors' protective measures or to investigate and remediate any vulnerabilities to cyber attacks.

A terrorist attack or armed conflict could harm the Debtors' business.

Terrorist activities, anti-terrorist efforts and other armed conflicts involving the United States or other countries may adversely affect the United States and global economies and could prevent the Debtors from meeting the Debtors' financial and other obligations. If any of these events occurs, the resulting political instability and societal disruption could reduce overall demand for oil and natural gas, potentially putting downward pressure on demand for the Debtors' services and causing a reduction in the Debtors' revenues. Oil and natural gas related

facilities could be direct targets of terrorist attacks, and the Debtors' operations could be adversely impacted if infrastructure integral to the Debtors' customers' operations is destroyed or damaged. Costs for insurance and other security may increase as a result of these threats, and some insurance coverage may become more difficult to obtain, if available at all.

C. Certain Risks Related to the New First Lien Notes

The Debtors will incur substantial indebtedness in connection with the Plan and may incur more debt under any future senior revolving credit facility and other permitted indebtedness. Higher levels of indebtedness make the Debtors more vulnerable to economic downturns and adverse developments in the Debtors' business.

As of the Effective Date, the Debtors' total indebtedness is projected to be approximately $135.25 million. The Debtors' substantial indebtedness could have important consequences for your the New First Lien Notes and New Equity Interests and significant effects on the Debtors' business. For example, it could:

- make it more difficult for the Debtors to satisfy the Debtors' financial obligations, including with respect to the New First Lien Notes;
- increase the Debtors' vulnerability to general adverse economic, industry and competitive conditions;
- reduce the availability of the Debtors' cash flow to fund working capital and capital expenditures because we will be required to dedicate a substantial portion of the Debtors' cash flow from operations to the payment of principal and interest on the Debtors' indebtedness;
- limit the Debtors' flexibility in planning for, or reacting to, changes in the Debtors' business and the industry in which we operate;
- prevent the Debtors from raising funds necessary to repurchase New First Lien Notes tendered to the Debtors if there is a change of control that would constitute a default under the indentures governing the New First Lien Notes and under any future permitted first lien indebtedness;
- place the Debtors at a competitive disadvantage compared to the Debtors' competitors that are less highly leveraged and that, therefore, may be able to take advantage of opportunities that the Debtors' leverage prevents the Debtors from exploiting; and
- limit the Debtors' ability to borrow additional funds.

Each of these factors may have a material and adverse effect on the Debtors' financial condition and viability. The Debtors' ability to make payments with respect to the New First Lien Notes and to satisfy any other debt obligations will depend on the Debtors' future operating performance, which will be affected by prevailing economic conditions and financial, business and other factors affecting the Debtors and the industry, many of which are beyond the Debtors' control.

Despite current indebtedness levels, we may still be able to incur substantially more debt, which would increase the risks associated with the Debtors' substantial leverage.

Even with the Debtors' existing debt levels, we and the Debtors' subsidiaries may be able to incur substantial additional indebtedness in the future. Although the indenture governing the New First Lien Notes will contain restrictions on the incurrence of additional indebtedness, these restrictions are likely to be subject to a number of significant qualifications and exceptions and, under certain circumstances, the amount of indebtedness that could be incurred in compliance with these restrictions could be substantial. If we incur additional indebtedness, the related risks that we now face would intensify. In addition, the indenture governing the New First Lien Notes do

not prevent the Debtors from incurring obligations that do not constitute indebtedness under those agreements and we anticipate that any agreement governing the Debtors' future indebtedness will similarly not prevent the Debtors from incurring obligations that do not constitute indebtedness under those agreements and could further exacerbate the risks associated with the Debtors' substantial leverage.

We may not be able to generate sufficient cash flow to meet the Debtors' debt service and other obligations, including the New First Lien Notes, due to events beyond the Debtors' control.

The Debtors' ability to generate cash flows from operations and to make scheduled payments on or refinance the Debtors' indebtedness, including the New First Lien Notes, and to fund working capital needs and planned capital expenditures will depend on the Debtors' future financial performance and the Debtors' ability to generate cash in the future. The Debtors' future financial performance will be affected by a range of economic, financial, competitive, business and other factors that we cannot control, such as general economic and financial conditions in the capital or commodity markets, the economy generally or other risks summarized here. The Debtors' inability to execute the Debtors' strategy in a timely manner could have a material adverse effect on the Debtors' business, financial condition, results of operations and prospects, including the Debtors' ability to generate positive cash flow in the future and the Debtors' ability to service the Debtors' debt and other obligations, including the New First Lien Notes. If the Debtors are unable to service their indebtedness or to fund their other liquidity needs, we may be forced to take actions such as reducing or delaying capital expenditures, selling assets, restructuring or refinancing the Debtors' indebtedness, seeking additional capital, or any combination of the foregoing. If we raise additional debt, it would increase the Debtors' interest expense, leverage and operating and financial costs. We cannot assure you that any of these actions could be effected on satisfactory terms, if at all, or that they would yield sufficient funds to make required payments on the New First Lien Notes and any other indebtedness or to fund the Debtors' other liquidity needs. In addition, the terms of existing or future debt agreements, including the indenture governing the New First Lien Notes, may restrict the Debtors from adopting any of these alternatives. We cannot assure you that the Debtors' business will generate sufficient cash flows from operations or that future borrowings will be available in an amount sufficient to enable the Debtors to pay the Debtors' indebtedness, including the New First Lien Notes, or to fund the Debtors' other liquidity needs.

The failure to generate sufficient cash flow or to effect any of these alternatives could significantly adversely affect the value of the New First Lien Notes and the Debtors' ability to pay amounts due under the New First Lien Notes. If for any reason we are unable to meet the Debtors' debt service and repayment obligations, including under the New First Lien Notes, we would be in default under the terms of the agreements governing the Debtors' indebtedness, which would allow the Debtors' creditors at that time to declare all outstanding indebtedness to be due and payable. These lenders could then seek to foreclose on the Debtors' assets that are their collateral. If the amounts outstanding under the New First Lien Notes were to be accelerated, or were the subject of foreclosure actions, we cannot assure you that the Debtors' assets would be sufficient to repay in full the money owed to the Debtors' debt holders, including you as a holder of the New First Lien Notes.

The New First Lien Notes Indenture Will Impose Operating and Financial Restrictions on the Company, Which May Prevent the Debtors From Capitalizing on Business Opportunities and Taking Certain Actions.

The New First Lien Notes Indenture will impose operating and financial restrictions. These restrictions may limit the Company's ability to, among other things:

- incur additional indebtedness or issue certain preferred stock;
- pay dividends or make other distributions;
- make other restricted payments or investments;
- sell assets or use the proceeds from asset sales;
- create liens;

- enter into agreements that restrict dividends and other payments by subsidiaries;
- engage in transactions with affiliates; and
- consolidate, merge or transfer all or substantially all of NGR's assets.

The Debtors' compliance with these provisions may materially adversely affect its ability to react to changes in market conditions, take advantage of business opportunities it believes to be desirable, obtain future financing, fund needed capital expenditures, finance the Debtors' acquisitions, equipment purchases and development expenditures, or withstand the present or any future downturn in its business.

The Debtors' failure to comply with the agreements relating to the Debtors' outstanding indebtedness, including as a result of events beyond the Debtors' control, could result in an event of default that could materially and adversely affect the Debtors' results of operations and the Debtors' financial condition.

If there were an event of default under any of the agreements relating to the Debtors' outstanding indebtedness, the holders of the defaulted debt could cause all amounts outstanding with respect to that debt to be due and payable immediately. We cannot assure you that the Debtors' assets or cash flow would be sufficient to fully repay borrowings under the Debtors' outstanding debt instruments if accelerated upon an event of default. Further, if we are unable to repay, refinance or restructure the Debtors' indebtedness under any secured debt we have outstanding, the holders of such debt could proceed against the collateral securing that indebtedness. In addition, any event of default or declaration of acceleration under one debt instrument could also result in an event of default under one or more of the Debtors' other debt instruments. As a consequence, we could be forced into bankruptcy or liquidation. Therefore, any default by the Debtors on the Debtors' indebtedness could have a material adverse effect on the Debtors' business and could impact the Debtors' ability to make payments under the New First Lien Notes.

Your ability to transfer the New First Lien Notes may be limited by the absence of an active trading market, and there is no assurance that any active trading market will develop for the New First Lien Notes.

The New First Lien Notes will constitute a new issue of securities for which there is no established trading market. We are offering the New First Lien Notes in reliance upon an exemption from registration under the Securities Act and applicable state securities laws. Therefore, the New First Lien Notes may be transferred or resold only in a transaction registered under or exempt from the Securities Act and applicable state securities laws. We do not intend to have the New First Lien Notes listed on a national securities exchange or included in any automated quotation system.

The liquidity of any market for the New First Lien Notes will depend upon the number of holders of the New First Lien Notes, the Debtors' performance, the market for similar securities, the interest in securities dealers making a market in the New First Lien Notes and other factors. Therefore, we cannot assure you that an active market for the New First Lien Notes will develop or, if developed, that it will continue. If an active market does not develop or is not maintained, the price and liquidity of the New First Lien Notes will be adversely affected.

Historically, the market for non-investment-grade debt has been subject to disruptions that have caused substantial volatility in the prices of securities similar to the New First Lien Notes. We cannot assure you that the market, if any, for the New First Lien Notes will be free from similar disruptions or that any such disruptions may not adversely affect the prices at which you may sell your New First Lien Notes.

Changes in the debt markets may adversely affect the market price of the New First Lien Notes.

Changes in the Debtors' credit ratings or the debt markets may adversely affect the market price of the New First Lien Notes. The price for the New First Lien Notes will depend on a number of factors, including:

- the Debtors' credit ratings with major credit rating agencies;
- the prevailing interest rates being paid by other companies similar to us;
- the market price of the Debtors' equity interests;
- the Debtors' financial condition, operating performance and future prospects; and
- the overall condition of the financial markets and global and domestic economies.

The conditions of the financial markets and prevailing interest rates have fluctuated in the past and are likely to fluctuate in the future. Such fluctuations could have an adverse effect on the price of the New First Lien Notes. In addition, credit rating agencies continually review their ratings for the companies that they follow, including us. The credit rating agencies also evaluate the industries in which we operate as a whole and may change their credit rating for the Debtors based on their overall view of such industries. A negative change in the Debtors' credit rating could have an adverse effect on the price of the New First Lien Notes.

D. Certain Risks Relating to NGR Holding Equity Interests related to the Plan and Bankruptcy Filing.

Lack of Established Market for NGR Holding Equity Interests as a Consequence of Plan and Bankruptcy Filing.

As set forth above, Holders of NGR Holding Equity Interests will be given the opportunity to opt out of granting the releases set forth in section VII.F of the Plan. After an election to opt out is made by a holder of NGR Holding Equity Interests, such election will be binding on any buyer of such NGR Holding Equity Interests in any subsequent sale or re-sale of the shares prior to the date such shares are cancelled. As stated above, NGR Holding Equity Interests will be cancelled and discharged under the plan as of the effective date. Any holder that elects to opt out of the voluntary releases set forth in Article VII.F the Plan shall not receive the benefit of the releases (1) by the Debtors as set forth in Article VII.E of the Plan and (2) by the holders of other Claims and Equity Interests as set forth in Article VII.F of the Plan, and the Debtors or Reorganized Debtors, as the case may be, reserve all rights, claims and causes of action against such Holders, including claims arising under Chapter 5 of the Bankruptcy Code.

Under such circumstances, a trading market for NGR Holding Equity Interests held by Holders electing to opt out of the releases may not exist and electing to opt out will likely make it more difficult for such opt-out shareholders to dispose of their NGR Holding Equity Interests or to realize value on the shares at a time when they may wish to do so.

E. Certain Risks Relating to the Shares of New Equity Interests Under the Plan.

Significant Holders.

As set forth above, after the Effective Date, the holders of Second Lien Notes and Subordinated PIK Notes will receive substantially all of the New Equity Interests (subject to dilution from the Dilution Events) and could be in a position to influence or control the outcome of actions requiring stockholder approval, including the election of directors. This concentration of ownership could also facilitate or hinder a negotiated change of control of the Reorganized Debtors and, consequently, have an impact upon the value of the New Equity Interests.

Restrictions on Transfer of Securities Issued in Connection with the Plan.

The recipients of (i) 1145 Securities (as defined below) issued under the Plan who are deemed to be "underwriters" as defined in section 1145(b) of the Bankruptcy Code and (ii) recipients of Private Placement Securities (as defined below) will be restricted in their ability to transfer or sell their securities. In addition, securities issued under the Plan to affiliates of the Reorganized Debtors will be subject to restrictions on resale. These persons will be permitted to transfer or sell such securities only pursuant to the provisions of Rule 144 under

the Securities Act, if available, or another available exemption from the registration requirements of the Securities Act. These restrictions may adversely impact the value of the shares of the securities issued in connection with the Plan and make it more difficult for such securityholders to dispose of their securities, or to realize value on the securities, at a time when they may wish to do so. See Article XII, "**Securities Law Matters**," for additional information regarding restrictions on resales of securities issued in connection with the Plan.

