

**IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE SOUTHERN DISTRICT OF TEXAS  
HOUSTON DIVISION**

<b>IN RE:</b>	§	
	§	
<b>GULF COAST OIL CORPORATION,</b>	§	<b>CASE NO. 08-50213</b>
	§	
<b>CENTURY RESOURCES, INC.,</b>	§	<b>CASE NO. 08-50214</b>
<b>And</b>	§	
<b>NEW CENTURY ENERGY CORP.,</b>	§	<b>CASE NO. 08-50215</b>
	§	
<b>Debtors.</b>	§	<b>Chapter 11</b>
	§	<b>Jointly Administered Under 08-50213</b>

**FIRST AMENDED DISCLOSURE STATEMENT UNDER 11 U.S.C. § 1125 AND  
BANKRUPTCY RULE 3016 IN SUPPORT OF DEBTORS' JOINT PLAN OF  
REORGANIZATION UNDER CHAPTER 11, TITLE 11 OF THE UNITED STATES  
CODE OF GULF COAST OIL CORPORATION, CENTURY RESOURCES, INC., AND  
NEW CENTURY ENERGY CORP., DEBTORS**

**THIS IS NOT A SOLICITATION OF ACCEPTANCES OR REJECTIONS OF THE PLAN.  
ACCEPTANCES OR REJECTIONS OF THE PLAN MAY NOT BE SOLICITED UNTIL A DISCLOSURE  
STATEMENT HAS BEEN APPROVED BY THE BANKRUPTCY COURT. THIS DOCUMENT IS BEING  
SUBMITTED TO THE BANKRUPTCY COURT FOR APPROVAL BUT HAS NOT BEEN APPROVED  
BY THE BANKRUPTCY COURT.**

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Dated: March 13, 2009  
Houston, Texas

**DISCLAIMER**

**ALL CREDITORS ARE ADVISED AND ENCOURAGED TO READ THIS DISCLOSURE STATEMENT AND THE PLAN IN THEIR ENTIRETY BEFORE VOTING TO ACCEPT OR REJECT THE PLAN. PLAN SUMMARIES AND STATEMENTS MADE IN THIS DISCLOSURE STATEMENT, INCLUDING THE FOLLOWING SUMMARY, ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO THE PLAN AND OTHER EXHIBITS ANNEXED TO THE PLAN AND THE DISCLOSURE STATEMENT. THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT ARE MADE ONLY AS OF THE DATE HEREOF, AND THERE CAN BE NO ASSURANCE THAT THE STATEMENTS CONTAINED HEREIN WILL BE CORRECT AT ANY TIME AFTER THE DATE HEREOF.**

**THIS DISCLOSURE STATEMENT HAS BEEN PREPARED IN ACCORDANCE WITH SECTION 1125 OF THE BANKRUPTCY CODE AND RULE 3016 OF THE FEDERAL RULES OF BANKRUPTCY PROCEDURE AND NOT NECESSARILY IN ACCORDANCE WITH FEDERAL OR STATE SECURITIES LAWS OR OTHER APPLICABLE LAW.**

**AS TO CONTESTED MATTERS, ADVERSARY PROCEEDINGS, AND OTHER ACTIONS OR THREATENED ACTIONS, THIS DISCLOSURE STATEMENT SHALL NOT CONSTITUTE OR BE CONSTRUED AS AN ADMISSION OF ANY FACT OR LIABILITY, STIPULATION, OR WAIVER, BUT RATHER AS A STATEMENT MADE IN SETTLEMENT NEGOTIATIONS.**

**THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT IS INCLUDED HEREIN FOR PURPOSES OF SOLICITING ACCEPTANCES OF THE PLAN AND MAY NOT BE RELIED UPON FOR ANY PURPOSE OTHER THAN TO DETERMINE HOW TO VOTE ON THE PLAN. THE DESCRIPTIONS SET FORTH HEREIN OF THE ACTIONS, CONCLUSIONS OR RECOMMENDATIONS OF THE DEBTORS OR ANY OTHER PARTY IN INTEREST HAVE BEEN SUBMITTED TO OR APPROVED BY SUCH PARTY, BUT NO SUCH PARTY MAKES ANY REPRESENTATION REGARDING SUCH DESCRIPTIONS.**

**THIS DISCLOSURE STATEMENT SHALL NOT BE ADMISSIBLE IN ANY NONBANKRUPTCY PROCEEDING INVOLVING THE DEBTORS OR ANY OTHER PARTY, NOR SHALL IT BE CONSTRUED TO BE CONCLUSIVE ADVICE ON THE TAX OR OTHER LEGAL EFFECTS OF THE REORGANIZATION AS TO HOLDERS OF CLAIMS AGAINST THE DEBTORS.**

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**APPENDICES TO DISCLOSURE STATEMENT**

- A. FIRST AMENDED JOINT PLAN OF REORGANIZATION UNDER CHAPTER 11, TITLE 11 OF THE UNITED STATES CODE OF GULF COAST OIL CORPORATION, CENTURY RESOURCES, INC. AND NEW CENTURY ENERGY CORP., DEBTORS, DATED AS OF MARCH 13, 2009.
- B. ORDER APPROVING DISCLOSURE STATEMENT, DATED \_\_\_\_\_, 2009.
- C. HISTORICAL FINANCIAL STATEMENTS
- D. LIQUIDATION ANALYSIS.
- E. CURE AMOUNTS.
- F. ASSET PURCHASE AGREEMENT.