Lack of Established Market for Securities Issued in Connection with the Plan.

A liquid trading market for the New Equity Interests and New First Lien Notes issued under the Plan does not exist. The future liquidity of the trading markets for New Equity Interests and New First Lien Notes will depend, among other things, upon the number of holders of such securities and whether such securities become listed for trading on an exchange or trading system at some future time.

Historical Financial Information of the Debtors May Not Be Comparable to the Financial Information of the Reorganized Debtors.

As a result of the consummation of the Plan and the transactions contemplated thereby, the financial condition and results of operations of the Reorganized Debtors from and after the Effective Date may not be comparable to the financial condition or results of operations reflected in the Debtors' historical financial statements.

The Financial Projections Set forth in this Disclosure Statement May Not Be Achieved.

The Financial Projections cover the operations of the Reorganized Debtor through 2018. The Financial Projections are based on numerous assumptions that are an integral part thereof, including, but not limited to, Confirmation and consummation of the Plan in accordance with its terms, the anticipated future performance of the Reorganized Debtors, industry performance, general business and economic conditions, competition, adequate financing, absence of material claims, the ability to make necessary capital expenditures, the ability to establish strength in new markets and to maintain, improve, and strengthen existing markets, customer purchasing trends and preferences, the ability to increase gross margins and control future operating expenses, and other matters, many of which are beyond the control of the Reorganized Debtors. In addition, unanticipated events and circumstances occurring subsequent to the date of this Disclosure Statement may affect the actual financial results of the operations of the Reorganized Debtors. These variations may be material and adverse. Because the actual results achieved throughout the periods covered by the Financial Projections will vary from the projected results, the Financial Projections should not be relied upon as a guaranty, representation, or other assurance of the actual results that will occur.

F. Additional Factors to Be Considered.

The Debtors Have No Duty to Update.

The statements contained in this Disclosure Statement are made by the Debtors 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 been no change in the information set forth herein since that date. The Debtors have no duty to update this Disclosure Statement unless otherwise ordered to do so by the Court.

No Representations Made Outside this Disclosure Statement Are Authorized.

The information contained in this Disclosure Statement is for purposes of soliciting acceptances of the Plan and may not be relied upon for any other purpose. Except as otherwise provided herein or in the Plan, no representations relating to the Debtors, the Chapter 11 Cases, or the Plan are authorized by the Bankruptcy Court, the Bankruptcy Code, or otherwise. Any representations or inducements made to secure your acceptance or rejection of the Plan, other than as contained in or included with this Disclosure Statement, should not be relied upon by you in arriving at your decision. You should promptly report unauthorized representations or inducements to the counsel to the Debtors and, if applicable, the U.S. Trustee.

The Debtors Relied on Certain Exemptions from Registration under the Securities Act.

This Disclosure Statement has not been filed with the SEC or any state regulatory authority. Neither the SEC nor any state regulatory authority has passed upon the accuracy or adequacy of this Disclosure Statement or the exhibits or the statements contained herein, and any representation to the contrary is unlawful. This Disclosure Statement has been prepared pursuant to Bankruptcy Code section 1125 and Bankruptcy Rule 3016(b).

To the extent securities were offered prior to the filing of the Plan, such securities were offered in reliance on the exemption provided by Section 4(a)(2) of the Securities Act. The offer, issuance, sale and distribution under the Plan of the (a) New Equity Interests, (b) Rights, (c) New First Lien Notes issued in the DIP Exchange and (d) the issuance of New Equity Interests in connection with any conversion of the New First Lien Notes issued in the DIP Exchange, shall all be exempt from registration under Section 5 of the Securities Act and any other applicable securities laws under, and to the extent provided by, Section 1145 of the Bankruptcy Code. The issuance and distribution of the Backstop Commitment Notes, the Put Option Notes and the New First Lien Notes issued in the Rights Offering to Rights Offering Participants, as well as any New Equity Interests into which such notes are converted, will be exempt from registration under the Securities Act and any other applicable securities laws under Section 4(a)(2) of the Securities Act and/or Regulation D thereunder or section 1145 of the Bankruptcy Code.

The Information Herein Was Provided by the Debtors and Relied upon by Their Advisors.

Counsel to and other advisors retained by the Debtors have relied upon information provided by the Debtors 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.

The statements contained in this Disclosure Statement are made by the Debtors 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 that date. While 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 to do so by the Bankruptcy Court.

The financial information contained in this Disclosure Statement has not been audited unless explicitly stated otherwise. In preparing this Disclosure Statement, the Debtors relied on financial data derived from their books and records that was available at the time of such preparation. Although the Debtors have used their reasonable business judgment to ensure the accuracy of the financial information provided in this Disclosure Statement, and while the Debtors believe that such financial information fairly reflects the financial condition of the Debtors, the Debtors are unable to warrant or represent that the financial information contained herein and attached hereto is without inaccuracies.

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 or an Equity Interest should consult his or her own legal counsel and accountant with regard to any legal, tax, and other matters concerning his or her Claim or Equity Interest. 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 of the Plan.

No Admissions Are Made by this Disclosure Statement.

The information and statements contained in this Disclosure Statement will neither constitute an admission of any fact or liability by any Entity (including, without limitation, the Debtors) nor be deemed evidence

of the tax or other legal effects of the Plan on the Debtors, the Reorganized Debtors, Holders of Allowed Claims or Equity Interests or any other parties in interest. Except as otherwise provided in the Plan, the vote by a Holder of an Allowed Claim or Equity Interest for or against the Plan does not constitute a waiver or release of any Claims or rights of the Debtors or the Reorganized Debtors (or any party in interest, as the case may be) to object to that Holder's Allowed Claim or Equity Interest, or recover any preferential, fraudulent, or other voidable transfer or assets, regardless of whether any Claims or Causes of Action of the Debtors or their respective Estates are specifically or generally identified herein.

In addition, no reliance should be placed on the fact that a particular litigation claim or projected objection to a particular Claim or Equity Interest is, or is not, identified in this Disclosure Statement. The Debtors or the Reorganized Debtors may seek to investigate, file, and prosecute objections to Claims and Equity Interests and may object to Claims after the Confirmation or Effective Date of the Plan irrespective of whether this Disclosure Statement identifies such Claims or objections to Claims.

Forward-Looking Statements in this Disclosure Statement.

The Debtors make statements in this Disclosure Statement that are considered forward-looking statements under the federal securities laws. 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;
- The Company's expected future financial position, liquidity, results of operations, profitability, and cash flows;
- financing plans;
- competitive position;
- business strategy;
- budgets;
- projected cost reductions;
- projected and estimated environmental liabilities;
- other projected and estimated liability costs;
- results of litigation;
- disruption of operations;
- regulatory changes;
- plans and objectives of management for future operations;
- contractual obligations;
- off-balance-sheet arrangements;
- growth opportunities for existing services;
- projected price changes;
- projected general market conditions; and
- impacts from new technologies.

Statements concerning these and other matters are not guarantees of the Company's future performance. Such statements represent the Company's estimates and assumptions only as of the date such statements were made. There are risks, uncertainties, and other important factors that could cause the Company's actual performance or achievements to be materially different from those it may project, and New Gulf undertakes no obligation to update any such statement. These risks, uncertainties, and factors include:

- the Debtors' ability to confirm, and consummate the Plan;
- the Company's ability to reduce its overall financial leverage;

- the potential adverse impact of the Chapter 11 Cases on the Company's operations, management, and employees and the risks associated with operating the businesses during the Chapter 11 Cases;
- supplier and partner response to the Chapter 11 Cases;
- inability to have claims discharged or settled during the Chapter 11 Cases;
- general economic, business, and market conditions, including the recent volatility and disruption in the capital and credit markets and the significant downturn in the overall economy;
- interest rate fluctuations;
- exposure to litigation;
- dependence upon key personnel;
- ability to implement cost reduction and market share initiatives in a timely manner;
- efficacy of new technologies and facilities;
- adverse tax changes;
- limited access to capital resources;
- changes in laws and regulations;
- natural disasters; and
- inability to implement the Company's business plan.

XII. SECURITIES LAW MATTERS

No registration statement will be filed under the Securities Act of 1933, as amended (the "**Securities Act**"), or pursuant to any state securities laws with respect to the offer and distribution of securities under the Plan. Prior to the filing of the Chapter 11 Case, the Debtors will rely on the exemption provided by section 4(a)(2) of the Securities Act and applicable exemptions from Blue Sky Laws. The Debtors believe that the provisions of section 1145(a)(1) of the Bankruptcy Code will exempt the issuance and distribution of certain securities issued under the Plan, including the New Equity Interests, Rights, New First Lien Notes issued in the DIP Exchange and the New Equity Interests ~~issued~~issued in connection with any conversion of the New First Lien Notes issued in the DIP Exchange (the "**1145 Securities**") from federal and state securities registration requirements. Certain other securities, including the Backstop Commitment Notes, the Put Option Notes and the New First Lien Notes issued in the Rights Offering to Rights Offering Participants, as well as any New Equity Interests into which such notes are converted (the "**Private Placement Securities**"), will be exempt from registration under the Securities Act and any other applicable securities laws under Section 4(a)(2) of the Securities Act and/or Regulation D thereunder.

The 1145 Securities issued to affiliates of the Reorganized Debtors will be treated as issued pursuant to section 1145(a)(1), but will be subject to restrictions on resale and may be resold only under Rule 144 or another available exemption from registration under the federal and state securities laws.

A. Bankruptcy Code Exemptions from Registration Requirements.

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 in exchange for the recipient's claim against, or interest in, the debtor, or principally in such exchange and partly for cash or 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 or sold under a plan for the holders of such securities ("distributors");

(c) offers to buy securities offered or sold under a plan from the holders of such securities, if the offer to buy is (i) with a view to distributing such securities and (ii) under an agreement made in connection with the plan, with the consummation of the plan, or with the offer or sale of securities under the plan; 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.

As explained more fully in the next section, persons who are not deemed "underwriters" of the issuer may generally resell 1145 Securities without registration under the Securities Act or other applicable law. Persons deemed "underwriters" may sell such securities without registration only pursuant to a registration statement or exemptions from registration under the Securities Act and other applicable law.

Subsequent Resales 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. 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. An "issuer" includes any "affiliate" of the issuer, which is defined as a person directly or indirectly controlling, controlled by, or under common control with the issuer. Affiliates of Reorganized NGR for these purposes will generally include its directors and officers and its controlling stockholders.

"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. 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. However, that presumption is rebuttable, and whether or not any particular person would be deemed to be an "affiliate" of Reorganized NGR 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.

Subsequent Transfers of the New Equity Interests Issued to Affiliates.

Securities issued under the Plan to affiliates of Reorganized NGR will be subject to certain restrictions on resale. Affiliates may resell such securities in compliance with the requirements of Rule 144 or another available exemption under the Securities Act and applicable Blue Sky Laws.

Rule 144 requires that certain information concerning the issuer be made publicly available. Affiliates of Reorganized NGR must also comply with the volume, manner of sale, and notice requirements of Rule 144. However, affiliates of Reorganized NGR will not be subject to the holding period requirement of Rule 144, as the New Equity Interests will be deemed to have been issued in a public offering.

Volume Requirement. Affiliates of Reorganized NGR will be limited in the number of shares of New Equity Interests (treated separately for this purpose) that may be sold for their account (and related persons) in any three-month period. They will be limited to the *greater of* (i) 1% of the outstanding securities of the same class being sold, and (ii) if the class is listed on a stock exchange, the average weekly reported volume of trading in such securities during the four weeks preceding the filing of a notice of proposed sale on Form 144 or if no notice is required, the date of receipt of the order to execute the transaction by the broker or the date of execution of the transaction directly with a market maker.

Manner of Sale Requirement. Under Rule 144, affiliates of Reorganized NGR may resell their New Equity Interests solely in a broker's transaction, directly with a market maker, or in a riskless principal transaction (as defined in Rule 144).

Notice Requirement. If the amount of New Equity Interests sold by an affiliate under Rule 144 in any three month period exceeds 5,000 shares or warrants or has an aggregate sale price greater than $50,000, the affiliate must file or cause to be filed with the SEC three copies of a notice of proposed sale on Form 144, and provide a copy to any exchange on which the securities are traded.

GIVEN THE COMPLEX NATURE OF THE QUESTION OF WHETHER A PARTICULAR PERSON MAY BE AN UNDERWRITER, AFFILIATE, OR DEALER, THE DEBTOR MAKES NO REPRESENTATIONS CONCERNING THE RIGHT OF ANY PERSON TO TRADE IN SECURITIES TO BE DISTRIBUTED PURSUANT TO THE PLAN. THE DEBTORS RECOMMEND THAT HOLDERS OF CLAIMS

CONSULT THEIR OWN COUNSEL CONCERNING WHETHER THEY MAY FREELY TRADE SUCH SECURITIES.

Holders of Claims may should consult with their own legal advisors regarding the applicability of securities laws and exemptions in their particular circumstances.

B. Other Exemptions from Registration Requirements.

Securities Issued in Reliance on Section 4(a)(2) of the Securities Act and/or Regulation D.

The Private Placement Securities are being offered and issued in reliance on exemptions provided under Section 4(a)(2) of the Securities Act and/or Regulation D thereunder. 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.

XIII. CERTAIN UNITED STATES FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN

A. Introduction

The following discussion summarizes certain U.S. federal income tax consequences of the Plan to the Debtors and to the holders of Allowed Class 3 Second Lien Notes Claims, the Class 4(b) ENXP Secured Claim, Class 5 General Unsecured Claims and Class 6 Subordinated PIK Notes Claims, each in their capacities as such.

This summary is provided for informational purposes only and is based on the Internal Revenue Code of 1986, as amended (the "**Tax Code**"), Treasury regulations, judicial authority and current administrative rulings and practice, all as in effect as of the date hereof and all of which are subject to change, possibly with retroactive effect. A substantial amount of time may elapse between the date of this Disclosure Statement and the receipt of a final distribution under the Plan. Events subsequent to the date of this Disclosure Statement, such as the enactment of additional tax legislation, court decisions or the finalization of proposed regulations or other administrative changes, could affect the U.S. federal income tax consequences of the Plan and the transactions contemplated thereunder. No ruling will be sought from the Internal Revenue Service (the "IRS") with respect to any of the tax aspects of the Plan and no opinion of counsel has heretofore been obtained by the Debtors with respect thereto. No representations are being made regarding the particular tax consequences of the confirmation and consummation of the Plan to the Debtors or any holder of a Claim. No assurance can be given that the IRS would not assert, or that a court would not sustain, a different position from any discussed herein. This summary does not address any aspects of U.S. federal non-income, state, local, or non-U.S. taxation.

This summary of certain U.S. federal income tax consequences to holders of Claims does not address all aspects of U.S. federal income taxation that may be relevant to a particular holder of a Claim in light of its particular facts and circumstances or to particular types of holders of Claims subject to special treatment under the Tax Code (for example, financial institutions; banks; broker-dealers; insurance companies; tax-exempt organizations; retirement plans or other tax-deferred accounts; mutual funds; real estate investment trusts; traders in securities that elect mark-to-market treatment; persons subject to the alternative minimum tax; certain former U.S. citizens or long-term residents; persons who hold Claims or Equity Interests in Reorganized NGR Holding or Reorganized New Gulf as part of a hedge, straddle, constructive sale, conversion or other integrated transaction; persons that have a functional currency other than the U.S. dollar; governments or governmental organizations; pass-through entities; investors in pass-through entities that hold Claims or Equity Interests in Reorganized NGR Holding or Reorganized New Gulf; and persons who received their Claims or Equity Interests in Reorganized NGR Holding or Reorganized New Gulf upon exercise of employee unit options or otherwise as compensation) and does not address the U.S. federal income tax consequences of the Plan to holders of Claims that are not entitled to vote on the Plan. Furthermore, the summary of certain U.S. federal income tax consequences to holders of Claims applies only to holders that hold their Claims as capital assets for U.S. federal income tax purposes (generally, property held for investment) and will hold their Equity Interests in Reorganized NGR Holding as a capital asset for U.S. federal income tax purposes and assumes that the various debt and other arrangements to which the Debtors are or were

parties will be respected for U.S. federal income tax purposes in accordance with their form. Insofar as such summary addresses U.S. federal income tax consequences related to the Equity Interests in Reorganized NGR Holding or Reorganized New Gulf, such summary applies only to holders of Claims that acquire the Equity Interests in Reorganized NGR Holding or Reorganized New Gulf, as applicable, in exchange for their Claims pursuant to the Plan.

A "U.S. holder" for purposes of this summary is a beneficial owner of a Class 3 Senior Note Claim, the Class 4(b) ENXP Secured Claim, a Class 5 General Unsecured Claim, or a Class 6 Subordinated PIK Notes Claim that is, for U.S. federal income tax purposes:

- an individual who is a U.S. citizen or U.S. resident alien;

- a corporation, or other entity taxable as a corporation for U.S. federal income tax purposes, that was created or organized in or under the laws of the United States, any state thereof or the District of Columbia;

- an estate whose income is subject to U.S. federal income taxation regardless of its source; or

- a trust (1) if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or (2) that has a valid election in effect under applicable Treasury regulations to be treated as a U.S. person.

A "Non-U.S. holder" means a holder of a Class 3 Senior Note Claim, the Class 4(b) ENXP Secured Claim, a Class 5 General Unsecured Claim, or a Class 6 Subordinated PIK Notes Claim that is not a U.S. holder and is, for U.S. federal income tax purposes, an individual, corporation (or other entity treated as a corporation for U.S. federal income taxes purposes), estate or trust.

If a partnership (including any entity or arrangement treated as a partnership for U.S. federal income tax purposes) is a beneficial owner of a Claim or of Equity Interests in Reorganized NGR Holding or Reorganized New Gulf, the treatment of a partner in the partnership will generally depend upon the status of the partner and the activities of the partnership. Partnerships and their partners should consult their tax advisors about the U.S. federal income tax consequences of participating in the Plan, including the tax consequences with respect to the ownership and disposition of Equity Interests in Reorganized NGR Holding or Reorganized New Gulf received under the Plan.

ACCORDINGLY, THE FOLLOWING SUMMARY OF CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES IS FOR INFORMATIONAL PURPOSES ONLY AND IS NOT A SUBSTITUTE FOR CAREFUL TAX PLANNING AND ADVICE BASED UPON THE INDIVIDUAL CIRCUMSTANCES PERTAINING TO A HOLDER. ALL HOLDERS OF CLAIMS OR EQUITY INTERESTS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS FOR THE FEDERAL, STATE, LOCAL AND NON-U.S. TAX CONSEQUENCES OF THE PLAN.

B. Certain U.S. Federal Income Tax Consequences of the Plan to the Debtors

NGR Holding was recently formed in connection with the Prepetition Reorganization and has elected to be taxable as a corporation for U.S. federal income tax purposes. Following the Prepetition Reorganization, New Gulf was and continues to be wholly-owned by NGR Holding, and NGR Holding has elected to treat New Gulf as a disregarded entity for U.S. federal income tax purposes.

Equity Interests in Reorganized New Gulf

Upon the exchange, if any, of Claims for Equity Interests in Reorganized New Gulf, Reorganized New Gulf will cease to be disregarded and will instead be treated as a partnership for U.S. federal income tax purposes. The exchange of Claims for Equity Interests in Reorganized New Gulf may be treated for U.S. federal income tax purposes as though (i) all the assets currently held by New Gulf were contributed by NGR Holding to New Gulf in exchange for membership interests in Reorganized New Gulf and (ii) any holder of a Claim receiving an

Equity Interest in Reorganized New Gulf pursuant to the Plan contributed the portion of such Claim for which it received such Equity Interest in Reorganized New Gulf directly to Reorganized New Gulf in exchange for Equity Interests in Reorganized New Gulf ((i) and (ii) together, the "**Partnership Formation Treatment**"). Alternatively, the exchange of Claims for Equity Interests in Reorganized New Gulf may be treated for U.S. federal income tax purposes as though (i) NGR Holding transferred to each holder of a Claim that receives Equity Interests in Reorganized New Gulf pursuant to the Plan a pro rata share of New Gulf's assets, net of associated liabilities, in exchange for the portion of such Claim for which it received such Equity Interest in Reorganized New Gulf (and NGR Holding contributed the remaining share of New Gulf's assets to New Gulf in exchange for membership interests in Reorganized New Gulf) and (ii) each such holder of Claims contributed the assets deemed received by it under clause (i) from NGR Holding directly to New Gulf in exchange for Equity Interests in Reorganized New Gulf ((i) and (ii) together, the "**Assets Over Treatment**").

If the Partnership Formation Treatment applies to an exchange of Claims for Equity Interests in Reorganized New Gulf, neither Reorganized NGR Holding nor Reorganized New Gulf would recognize any gain or loss on the deemed contribution of assets by Reorganized NGR Holding to Reorganized New Gulf in exchange for membership interests of Reorganized New Gulf. On the other hand, Reorganized New Gulf would recognize cancellation of debt income ("**COD Income**") on the exchange of Claims for Equity Interests in Reorganized New Gulf to the extent that the unpaid balance of the Claims exceeds the fair market value of the Equity Interests in Reorganized New Gulf that are exchanged for such Claims. Such COD Income would be allocated entirely to Reorganized NGR Holding. For a discussion of the consequences of such COD Income to Reorganized NGR Holding, please see the discussion below under "Cancellation of Debt and Reduction of Tax Attributes."

If the Assets Over Treatment applies to an exchange of Claims for Equity Interests in Reorganized New Gulf, Reorganized NGR Holding's deemed transfer of a pro rata portion of its assets to holders of Claims would be treated as a sale for tax purposes. If the Claims are determined to be recourse liabilities of NGR Holding, Reorganized NGR Holding (i) would have COD Income equal to any excess of the unpaid balance of such Claims over the fair market value of the pro rata portion of the assets deemed to be exchanged for such Claims and (ii) would recognize gain or loss based on the difference between the fair market value of the pro rata portion of the assets deemed to be exchanged for such Claims and its adjusted tax basis for such portion of such assets. For a discussion of the consequences of such COD Income to Reorganized NGR Holding, please see the discussion below under "Cancellation of Debt and Reduction of Tax Attributes." On the other hand, if the Claims are determined to be nonrecourse liabilities of NGR Holding, the unpaid balance of such Claims would be treated as part of NGR Holding's amount realized on the disposition of the pro rata portion of its assets for purposes of calculating the gain or loss NGR Holding is required to recognize on such disposition (and no COD Income would arise from such disposition). Neither NGR Holding nor New Gulf would recognize any gain or loss on the deemed contribution by NGR Holding of the remaining share of New Gulf's assets to New Gulf. During the time that New Gulf is disregarded as an entity separate from NGR Holding for U.S. federal income tax purposes, the debt of New Gulf (including the Claims) is treated as debt of NGR Holding for U.S. federal income tax purposes. It is unclear, however, whether such debt is treated as a recourse or nonrecourse liability of NGR Holding for U.S. federal income tax purposes. If the debt is treated as recourse, it is expected that any loss on the assets described in clause (ii) would be a "Section 1231 loss" that would be fully deductible against any COD Income described in clause (i).

Equity Interests in Reorganized NGR Holding

The exchange of Claims for Equity Interests in Reorganized NGR Holding is expected to result in COD Income to Reorganized NGR Holding in an amount equal to any excess of the unpaid balance of the portion of such Claims that is exchanged for Equity Interests in Reorganized NGR Holding over the fair market value of the Equity Interests in Reorganized NGR Holding issued in exchange therefor. For a discussion of the consequences of such COD Income to Reorganized NGR Holding, please see the discussion below under "Cancellation of Debt and Reduction of Tax Attributes."

Cancellation of Debt and Reduction of Tax Attributes

In general, absent an exception, a debtor will realize and recognize COD Income upon satisfaction of its outstanding indebtedness for total consideration less than the amount of such indebtedness. The amount of

COD Income, in general, is the excess of (a) the adjusted issue price of the indebtedness satisfied, over (b) the sum of the amount of cash paid and the fair market value of any other consideration. It is assumed, and the Debtors intend to take the position, that all COD Income arising from the consummation of the Plan is recognized by NGR Holding.

As a general rule, a debtor that is treated as a corporation for U.S. federal income tax purposes will not, however, be required to include any amount of COD Income in gross income if the debtor is under the jurisdiction of a court in a case under title 11 of the United States Code (relating to bankruptcy) and the discharge of debt occurs pursuant to that proceeding (the "**Bankruptcy Exception**"). Instead, as a consequence of such exclusion, the debtor must reduce certain of its tax attributes by the amount of COD Income that it excluded from gross income. In general, tax attributes will be reduced in the following order: (a) NOLs and NOL carryovers; (b) certain tax credit carryovers; (c) net capital losses and capital loss carryovers; (d) tax basis in assets (but not below the amount of liabilities to which the debtor remains subject); (e) passive activity loss and credit carryovers; and (f) foreign tax credit carryovers. A debtor with COD Income may elect first to reduce the basis of its depreciable assets. In the case of a debtor that is a partnership for U.S. federal income tax purposes, the Bankruptcy Exception and the corresponding reduction of tax attributes are generally applied at the partner level rather than the partnership level.

It is anticipated that the Plan will result in a cancellation of a substantial portion of the Debtors' outstanding indebtedness. As a result of having their debt reduced in connection with their bankruptcy, the Debtors generally will not recognize COD Income from the discharge of indebtedness pursuant to the Plan; however, it is expected that, subject to the limitations discussed herein, they will be required to make material reductions in their tax attributes. Because the Plan provides that holders of certain Claims may receive Equity Interests in Reorganized NGR Holding and/or Reorganized New Gulf, the amount of COD Income (and, if applicable, the amount of tax attributes required to be reduced) will depend in part on the fair market value of the Equity Interests in Reorganized NGR Holding and/or Reorganized New Gulf. These values cannot be known with certainty as of the date hereof.

Net Operating Losses

The Debtors expect to generate losses from the date of the Prepetition Reorganization through the Effective Date. These losses will flow up to, and become net operating losses ("**NOLs**") of, Reorganized NGR Holding. It is unclear whether any such NOLs may be carried forward to future taxable years of Reorganized NGR Holding. In any case, any such NOL carryforwards may be subject to limitations on their use, and if unused within 20 taxable years following the year of the operating loss, will expire. The amount of any such NOL carryforwards and other losses, and the extent to which any limitations may apply, remains subject to audit and adjustment by the IRS.

As discussed elsewhere in this summary, the amount of Reorganized NGR Holding's NOL carryforwards, and possibly certain other tax attributes, may be significantly reduced upon implementation of the Plan. In addition, Reorganized NGR Holding's subsequent utilization of any net built-in losses with respect to their assets and NOLs remaining, and possibly certain other tax attributes, may be restricted as a result of and upon the implementation of the Plan.

Limitation of NOL Carryforwards and Other Tax Attributes

While Reorganized NGR Holding expects to generate NOLs from the date of the Prepetition Reorganization through the Effective Date, it is expected that, as a consequence of potential COD Income, such NOLs may be substantially reduced or eliminated, except to the extent the election to reduce the tax basis of depreciable assets (in lieu of NOLs) is applicable and made by Reorganized NGR Holding. In this regard, it is uncertain whether such election would apply to depletable properties or non-producing leasehold costs. The amount of tax attributes, if any, that will be available to Reorganized NGR Holding following such reduction is based on a number of factors and is impossible to calculate at this time. Some of the factors that will impact the amount of available tax attributes include: the amount of taxable income or loss incurred by Reorganized NGR Holding in 2015 and 2016, the amount of COD Income recognized in connection with the consummation of the Plan, and the amount of any resulting gain or loss if the Assets Over Treatment applies. Following the consummation of the Plan, it is

anticipated that any remaining NOLs and other tax attributes, if any, may be subject to limitation under section 382 of the Tax Code by reason of the transactions under the Plan.

Under section 382 of the Tax Code, if a corporation undergoes an "ownership change," the amount of its pre-ownership change NOLs (collectively, "**Pre-Change Losses**") that may be utilized to offset future taxable income generally is subject to an annual limitation. Corresponding rules may reduce a corporation's ability to use losses if it has built-in losses in its assets at the time of an ownership change. Capital loss carryovers and certain tax credit carryovers are also generally limited after an ownership change under section 383 of the Tax Code. Trading activity in the Equity Interests in NGR Holding or further changes in the ownership of the Equity Interests in NGR Holding prior to the issuance of the Equity Interests in Reorganized NGR Holding pursuant to the Plan could result in "ownership changes" that may ultimately affect the ability to fully utilize Reorganized NGR Holding's NOLs. As discussed in greater detail herein, it is anticipated that the issuance of the Equity Interests in Reorganized NGR Holding pursuant to the Plan will result in an "ownership change" for these purposes with respect to Reorganized NGR Holding, and that Reorganized NGR Holding's use of its Pre-Change Losses will be subject to limitation unless an exception to the general rules of Section 382 of the Tax Code applies. This limitation is independent of, and in addition to, the reduction of tax attributes described under "Cancellation of Debt and Reduction of Tax Attributes" above.

(a) **General Section 382 Annual Limitation**

In general, the annual limitation determined under section 382 of the Tax Code in the case of an "ownership change" of a corporation (the "**Section 382 Limitation**") is equal to the product of (a) the fair market value of the stock of the corporation immediately before the ownership change (with certain adjustments) multiplied by (b) the applicable "long-term tax-exempt rate" posted by the IRS. Generally, the Section 382 Limitation may be increased to the extent that the corporation recognizes certain built-in gains in its assets during the five-year period following the ownership change, or is treated as recognizing built-in gains pursuant to certain safe harbors provided by the IRS. Corresponding rules may reduce a corporation's ability to use losses if it has built-in losses in its assets at the time of an ownership change. Section 383 of the Tax Code applies a limitation, similar to the Section 382 Limitation, to capital loss carryforwards and tax credits. Any unused limitation may be carried forward, thereby increasing the annual limitation in the subsequent taxable year. The debtor corporation's Pre-Change Losses will be subject to further limitations if the debtor does not continue its business enterprise for at least two years following the ownership change or if it experiences additional future ownership changes. As discussed below, however, special rules may apply in the case of a corporation which experiences an ownership change as the result of a bankruptcy proceeding.

(b) **Special Bankruptcy Exceptions**

An exception to the foregoing annual limitation rules generally applies when the existing shareholders and/or so-called "qualified creditors" of a debtor corporation in a chapter 11 bankruptcy case receive, in respect of their claims or interests, at least 50% of the vote and value of the stock of the reorganized debtor (or stock of a controlling corporation if also in bankruptcy) pursuant to a confirmed chapter 11 plan (the "**382(l)(5) Exception**"). Under the 382(l)(5) Exception, a debtor's Pre-Change Losses are not limited on an annual basis but, instead, the debtor's NOLs are required to be reduced by the amount of any interest deductions claimed during any taxable year ending during the three-year period preceding the taxable year that includes the effective date of the plan of reorganization, and during the part of the taxable year prior to and including the effective date of the plan of reorganization, in respect of all debt converted into stock in the reorganization. If the 382(l)(5) Exception applies and the debtor undergoes another ownership change within two years after consummation of the plan, then the debtor's Pre-Change Losses effectively would be eliminated in their entirety.

When the 382(l)(5) Exception is not applicable (either because the debtor does not qualify for it or the debtor otherwise elects not to utilize the 382(l)(5) Exception), a second special rule will generally apply to a debtor in chapter 11 (the "**382(l)(6) Exception**"). When the 382(l)(6) Exception applies, a debtor corporation 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. This differs from the ordinary rule that requires the fair market value of a debtor corporation that undergoes an

ownership change to be determined before the events giving rise to the change. The 382(l)(6) Exception also differs from the 382(l)(5) Exception in that the debtor corporation is not required to reduce its NOLs by interest deductions in the manner described above, and the debtor may undergo a change of ownership within two years without triggering the elimination of its Pre-Change Losses.

Whether NGR Holding qualifies for the 382(l)(5) Exception is highly fact specific and significant uncertainties exist as to the facts and law underlying this position. Thus, it is not certain whether NGR Holding will qualify for the Section 382(l)(5) Exception or would choose to elect out of the Section 382(l)(5) Exception. If NGR Holding does not qualify for the 382(1)(5) Exception or elects out of the 382(l)(5) Exception, the use of its Pre-Change Losses will be subject to the Section 382 Limitation following confirmation of the Plan, calculated under the special rule of Section 382(1)(6) of the Tax Code described above. However, any NOLs generated in any-post-Effective Date taxable year (including the portion of the taxable year of the ownership change following the Effective Date) should not be subject to this limitation.

Regardless of whether NGR Holdings takes advantage of the 382(l)(5) Exception or the 382(l)(6) Exception, the Reorganized Debtors' use of their Pre-Change Losses, if any, after the Effective Date may be adversely affected if an "ownership change" within the meaning of Section 382 of the Tax Code were to occur after the Effective Date.

Alternative Minimum Tax

In general, an alternative minimum tax ("**AMT**") is imposed on a corporation's alternative minimum taxable income ("**AMTI**") at a 20% rate to the extent such tax exceeds the corporation's regular federal income tax for the year. AMTI is generally equal to regular taxable income with certain adjustments. For purposes of computing AMTI, certain tax deductions and other beneficial allowances are modified or eliminated. For example, except for AMT NOLs for certain taxable years, only 90% of a corporation's AMTI may be offset by available AMT NOL carryforwards. Additionally, under section 56(g)(4)(G) of the Tax Code an ownership change (as discussed above) that occurs with respect to a corporation having a net unrealized built-in loss in its assets may cause the corporation's aggregate tax basis in its assets to be reduced for certain AMT purposes to reflect the fair market value of such assets as of the change date.

C. Certain U.S. Federal Income Tax Consequences of the Plan to U.S. Holders of Allowed Claims

The U.S. federal income tax consequences of the Plan to a U.S. holder of a Claim will depend, in part, on how the exchange, if any, of a Claim for an Equity Interest in Reorganized New Gulf is treated for U.S. federal income tax purposes, whether the related Claim (and, in the case of the Class 3 Second Lien Notes Claims, the Rights) constitutes a "security" of NGR Holding for federal income tax purposes, whether the holder reports income on the accrual or cash basis, whether the holder has taken a bad debt deduction or worthless security deduction with respect to the Claim and whether the holder receives distributions under the Plan in more than one taxable year. U.S. holders should consult their tax advisors regarding the tax consequences of the Plan based on their individual circumstances.

Equity Interests in Reorganized New Gulf

If the Partnership Formation Treatment is applied to exchanges of Claims for Equity Interests in Reorganized New Gulf, then the U.S. holders of such Claims would recognize gain on such exchange only to the extent that the Equity Interests in Reorganized New Gulf are received in respect of accrued but unpaid interest, and no loss would be recognized. A U.S. holder's aggregate tax basis in any Equity Interests in Reorganized New Gulf would equal the aggregate adjusted tax basis of the Claims exchanged therefor. Furthermore, a U.S. holder would have a holding period for the Equity Interests in Reorganized New Gulf that includes the holding period for the Claims exchanged therefor. The adjusted tax basis of any Equity Interests in Reorganized New Gulf treated as received in satisfaction of accrued interest would equal the fair market value of such Equity Interests in Reorganized New Gulf and the holding period for such Equity Interests in Reorganized New Gulf would begin on the day following the day of receipt.

For a discussion of the tax consequences to U.S. holders of the receipt of Equity Interests in Reorganized New Gulf if the Assets Over Treatment applies, please see the discussion below under "Exchange of Claims," which assumes that the Assets Over Treatment applies. Each U.S. holder of a Claim is urged to consult its tax advisor regarding the appropriate tax treatment of an exchange of a Claim for an Equity Interest in Reorganized New Gulf.

Definition of Securities

Whether an instrument constitutes a "security" is determined based upon all the facts and circumstances, but most authorities have held that the length of the term of a debt instrument is an important factor in determining whether such instrument is a security for federal income tax purposes. These authorities have indicated that a term of less than five years is evidence that the instrument is not a security, whereas a term of ten years or more is evidence that it is a security. Under somewhat different facts, the IRS has ruled that new debt obligations with a term of less than five years issued in exchange for and bearing the same terms (other than interest rate) as securities should also be classified as securities for this purpose, since the new debt represents a continuation of the holder's investment in the corporation in substantially the same form. The Second Lien Notes and the Subordinated PIK Notes each have terms of approximately five (5) years. There are numerous other factors that could be taken into account in determining whether a debt instrument is a security, including the security for payment, the creditworthiness of the obligor, the subordination or lack thereof to other creditors, the right to vote or otherwise participate in the management of the obligor, convertibility of the instrument into an equity interest of the obligor, whether payments of interest are fixed, variable, or contingent, and whether such payments are made on a current basis or accrued. In addition, in the case of an instrument issued by an entity that is disregarded as an entity separate from a corporation for U.S. federal income tax purposes, it is unclear whether such instrument may constitute a security of such corporation. Because of the inherently factual nature of this determination, each U.S. holder of a Claim is urged to consult its tax advisor regarding whether such Claim (and, in the case of the U.S. holders of Class 3 Second Lien Notes Claims, whether the Rights) constitutes a security for federal income tax purposes.

Exchange of Claims

The determination of whether Class 3 Second Lien Notes Claims, Class 6 Subordinated PIK Notes Claims, or the Rights constitute "securities" of NGR Holding for federal income tax purposes is made separately for the Rights and for each type of Claim. If a Claim constitutes a security of NGR Holding, then the receipt of Equity Interests in Reorganized NGR Holding and (assuming Assets Over Treatment applies) Equity Interests in Reorganized New Gulf in exchange therefor pursuant to the Plan should be treated as part of a reorganization under the Tax Code, with the consequences described below under "Reorganization Treatment" below. If, on the other hand, a Claim does not constitute a security of NGR Holding, then the receipt of Equity Interests in Reorganized NGR Holding, Equity Interests in Reorganized New Gulf, and/or the Rights in exchange therefor pursuant to the Plan will be treated as a fully taxable transaction, with the consequences described below under "Fully Taxable Exchange" below.

Whether the Rights, the General Unsecured Claims, or the New ENXP Notes are securities for these purposes does not impact the initial determination as to whether an exchange should be treated as part of a

reorganization under the Tax Code. As described below, however, the additional determination of whether the Rights constitute securities of Reorganized NGR Holding is relevant when a U.S. holder's exchange of Class 3 Second Lien Notes Claims is part of a reorganization under the Tax Code. The exchange of General Unsecured Claims, if any, pursuant to the Plan will have the consequences described below under "Fully Taxable Exchange." The exchange, if any, of an Allowed ENXP Secured Claim for a New ENXP Note will have the consequences described below under "New ENXP Note."

The following discussion under "Reorganization Treatment" and "Fully Taxable Exchange" assumes that the Assets Over Treatment applies to the U.S. holders' receipt of Equity Interests in Reorganized New Gulf. For a discussion of the tax consequences to U.S. holders of the receipt of Equity Interests in Reorganized New Gulf if the Partnership Formation Treatment applies, please see the discussion above under "Equity Interests in Reorganized New Gulf." Each U.S. holder of a Claim is urged to consult its tax advisor regarding the appropriate tax treatment of an exchange of a Claim for an Equity Interest in Reorganized New Gulf.

(a) Reorganization Treatment

In general, if a Claim constitutes a security of NGR Holding for federal income tax purposes, a U.S. holder that exchanges such security solely for Equity Interests in Reorganized NGR Holding (or, if the Rights are a security of Reorganized NGR Holding, for such Rights) as part of a reorganization under the Tax Code (i) will recognize income on such exchange only to the extent of any amounts received in respect of accrued but unpaid interest on the holder's security which has not previously been included by the holder in taxable income and (ii) will not be permitted to recognize a loss. Notwithstanding the foregoing, if a U.S. holder exchanges a Claim constituting a security for Equity Interests in Reorganized NGR Holding and either the Rights it receives therefor do not constitute a security of Reorganized NGR Holding for U.S. federal income tax purposes or such holder also receives Equity Interests in Reorganized New Gulf and Assets Over Treatment applies, then (and in addition to the income described in clause (i) of the preceding sentence) the holder would recognize gain (but not loss) in an amount equal to the lesser of (a) the excess (if any) of the fair market value of the Equity Interests in Reorganized NGR Holding, the Equity Interests in Reorganized New Gulf and the Rights received, over the holder's adjusted tax basis in the Claims constituting securities that are exchanged by such U.S. holder or (b) the fair market value of the Equity Interests in Reorganized New Gulf and, if the Rights do not constitute a security of Reorganized NGR Holding, of the Rights received. Under certain circumstances, all or part of a U.S. holder's gain that is recognized on an exchange that is part of a reorganization under the Tax Code may be treated as ordinary dividend income.

In a reorganization exchange, a U.S. holder's aggregate tax basis in any Equity Interests in Reorganized NGR Holding and Rights (if such Rights are securities of Reorganized NGR Holding) received would equal the aggregate adjusted tax basis of the Claims constituting securities that are exchanged by such U.S. holder, reduced by the fair market value of any Equity Interests in Reorganized New Gulf and Rights (if such Rights are not securities of Reorganized NGR Holding) received by such U.S. holder in exchange for such Claims, and increased by any gain recognized on such exchange. Such aggregate tax basis presumably should be allocated among any Equity Interests in Reorganized NGR Holding and any Rights (if such Rights are securities of Reorganized NGR Holding) received in accordance with their relative fair market values. Furthermore, a U.S. holder would have a holding period for the Equity Interests in Reorganized NGR Holding and any Rights (if such Rights are securities of Reorganized NGR Holding) that includes the holding period for the Claims exchanged therefor. The adjusted tax basis of any Equity Interests in Reorganized NGR Holding treated as received in satisfaction of accrued interest would equal the fair market value of such Equity Interests in Reorganized NGR Holding and the holding period for such Equity Interests in Reorganized NGR Holding would begin on the day following the day of receipt. If the Rights do not constitute securities of NGR Holding, a U.S. holder's tax basis in such Rights should equal the fair market value of such Rights on the date of the exchange and the holding period for such Rights would begin on the day following receipt. A U.S. holder that exchanges Claims for Equity Interests in Reorganized New Gulf in a reorganization exchange as to which Assets Over Treatment applies will have an initial tax basis in such Equity Interests equal to the fair market value of such Equity Interests in Reorganized New Gulf, and the holding period for such Equity Interests in Reorganized New Gulf would begin on the day following the day of receipt.

(b) Fully Taxable Exchange

If the exchange of a Claim pursuant to the Plan is a fully taxable exchange, then, subject to the discussion under "Distributions After the Effective Date" below, the exchanging U.S. holder should generally recognize gain or loss on the exchange equal to the difference between (i) the amount of cash and the aggregate fair market value of the Equity Interests in Reorganized NGR Holding, the Equity Interests in Reorganized New Gulf and the Rights that are received in the exchange (excluding cash and other property that are treated as attributable to accrued interest on such Claims and possibly accrued original issue discount ("**OID**"), which is taxable as described below under "Accrued Interest"), and (ii) the U.S. holder's adjusted tax basis in such Claims (other than any tax basis attributable to accrued but unpaid interest and possibly accrued OID). The character of such gain or loss as capital gain or loss or as ordinary income or loss will be determined by a number of factors, including the nature of the Claim in such U.S. holder's hands, whether the Claim was purchased at a discount, and whether and to what extent the U.S. holder has previously claimed a bad debt deduction with respect to its Claim. See the discussions below under "Accrued Interest" and "Market Discount." The U.S. holder's tax basis in the Equity Interests in Reorganized NGR Holding, the Equity Interests in Reorganized New Gulf and the Rights received in such exchange should generally be the fair market value of such property at the time received, and the U.S. holder's holding period in such property, if any, should generally begin on the day following the day of receipt.

U.S. holders of Allowed Claims should consult their tax advisors regarding the tax consequences of the exchange, including: the tax consequences of any distributions that may be made after the Effective Date on account of the disallowance of any Disputed Claim and possible alternative characterizations of the exchange.

(c) New ENXP Note

If the ENXP Joint Operating Agreements are not assumed, ENXP will receive a New ENXP Note in exchange for the Allowed ENXP Secured Claim. Such receipt of the New ENXP Note in exchange for the Allowed ENXP Secured Claim will be a taxable transaction resulting in ordinary income to ENXP in an amount equal to the difference between the face amount of the New ENXP Note and ENXP's adjusted tax basis (if any) in the Allowed ENXP Secured Claim. Generally, it is expected that such income recognition would occur at the time the New ENXP Note is issued. However, ENXP is urged to consult with its own tax advisors regarding the extent to which strategies or elections may be available for deferral of such income recognition over the term of New ENXP Note.

ENXP will recognize ordinary interest income on the New ENXP Note as such interest accrues (if ENXP is an accrual basis taxpayer) or as such interest is paid (if ENXP is a cash basis taxpayer).

ENXP should consult its own tax advisors regarding the tax consequences to it of the Plan, including the tax consequences of holding or disposing of the New ENXP Note.

Equity Interests in Reorganized NGR Holding

(a) Distributions

The gross amount of any distribution of cash or property made to a U.S. holder with respect to Equity Interests in Reorganized NGR Holding generally will be includible in gross income by a U.S. holder as dividend income to the extent such distribution is paid out of current or accumulated earnings and profits, as determined under U.S. federal income tax principles. Dividends received by non-corporate U.S. holders may qualify for reduced rates of taxation. Subject to applicable limitations, a distribution which is treated as a dividend for U.S. federal income tax purposes may qualify for the dividends-received deduction if such amount is distributed to a U.S. holder that is a corporation and certain holding period and certain other requirements are satisfied. Any dividend received by a U.S. holder that is a corporation may be subject to the "extraordinary dividend" provisions of the Tax Code. A distribution in excess of current and accumulated earnings and profits, as determined under U.S. federal income tax principles, will first be treated as a return of capital to the extent of the U.S. holder's adjusted tax basis in its Equity Interests in Reorganized NGR Holding and will be applied against and reduce such basis dollar-for-dollar (thereby increasing the amount of gain or decreasing the amount of loss recognized on a subsequent taxable disposition of the Equity Interests in Reorganized NGR Holding). To the extent that such distribution exceeds the

U.S. holder's adjusted tax basis in its Equity Interests in Reorganized NGR Holding, the distribution will be treated as capital gain, which will be treated as long-term capital gain if such U.S. holder's holding period in its Equity Interests in Reorganized NGR Holding exceeds one year as of the date of the distribution.

(b) Sale, Exchange, or Other Taxable Disposition

For U.S. federal income tax purposes, a U.S. holder generally will recognize gain or loss on the sale, exchange, or other taxable disposition of any of its Equity Interests in Reorganized NGR Holding in an amount equal to the difference, if any, between the amount realized for the Equity Interests in Reorganized NGR Holding and the U.S. holder's adjusted tax basis in the Equity Interests in Reorganized NGR Holding. Subject to the rules discussed below under "Market Discount," any such gain or loss generally will be capital gain or loss, and will be long-term capital gain or loss if the holder has a holding period in the Equity Interests in Reorganized NGR Holding of more than one year as of the date of disposition. Capital gains of non-corporate U.S. holders derived with respect to a sale, exchange, or other taxable disposition of Equity Interests in Reorganized NGR Holding held for more than one year may be eligible for reduced rates of taxation. Under the Tax Code section 108(e)(7) recapture rules, a holder may be required to treat gain recognized on the taxable disposition of the Equity Interests in Reorganized NGR Holding as ordinary income if the holder took a bad debt deduction with respect to the Second Lien Notes or Subordinated PIK Notes, or recognized an ordinary loss on the exchange of the Second Lien Notes or Subordinated PIK Notes for Equity Interests in Reorganized NGR Holding. The deductibility of capital losses is subject to limitations. Holders are urged to consult their own tax advisors regarding such limitations.

Holders of Equity Interests in Reorganized NGR Holding are urged to consult their tax advisors regarding the tax consequences related to the Equity Interests in Reorganized NGR Holding.

Equity Interests in Reorganized New Gulf

The following discussion under "Equity Interests in Reorganized New Gulf" assumes that one or more holders of Allowed Claims receives, pursuant to the Plan, an Equity Interest in Reorganized New Gulf and summarizes certain material U.S. federal income tax consequences that may be relevant to owning such Equity Interests. This section does not address all U.S. federal income tax matters that affect Reorganized New Gulf or the U.S. holders.

(a) Partnership Status

Reorganized New Gulf intends to be treated as a partnership for U.S. federal income tax purposes. An entity that is treated as a partnership for federal income tax purposes is not a taxable entity and incurs no federal income tax liability. An entity that would otherwise be classified as a partnership for federal income tax purposes may nonetheless be subject to tax as a corporation if it is a "publicly traded partnership" and certain exceptions do not apply. A partnership is a publicly traded partnership if interests in the partnership are traded on an established securities market or interests in the partnership are readily tradable on a secondary market or the substantial equivalent thereof.

It is not expected that Reorganized New Gulf will be a publicly traded partnership for U.S. federal income tax purposes. If, however, Reorganized New Gulf were treated as a publicly traded partnership, Reorganized New Gulf would nonetheless not be taxable as a corporation if 90% or more of Reorganized New Gulf's gross income for each taxable year in which Reorganized New Gulf were a publicly traded partnership consisted of "qualifying income." Qualifying income generally includes, among other things, income and gains derived from the exploration, development, mining, production or marketing of oil and natural gas, and the gain from the sale of assets to produce such income. It is anticipated that Reorganized New Gulf's income will consist primarily of qualifying income and consequently, even if Reorganized New Gulf constituted a publicly traded partnership, it is anticipated that Reorganized New Gulf would not be taxable as a corporation for federal income tax purposes.

(b) Tax Consequences to U.S. Holders of Interests in Reorganized New Gulf

Flow-Through of Taxable Income. For federal income tax purposes, a U.S. holder's allocable share of recognized items of income, gain, loss, deduction or credit of Reorganized New Gulf will be determined by the limited liability company agreement of Reorganized New Gulf. Each U.S. holder will be required to report on its income tax return its share of Reorganized New Gulf's income, gains, losses, and deductions without regard to whether corresponding cash distributions are received by the U.S. holder. Accordingly, it is possible that a U.S. holder's federal income tax liability with respect to its allocable share of Reorganized New Gulf's income for a particular taxable year could exceed any cash distribution such U.S. holder receives for the year, thus giving rise to an out-of-pocket tax liability for such U.S. holder.

Basis of interests in Reorganized New Gulf. A U.S. holder's initial tax basis for its interests in Reorganized New Gulf generally will equal the amount described in "Exchange of Claims" if the Asset Over Treatment applies, or the amount described in "Equity Interests in Reorganized New Gulf" above, if the Partnership Formation Treatment applies. That basis will be increased by any capital contributions subsequently made by the U.S. holder, by the U.S. holder's share of Reorganized New Gulf's income and by any increases in the U.S. holder's share of Reorganized New Gulf's liabilities. That basis will be decreased, but not below zero, by distributions from Reorganized New Gulf, by the U.S. holder's share of Reorganized New Gulf's losses, by depletion deductions taken by the U.S. holder to the extent such deductions do not exceed the U.S. holder's proportionate share of the tax basis of the underlying producing properties, and by any decreases in the U.S. holder's share of Reorganized New Gulf's liabilities.

Treatment of Distributions. Distributions of cash, if any, made by Reorganized New Gulf to a U.S. holder generally will not be taxable to the U.S. holder to the extent of the U.S. holder's tax basis (as described above) in its interests in Reorganized New Gulf. Any cash distributions in excess of a U.S. holder's tax basis in its interests in Reorganized New Gulf generally will be considered to be gain from the sale or exchange of those interests in Reorganized New Gulf. A reduction in a U.S. holder's allocable share of Reorganized New Gulf's liabilities is treated similarly to a cash distribution for federal income tax purposes.

Limitations on Deductibility of Tax Losses. The deduction by a U.S. holder of its share of Reorganized New Gulf's taxable losses will be limited to the U.S. holder's tax basis in its interests in Reorganized New Gulf and, in the case of an individual U.S. holder, an estate, a trust or a corporate U.S. holder, if more than 50% of the value of the U.S. holder's stock is owned directly or indirectly by or for five or fewer individuals or certain tax-exempt organizations, to the amount for which the U.S. holder is considered to be "at risk" with respect to Reorganized New Gulf's activities, if that amount is less than the U.S. holder's tax basis.

In addition, the passive activity loss rules limit the use of losses derived from passive activities, which generally include an investment in limited liability company member interests such as the interests in Reorganized New Gulf. If an investment in interests in Reorganized New Gulf is treated as a passive activity, a U.S. holder who is an individual investor, as well as certain other types of investors, would not be able to use losses from Reorganized New Gulf to offset non-passive activity income, including salary, business income, and portfolio income (e.g., dividends, interest, royalties, and gain on the disposition of portfolio investments) received during the taxable year. Passive activity losses that are disallowed for a particular taxable year may, however, be carried forward to offset passive activity income earned by the U.S. holder in future taxable years. In addition, if Reorganized New Gulf were characterized as a publicly traded partnership, each U.S. holder would be required to treat any loss derived from Reorganized New Gulf separately from any income or loss derived from any other publicly traded partnership, as well as from income or loss derived from other passive activities. In such case, any net losses or credits attributable to Reorganized New Gulf which are carried forward may only be offset against future income of Reorganized New Gulf. In any case, any suspended losses attributable to Reorganized New Gulf would be allowed as a deduction upon the complete disposition of the U.S. holder's "entire interest" in Reorganized New Gulf.

Depletion Deductions. Subject to the limitations on deductibility of taxable losses discussed above, U.S. holders will be entitled to deductions for the greater of either cost depletion or (if otherwise allowable) percentage depletion with respect to Reorganized New Gulf's oil and natural gas properties. Percentage depletion is

generally available with respect to U.S. holders who qualify under the independent producer exemption contained in the Tax Code. An "independent producer" is a person not directly or indirectly involved in the retail sale of oil, natural gas, or derivative products or the operation of a major refinery. Percentage depletion is calculated as an amount generally equal to 15% (and, in the case of marginal production, potentially a higher percentage) of the U.S. holder's gross income from the depletable property for the taxable year. The percentage depletion deduction with respect to any property generally is limited to 100% of the taxable income of the U.S. holder from the property for each taxable year, computed without the depletion allowance and without the Section 199 deduction (described below). A U.S. holder that qualifies as an independent producer generally may deduct percentage depletion only to the extent the U.S. holder's average daily production of domestic crude oil, or the natural gas equivalent, does not exceed 1,000 barrels.

In addition to the foregoing limitations, the percentage depletion deduction otherwise available is limited to 65% of a U.S. holder's total taxable income from all sources for the year, computed without the depletion allowance, any Section 199 deduction (described below), net operating loss carrybacks, or capital loss carrybacks. Any percentage depletion deduction disallowed because of the 65% limitation may be deducted in the following taxable year if the percentage depletion deduction for such year plus the deduction carryover does not exceed 65% of the U.S. holder's total taxable income for that year. The carryover period resulting from the 65% net income limitation is indefinite.

U.S. holders that do not qualify under the independent producer exemption are generally restricted to depletion deductions based on cost depletion. Cost depletion deductions are calculated by (1) dividing the U.S. holder's share of the tax basis in the underlying mineral property by the number of mineral units (barrels of oil and thousand cubic feet, or Mcf, of natural gas) remaining as of the beginning of the taxable year and (2) multiplying the result by the number of mineral units sold within the taxable year. The total amount of deductions based on cost depletion cannot exceed the U.S. holder's share of the total tax basis in the applicable property.

All or a portion of any gain recognized by a U.S. holder as a result of either the disposition by Reorganized New Gulf of some or all of Reorganized New Gulf's oil and natural gas interests or the disposition by the U.S. holder of some or all of its interests in Reorganized New Gulf may be taxed as ordinary income to the extent of recapture of depletion and certain other deductions (such as IDCs, as described in the following paragraph), except for percentage depletion deductions in excess of the tax basis of the property. The amount of the recapture is generally limited to the amount of gain recognized on the disposition.

Deductions for Intangible Drilling and Development Costs. Reorganized New Gulf expects to elect to currently deduct intangible drilling and development costs ("**IDCs**") associated with wells located in the United States. IDCs generally include Reorganized New Gulf's expenses for wages, fuel, repairs, hauling, supplies, and other items that are incidental to, and necessary for, the drilling and preparation of wells for the production of oil, natural gas, or geothermal energy. Although Reorganized New Gulf expects to elect to currently deduct IDCs, each U.S. holder will have the option of either currently deducting IDCs or capitalizing all or part of the IDCs and amortizing them on a straight-line basis over a 60-month period, beginning with the taxable month in which the expenditure is made or incurred. A U.S. holder who is directly or indirectly, through certain related parties, involved in substantial oil and natural gas refining or retail marketing activities should consult the U.S. holder's own tax advisor regarding special rules that may apply to the U.S. holder with respect to IDCs of Reorganized New Gulf. IDCs previously deducted that are allocable to property (held directly or through ownership of an interest in a partnership) and that would have been included in the tax basis of the property had the IDC deduction not been taken are recaptured and taxed as ordinary income to the extent of any gain realized upon the disposition of the property or upon the disposition by a U.S. holder of interests in Reorganized New Gulf.

Section 199 Deduction for U.S. Production Activities. Subject to the limitations on the deductibility of losses discussed above, U.S. holders will be entitled to a maximum deduction, referred to as the Section 199 deduction, equal to 9% of Reorganized New Gulf's "qualified production activities income" that is allocated to such U.S. holder. The amount of a U.S. holder's Section 199 deduction for each year is limited to 50% of the IRS Form W-2 wages actually or deemed paid by the U.S. holder during the calendar year that are deducted in arriving at qualified production activities income. Each U.S. holder will be treated as having been allocated IRS Form W-2 wages from Reorganized New Gulf equal to the U.S. holder's allocable share of Reorganized New Gulf's wages that are deducted in arriving at qualified production activities income for that taxable year.

The availability of the domestic production deduction is dependent upon many factors, which will vary among individual U.S. holders. Section 199 of the Tax Code and related tax matters are complex. U.S. holders are urged to consult their tax advisors regarding the application of these rules to the U.S. holder's particular circumstances.

Depreciation. The tax basis of Reorganized New Gulf's assets will be used for purposes of computing depreciation and cost recovery deductions and, ultimately, gain or loss on the disposition of these assets. To the extent allowable, Reorganized New Gulf may elect to use the depreciation and cost recovery methods that will result in the largest deductions being taken in the early years after assets are placed in service. Property Reorganized New Gulf subsequently acquires or constructs may be depreciated using accelerated methods permitted by the Tax Code. If Reorganized New Gulf disposes of depreciable property by sale, foreclosure or otherwise, all or a portion of any gain, determined by reference to the amount of depreciation previously deducted and the nature of the property, may be subject to recapture rules and taxed as ordinary income rather than capital gain. Similarly, a U.S. holder who has taken cost recovery or depreciation deductions with respect to property owned by Reorganized New Gulf will likely be required to recapture some or all of those deductions as ordinary income upon a sale of interests in Reorganized New Gulf.

Disposition of interests in Reorganized New Gulf. A U.S. holder will recognize gain or loss on a sale of interests in Reorganized New Gulf equal to the difference between the U.S. holder's amount realized and the U.S. holder's tax basis for the Reorganized New Gulf interests sold. A U.S. holder's amount realized will equal the sum of the cash and/or the fair market value of other property received plus the U.S. holder's share under the partnership tax rules of Reorganized New Gulf's liabilities. Except as described below, gain or loss recognized by a U.S. holder, on the sale or exchange of interests in Reorganized New Gulf will generally be taxable as capital gain or loss. However, a portion of this gain or loss, which we expect may be substantial, will be separately computed and taxed as ordinary income or loss under Section 751 of the Tax Code to the extent attributable to certain assets, including unrealized receivables, depreciation, IDCs, and depletion recapture and/or inventory items. Ordinary income attributable to such assets may exceed the net taxable gain realized upon the sale of interests in Reorganized New Gulf, and may be recognized even if a U.S. holder realizes a net taxable loss on the sale of interests in Reorganized New Gulf. As a result, it is possible for a U.S. holder to recognize both ordinary income and a capital loss upon a sale of an interest in Reorganized New Gulf.

Information Returns. Reorganized New Gulf intends to furnish to each U.S. holder, as soon as available to Reorganized New Gulf, specific tax information, including a Schedule K-1, which describes the U.S. holder's share of Reorganized New Gulf's income, gain, loss, and deductions for Reorganized New Gulf's preceding taxable year. However, U.S. holders may not receive such Schedules K-1 until after April 15th of the following year. U.S. holders of the Equity Interests in Reorganized New Gulf may be required to obtain extensions of the filing date for their income tax returns at the federal, state and local levels.

Audit Procedures. The IRS may audit Reorganized New Gulf's federal income tax information returns. No assurance can be given to holders of Equity Interests in Reorganized New Gulf that the IRS will not successfully challenge the positions Reorganized New Gulf adopts, and such a challenge could adversely affect the value of the Equity Interests in Reorganized New Gulf. Adjustments resulting from an IRS audit may require a holder of Equity Interests in Reorganized New Gulf to adjust a prior year's tax liability, and may result in an audit of such holder's own return. Any audit of such a holder's return could result in adjustments unrelated to Reorganized New Gulf's returns.

Partnerships generally are treated as entities separate from their owners for purposes of federal income tax audits, judicial review of administrative adjustments by the IRS, and tax settlement proceedings. The tax treatment of partnership items of income, gain, loss, and deduction are determined in a partnership proceeding rather than in separate proceedings of the partners. The Tax Code requires that one partner be designated as the "Tax Matters Partner" for these purposes, and the limited liability company agreement of Reorganized New Gulf will designate the Tax Matters Partner.

The Tax Matters Partner can extend the statute of limitations for assessment of tax deficiencies against holders of Equity Interests in Reorganized New Gulf for items in Reorganized New Gulf's returns. The Tax

Matters Partner may bind a holder with less than a 1% profits interest in Reorganized New Gulf to a settlement with the IRS unless a statement is timely filed with the IRS in accordance with applicable Treasury Regulations, either (i) to deny that authority to the Tax Matters Partner or (ii) to become a member of a notice group (generally, a group of unitholders with a 5% or more profits interest in Reorganized New Gulf that has requested treatment as a notice partner). The Tax Matters Partner may seek judicial review, by which all the holders of Equity Interests in Reorganized New Gulf are bound, of a final partnership administrative adjustment and, if the Tax Matters Partner fails to seek judicial review, judicial review may be sought by any holder having at least a 1% interest in profits or by any group of holders having in the aggregate at least a 5% interest in profits. However, only one action for judicial review may go forward, and each holder with an interest in the outcome may participate in that action.

A holder of an Equity Interest in Reorganized New Gulf must file a statement with the IRS identifying the treatment of any item on its federal income tax return that is not consistent with the treatment of the item on Reorganized New Gulf's return. Intentional or negligent disregard of this consistency requirement may subject a holder to substantial penalties.

Under recently enacted legislation, for taxable years beginning after December 31, 2017, Reorganized New Gulf is required to designate an eligible person to act as the "Partnership Representative" with exclusive authority to act on Reorganized New Gulf's behalf in connection with federal income tax audits, requests by Reorganized New Gulf for administrative adjustments, and any judicial proceedings arising in connection with those matters. Actions taken by the Partnership Representative will be binding on Reorganized New Gulf and all holders of Equity Interests in Reorganized New Gulf. Pursuant to this new legislation, Reorganized New Gulf will designate a person to act as the Partnership Representative who shall have the sole authority to act on behalf of Reorganized New Gulf with respect to dealings with the IRS under these new audit procedures.

Distributions After the Effective Date

If a U.S. holder of an Allowed Claim receives a distribution pursuant to the Plan subsequent to the Effective Date, a portion of such distributions may be treated as imputed interest under the imputed interest provisions of the Tax Code. Such imputed interest may accrue over time, in which case a holder may be required to include such imputed interest in income prior to the actual distributions. Any loss and a portion of any gain realized by such holder may be subject to deferral. Furthermore, the "installment sale" rules of the Tax Code may apply to gain recognized by such U.S. holder unless the U.S. holder elects out of such rules.

U.S. holders of Claims should consult their tax advisors regarding the tax consequences of distributions made after the Effective Date, including the potential applicability of (and ability to elect out of) the installment sale rules and the potential applicability of the imputed interest rules.

Accrued But Unpaid Interest or OID

To the extent that any amount received by a U.S. holder under the Plan is attributable to accrued but unpaid interest and such interest has not previously been included in the U.S. holder's gross income for U.S. federal income tax purposes, such amount would generally be taxable to the U.S. holder as ordinary interest income. A U.S. holder may be able to recognize a deductible loss to the extent that any accrued interest or OID on the debt instrument constituting such Claim was previously so included in the U.S. holder's gross income but was not paid in full by the Debtors.

The extent to which any amount received by a U.S. holder will be attributable to accrued but untaxed interest is unclear. Under the Plan, the aggregate consideration to be distributed to holders of Allowed Claims in each Class in full or partial satisfaction of their Claims will be treated as first satisfying the stated principal amount of the Allowed Claims for such holders and any remaining consideration as satisfying accrued, but unpaid, interest, if any. The IRS could take the position, however, that the consideration received by a holder should be allocated in some way other than as provided in the Plan.

Holders of Claims should consult their own tax advisors regarding the proper allocation of the consideration received by them under the Plan.

Market Discount

Under the "market discount" provisions of sections 1276 through 1278 of the Tax Code, some or all of any gain realized by a U.S. holder exchanging any debt instrument constituting its Allowed Claim may be treated as ordinary income (instead of capital gain), to the extent of the amount of accrued "market discount" on the debt constituting the surrendered Allowed Claim.

A debt instrument to which sections 1276 through 1278 of the Tax Code may apply is generally considered to have been acquired with "market discount" if it is acquired other than on original issue and its basis immediately after its acquisition by the U.S. holder is less than (i) its "stated redemption price at maturity," or (ii) in the case of a debt instrument issued with OID, its "revised issue price," by more than a statutorily defined *de minimis* amount.

Any gain recognized by a U.S. holder on the taxable disposition of debts to which sections 1276 through 1278 of the Tax Code may apply and that is acquired with market discount would be treated as ordinary income to the extent of the market discount that accrued thereon while such debts were considered to be held by the U.S. holder (unless the U.S. holder elected to include market discount in income as it accrued). To the extent that such surrendered debts that had been acquired with market discount are exchanged for Equity Interests in Reorganized NGR Holding in a tax-free reorganization (or, if the Partnership Formation Treatment applied, for Equity Interests in Reorganized New Gulf), any market discount that accrued on such debts but was not recognized by the U.S. holder may be required to be carried over to the property received therefor and any gain recognized on the subsequent sale, exchange, redemption or other disposition of the Equity Interests in Reorganized NGR Holding (or, if the Partnership Formation Treatment applied to the receipt of any Equity Interests in Reorganized New Gulf, on the subsequent sale, exchange, redemption or other disposition of such Equity Interests) may be treated as ordinary income to the extent of the accrued but unrecognized market discount with respect to the exchanged debt instrument.

Medicare Tax

Certain U.S. holders that are individuals, estates, or trusts are required to pay an additional 3.8% tax on, among other things, dividends, interest, and gains from the sale or other disposition of capital assets. U.S. holders that are individuals, estates, or trusts should consult their tax advisors regarding the effect, if any, of this tax provision on their own situation.

D. Certain U.S. Federal Income Tax Considerations for Non-U.S. Holders of Allowed Claims

The rules governing U.S. federal income taxation of a Non-U.S. holder are complex. The following discussion includes only certain U.S. federal income tax consequences of the Plan to Non-U.S. holders. The discussion does not include any non-U.S. tax considerations. Non-U.S. holders should consult with their own tax advisors to determine the effect of U.S. federal, state, and local tax laws, as well as any other applicable non-U.S. tax laws and/or treaties, with regard to their participation in the transactions contemplated by the Plan, their ownership of Allowed Claims, and the ownership and disposition of the Equity Interests in Reorganized NGR Holding or Reorganized New Gulf.

Whether a Non-U.S. holder realizes gain or loss on the exchange and the amount of such gain or loss is determined in the same manner as set forth above in connection with U.S. holders.

Gain Recognition

Any gain realized by a Non-U.S. holder on the exchange of its Claim generally will not be subject to U.S. federal income taxation unless (a) the Non-U.S. holder is an individual who was present in the U.S. for 183 days or more during the taxable year which includes the Effective Date and certain other conditions are met or (b) such gain is effectively connected with the conduct by such Non-U.S. holder of a trade or business in the U.S. (and if an applicable income tax treaty requires, such gain is attributable to a permanent establishment maintained by such Non-U.S. holder in the U.S.).

If the first exception applies, to the extent that any gain is taxable and does not qualify for deferral as described above, the Non-U.S. holder generally will be subject to U.S. federal income tax at a rate of 30% (or at a reduced rate or exemption from tax under an applicable income tax treaty) on the amount by which such Non-U.S. holder's capital gains allocable to U.S. sources exceed capital losses allocable to U.S. sources during the taxable year of the exchange. If the second exception applies, the Non-U.S. holder generally will be subject to U.S. federal income tax with respect to any gain realized on the exchange if such gain is effectively connected with the Non-U.S. holder's conduct of a trade or business in the U.S. in the same manner as a U.S. holder. In order to claim an exemption from or reduction in withholding tax, such Non-U.S. holder will be required to provide a properly executed IRS Form W-8ECI (or such successor form as the IRS designates) or IRS Form W-8BEN or W-8BEN-E (if a treaty exemption applies). In addition, if such Non-U.S. holder is a corporation, it may be subject to a branch profits tax equal to 30% (or such lower rate provided by an applicable income tax treaty) of its effectively connected earnings and profits for the taxable year, subject to certain adjustments.

U.S. Federal Income Tax Consequences to Non-U.S. Holders of Owning and Disposing of Equity Interests in Reorganized NGR Holding

(a) Dividends on Equity Interests in Reorganized NGR Holding

Any distributions made with respect to Equity Interests in Reorganized NGR Holding will constitute dividends for U.S. federal income tax purposes to the extent of Reorganized NGR Holding's current or accumulated earnings and profits as determined under U.S. federal income tax principles. Except as described below, dividends paid with respect to Equity Interests in Reorganized NGR Holding held by a Non-U.S. holder that are not effectively connected with a Non-U.S. holder's conduct of a U.S. trade or business (or if an income tax treaty requires, are not attributable to a permanent establishment maintained by such Non-U.S. holder in the U.S.) will be subject to U.S. federal withholding tax at a rate of 30% (or lower treaty rate or exemption from tax, if applicable). A Non-U.S. holder generally will be required to satisfy certain IRS certification requirements in order to claim a reduction of or exemption from withholding under a tax treaty by filing IRS Form W-8BEN or W-8BEN-E (or a successor form) upon which the Non-U.S. holder certifies, under penalties of perjury, its status as a non-U.S. person and its entitlement to the lower treaty rate or exemption from tax with respect to such payments. Dividends paid with respect to Equity Interests in Reorganized NGR Holding held by a Non-U.S. holder that are effectively connected with a Non-U.S. holder's conduct of a U.S. trade or business (and if an income tax treaty requires, are attributable to a permanent establishment maintained by such Non-U.S. holder in the U.S.) generally will be subject to U.S. federal income tax in the same manner as a U.S. holder, and a Non-U.S. holder that is a corporation for U.S. federal income tax purposes may also be subject to a branch profits tax with respect to such Non-U.S. holder's effectively connected earnings and profits that are attributable to the dividends at a rate of 30% (or at a reduced rate or exemption from tax under an applicable income tax treaty).

(b) Sale, Redemption, or Repurchase of Equity Interests in Reorganized NGR Holding

A Non-U.S. holder generally will not be subject to U.S. federal income tax with respect to any gain realized on the sale or other taxable disposition (including a cash redemption) of Equity Interests in Reorganized NGR Holding, unless:

(i) such Non-U.S. holder is an individual who is present in the U.S. for 183 days or more in the taxable year of disposition or who is subject to special rules applicable to former citizens and residents of the U.S.; or

(ii) such gain is effectively connected with such Non-U.S. holder's conduct of a U.S. trade or business (and if an income tax treaty applies, such gain is attributable to a permanent establishment maintained by such Non-U.S. holder in the U.S.); or

(iii) Reorganized NGR Holding is or has been a "United States real property holding corporation" for U.S. federal income tax purposes (a "**USRPHC**") at any time during the shorter of the Non-U.S. holder's holding period for the Equity Interests in Reorganized NGR Holding and the five year period ending on the date of disposition (the "**Applicable Period**").

If the first exception applies, the Non-U.S. holder generally will be subject to U.S. federal income tax at a rate of 30% (or at a reduced rate or exemption from tax under an applicable income tax treaty) on the amount by which such Non-U.S. holder's capital gains allocable to U.S. sources exceed capital losses allocable to U.S. sources during the taxable year of disposition of Equity Interests in Reorganized NGR Holding. If the second exception applies, the Non-U.S. holder generally will be subject to U.S. federal income tax with respect to such gain in the same manner as a U.S. holder, and a Non-U.S. holder that is a corporation for U.S. federal income tax purposes may also be subject to a branch profits tax with respect to earnings and profits effectively connected with a U.S. trade or business that are attributable to such gains at a rate of 30% (or at a reduced rate or exemption from tax under an applicable income tax treaty).

Generally, a corporation is a USRPHC if the fair market value of its United States real property interests equals or exceeds 50% of the sum of the fair market value of its worldwide real property interests and its other assets used or held for use in a trade or business. Even if Reorganized NGR Holding is or becomes a USRPHC, so long as the Equity Interests in Reorganized NGR Holding is regularly traded on an established securities market for U.S. federal income tax purposes, a Non-U.S. holder generally will not be subject to United States federal income tax on any gain from the disposition of the Equity Interests in Reorganized NGR Holding by virtue of Reorganized NGR Holding being a USRPHC unless such Non-U.S. holder actually or constructively owned more than 5% of the outstanding Equity Interests in Reorganized NGR Holding at some time during the Applicable Period. Any gain that is taxable because Reorganized NGR Holding is a USRPHC will generally be taxable in the same manner as gain that is effectively connected income (as described above), except that the branch profits tax will not apply. The Debtors believe that based on current business plans and operations, Reorganized NGR Holding is a USRPHC and will continue to be a USRPHC in the future.

U.S. Federal Income Tax Consequences to Non-U.S. Holders of Owning and Disposing of Equity Interests in Reorganized New Gulf

Non-resident aliens and foreign corporations, trusts, or estates that own Equity Interests in Reorganized New Gulf will be considered to be engaged in business and have a permanent establishment in the United States because of the ownership of Equity Interests in Reorganized New Gulf. As a consequence they will be required to file U.S. federal tax returns to report their share of Reorganized New Gulf's income, gain, loss, or deduction and pay federal income tax at the regular rates applicable to U.S. persons on their share of Reorganized New Gulf's net income or gain. Under applicable tax rules, Reorganized New Gulf will be required to withhold tax in respect of income and gain allocable to such persons. In addition, because a foreign corporation that owns Equity Interests in Reorganized New Gulf will be treated as engaged in a U.S. trade or business, that corporation may be subject to the U.S. branch profits tax on its share of much of Reorganized New Gulf's income and gain. Moreover, under the Foreign Investment in Real Property Tax Act ("**FIRPTA**"), non-U.S. persons are subject to federal income tax in the same manner as U.S. persons on any gain realized on the disposition of an interest, other than an interest solely as a creditor, in U.S. real property (a "**USRPI**"). FIRPTA tax applies if a non-U.S. person is a holder of an interest in a partnership that realizes gain in respect of an interest in a USRPI. Reorganized New Gulf's assets are generally expected to constitute USRPIs.

Because Reorganized New Gulf is engaged in a U.S. trade or business, a Non-U.S. holder that sells or otherwise disposes of its Equity Interest in Reorganized New Gulf will generally be subject to U.S. federal income tax on most or all of any gain realized from the sale or disposition of that Equity Interest. Moreover, under FIRPTA, a Non-U.S. holder will be subject to U.S. federal income tax on any gain from the sale or disposition of Equity Interests in Reorganized New Gulf to the extent such gain is attributable to a USRPI. As indicated above, Reorganized New Gulf's assets are generally expected to constitute USRPIs. Finally, a foreign corporation that owns Equity Interests in Reorganized New Gulf may be subject to the U.S. branch profits tax on most or all of any gain realized from the sale or disposition of such Equity Interests.

NON-RESIDENT ALIENS AND FOREIGN CORPORATIONS, TRUSTS, OR ESTATES ARE URGED TO CONSULT THEIR TAX ADVISORS WITH RESPECT TO THE FOREGOING AND OTHER TAX CONSEQUENCES TO THEM OF THE PLAN AND THE OWNERSHIP AND DISPOSITION OF EQUITY INTERESTS IN REORGANIZED NEW GULF.

FATCA

Under the Foreign Account Tax Compliance Act ("**FATCA**"), foreign financial institutions and certain other foreign entities must report certain information and in certain cases enter into an agreement with the IRS with respect to their U.S. account holders and investors or be subject to withholding on the receipt of "withholdable payments." For this purpose, "withholdable payments" are generally U.S.-source payments of fixed or determinable, annual or periodical income (including dividends, if any, on Equity Interests in Reorganized NGR Holding and interest (including OID)), and also include gross proceeds from the sale of any property of a type which can produce U.S. source interest or dividends (which would include Equity Interests in Reorganized NGR Holding). FATCA withholding will apply even if the applicable payment would not otherwise be subject to U.S. federal nonresident withholding tax.

FATCA withholding rules are generally currently applicable to U.S.-source payments of interest and dividends, and to payments of gross proceeds from the sale or other disposition of property of a type that can produce U.S.-source interest or dividends that occurs after December 31, 2018. FATCA withholding rules do not apply to payments made under certain "grandfathered" obligations. Although administrative guidance and Treasury regulations have been issued, the exact scope of these rules remains unclear and potentially subject to material changes.

Each Non-U.S. holder should consult its own tax advisor regarding the possible impact of these rules on such Non-U.S. holder's exchange of its Claims pursuant to the Plan and the ownership of Equity Interests in Reorganized NGR Holding and Reorganized New Gulf.

E. Information Reporting and Backup Withholding

Payments made pursuant to the Plan will generally be subject to any applicable federal income tax information reporting and backup withholding requirements. The Tax Code imposes backup withholding tax on certain payments, including payments of interest and dividends, if a taxpayer (a) fails to furnish its correct taxpayer identification number (generally on IRS Form W-9 for a U.S. holder); (b) furnishes an incorrect taxpayer identification number; (c) is notified by the IRS that it has previously failed to report properly certain items subject to backup withholding tax; or (d) fails to certify, under penalty of perjury, that such taxpayer has furnished its correct taxpayer identification number and that the IRS has not notified such taxpayer that it is subject to backup withholding tax. However, taxpayers that are C corporations generally are excluded from these information reporting and backup withholding tax rules provided that evidence of such corporate status is furnished to the payor. Backup withholding is not an additional federal income tax. Any amounts withheld under the backup withholding tax rules will generally be allowed as a credit against a taxpayer's federal income tax liability, if any, or will be refunded to the extent the amounts withheld exceed the taxpayer's actual tax liability, if such taxpayer timely furnishes required information to the IRS. **Each taxpayer should consult its own tax advisor regarding the information reporting and backup withholding tax rules as they relate to distributions under the Plan.**

In addition, from an information reporting perspective, U.S. 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 specified thresholds.

Holders are urged to consult their tax advisors regarding these regulations and whether the transactions contemplated by the Plan would be subject to these regulations and require disclosure on the holders' tax returns.

F. Importance of Obtaining Professional Tax Assistance

The foregoing discussion is intended only as a summary of certain U.S. federal income tax consequences of the Plan, does not discuss all aspects of U.S. federal income taxation that may be relevant to a particular holder of a Claim in light of such holder's circumstances and tax situation and is not a substitute for consultation with a tax professional. The above discussion is for informational purposes only and is not

tax advice. The tax consequences of the Plan are complex and are in many cases uncertain and may vary depending on a claimant's particular circumstances. Accordingly, all holders of Allowed Claims are strongly urged to consult their own tax advisors about the federal, state, local, and applicable non-U.S. income and other tax consequences to them under the Plan, including with respect to tax reporting and record keeping requirements.

XIV. RECOMMENDATION AND CONCLUSION

The Debtors believe that confirmation of the Plan is in the best interests of all creditors and urge all creditors in Class 3, 4(b), 5 and Class 6 to vote favor of the Plan.

Dated: ~~January [__],~~February 5, 2016

NGR HOLDING COMPANY LLC
on behalf of itself and all other Debtors

By: */s/ Danni S. Morris*
Name: Danni S. Morris
Title: Chief Financial Officer

EXHIBIT A TO THE DISCLOSURE STATEMENT

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

EXHIBIT B TO THE DISCLOSURE STATEMENT

RESTRUCTURING SUPPORT AGREEMENT

EXHIBIT C TO THE DISCLOSURE STATEMENT

NEW GULF'S PREPETITION CORPORATE REORGANIZATION

THE PREPETITION REORGANIZATION

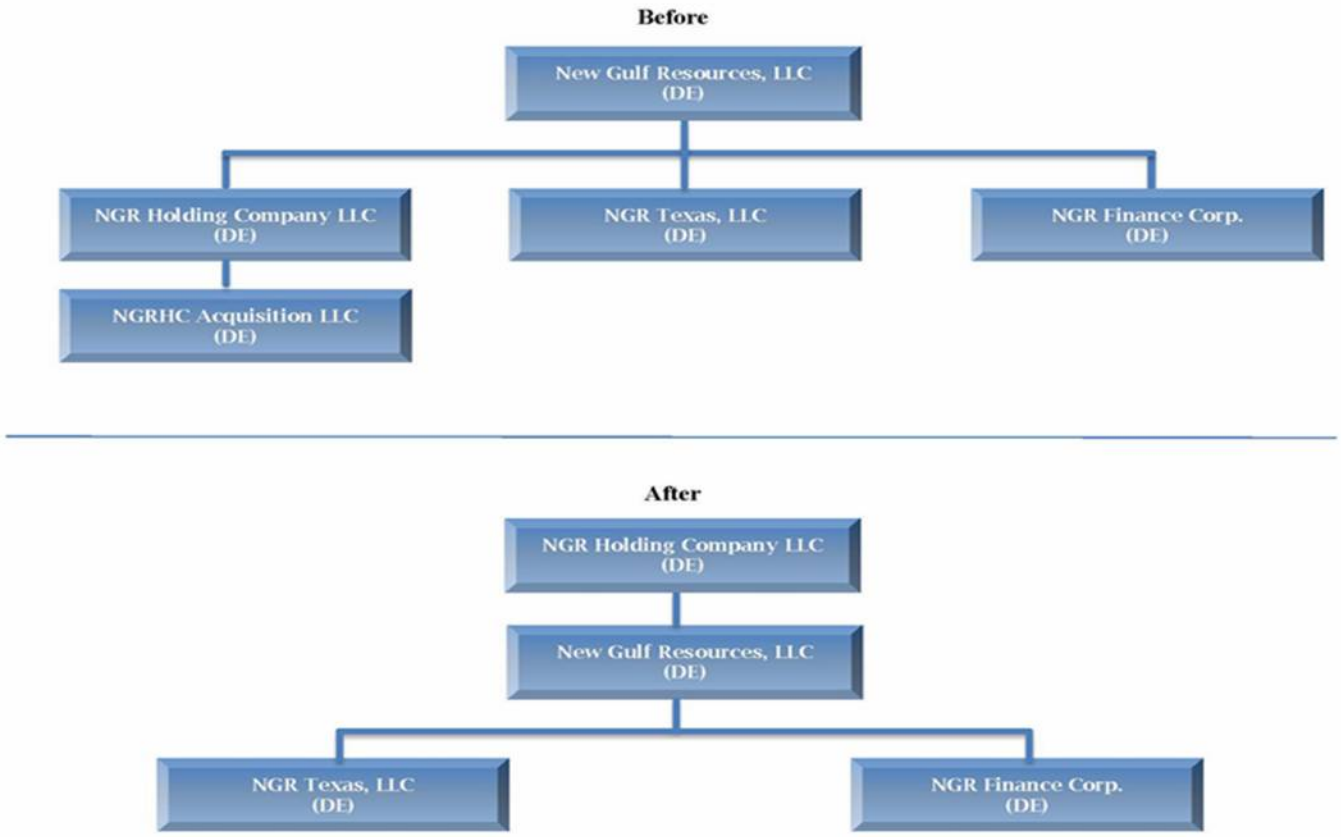


EXHIBIT D TO THE DISCLOSURE STATEMENT

MAP OF PRINCIPAL PROPERTIES

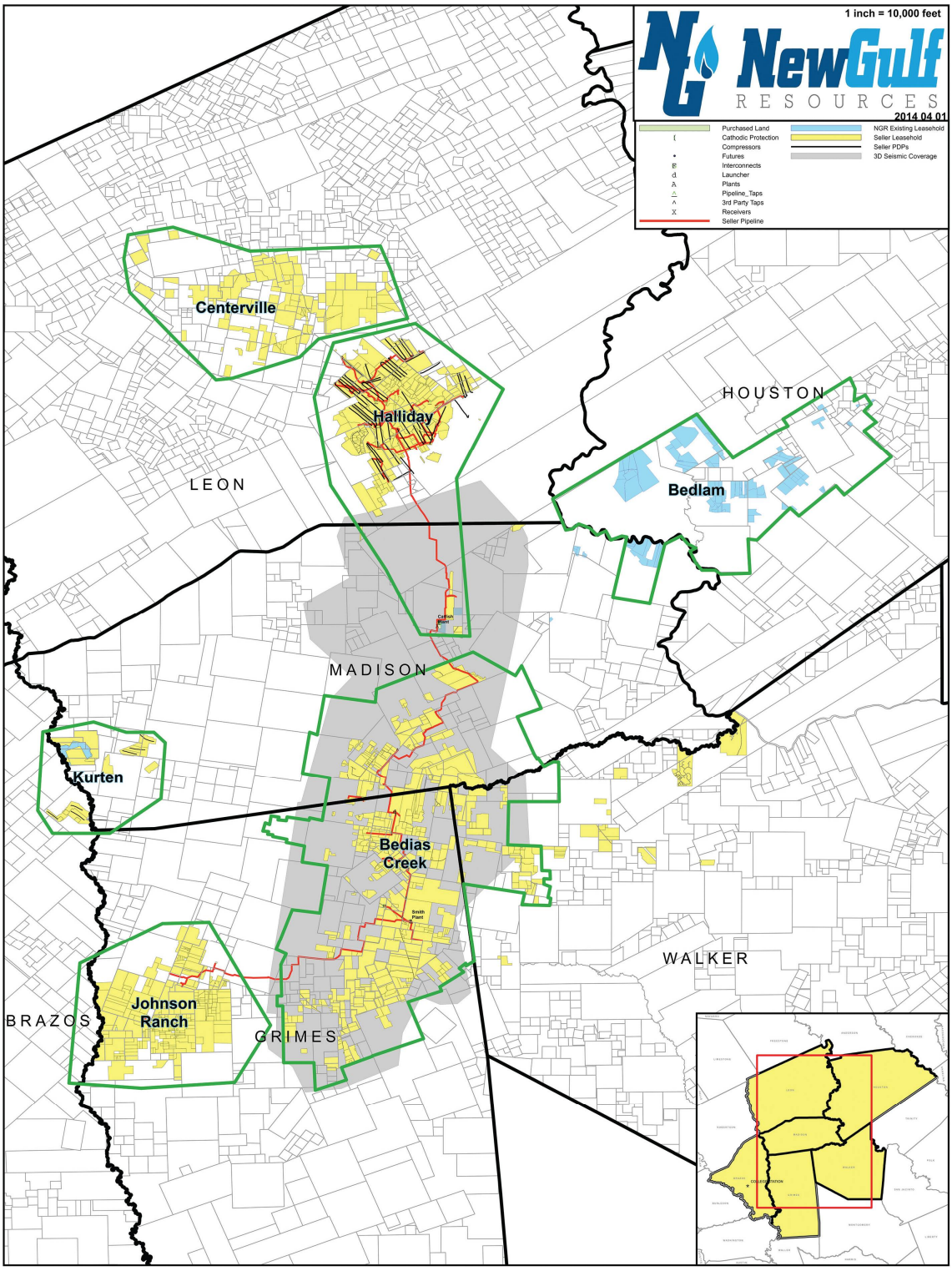


EXHIBIT E TO THE DISCLOSURE STATEMENT

RESERVE REPORT

EXHIBIT F TO THE DISCLOSURE STATEMENT

FINANCIAL PROJECTIONS

EXHIBIT G TO THE DISCLOSURE STATEMENT

LIQUIDATION ANALYSIS

EXHIBIT H TO THE DISCLOSURE STATEMENT

VALUATION ANALYSIS

EXHIBIT I TO THE DISCLOSURE STATEMENT

BACKSTOP NOTE PURCHASE AGREEMENT

EXHIBIT J TO THE DISCLOSURE STATEMENT

NEW FIRST LIEN NOTES TERM SHEET

EXHIBIT K TO THE DISCLOSURE STATEMENT

RIGHTS OFFERING PROCEDURES

EXHIBIT L

DILUTION ANALYSIS