**FIRST AMENDED DISCLOSURE STATEMENT WITH RESPECT TO JOINT PLAN OF REORGANIZATION UNDER CHAPTER 11, TITLE 11 OF THE UNITED STATES CODE OF GULF COAST OIL CORPORATION, CENTURY RESOURCES, INC. AND NEW CENTURY ENERGY CORP., DEBTORS**

**I. EXECUTIVE SUMMARY**

Gulf Coast Oil Corporation (“Gulf Coast Oil”), Century Resources, Inc. (“Century Resources”), and New Century Energy Corp. (“New Century”), debtors and debtors-in-possession in the above-captioned chapter 11 cases (collectively, the “Debtors,” and each individually a “Debtor”) filed their petitions for relief under chapter 11 of title 11 of the United States Code (the “Bankruptcy Code”) on July 28, 2008.

The Debtors submit this disclosure statement (this “Disclosure Statement”) pursuant to section 1125 of the Bankruptcy Code, for use in the solicitation of votes on the First Amended Joint Plan of Reorganization Under Chapter 11, Title 11 of the United States Code of Gulf Coast Oil Corporation, Century Resources, Inc., and New Century Energy Corp., dated March 12, 2009 (the “Plan”). A copy of the Plan is attached as Appendix A to this Disclosure Statement. All capitalized terms not defined in this Disclosure Statement have the meanings ascribed to such terms in the Plan.

This Disclosure Statement sets forth certain information regarding the Debtors’ prepetition operating and financial history, their need to seek chapter 11 protection, significant events that have occurred during the Chapter 11 Cases and the anticipated liquidation of the Debtors under the Plan. This Disclosure Statement also describes terms and provisions of the Plan, including certain alternatives to the Plan, certain effects of confirmation of the Plan, and the manner in which distributions will be made under the Plan. In addition, this Disclosure Statement discusses the confirmation process and the voting procedures that holders of Claims entitled to vote under the Plan must follow for their votes to be counted.

**A. Plan Overview.**

A Claim is placed in a particular class for the purposes of voting on the Plan and for receiving Distributions pursuant to the Plan only to the extent that such Claim is an Allowed Claim in that Class and such Claim has not been paid, released or otherwise settled prior to the Distribution Date. In accordance with section 1123(a)(1) of the Bankruptcy Code, Administrative Claims and Priority Tax Claims of the kinds specified in sections 507(a)(7) and 507(a)(8) of the Bankruptcy Code, respectively, have not been classified. Under the Plan, all other Claims against or Interests in the Debtors have been placed into thirteen (13) Classes and will receive the Distributions and recoveries (if any) described in the table below. The Claims against the Debtors are classified as follows:

Class 1 – Priority Non-Tax Claims

Class 2A –Secured Lender Claims of Gulf Coast

Class 2B –Secured Lender Claims of Century Resources

- Class 2C – Secured Lender Claims of New Century
- Class 3A – Other Secured Claims of Gulf Coast
- Class 3B – Other Secured Claims of Century Resources
- Class 3C – Other Secured Claims of New Century
- Class 4A – General Unsecured Claims of Gulf Coast
- Class 4B – General Unsecured Claims of Century Resources
- Class 4C – General Unsecured Claims of New Century
- Class 5 – Equity Interests in Century Resources
- Class 6 – Equity Interests in Gulf Coast Oil
- Class 7 – Equity Interests in New Century

Summary of Anticipated Distributions Under the Plan

<i>Class Description</i>	<i>Treatment Under the Plan</i>
<p>Administrative Claims</p> <p><i>Estimated Amount:</i> \$1,750,000.00*</p> <p>* Includes amounts which have been paid to professionals since the Petition Date</p>	<p><i>Unimpaired</i> – On the Distribution Date, except as otherwise provided in the Plan, each Holder of an Allowed Administrative Claim will receive, in full satisfaction, settlement, release, and discharge of and in exchange for such Allowed Administrative Claim (a) Cash equal to the unpaid portion of such Allowed Administrative Claim or (b) such other treatment as to which the Debtors and such holder have agreed upon in writing; <i>provided, however,</i> that Allowed Administrative Claims with respect to liabilities incurred by the Debtors in the ordinary course of business during the Chapter 11 Cases will be paid in the ordinary course of business in accordance with the terms and conditions of any agreements relating thereto.</p> <p><i>Estimated Recovery</i> – 100%</p>

<i>Class Description</i>	<i>Treatment Under the Plan</i>
<p>Priority Tax Claims</p> <p><i>Estimated Amount:</i> \$0.00</p>	<p><i>Unimpaired</i> – Each Holder of an Allowed Priority Tax Claim will receive in full satisfaction, settlement, release, and discharge of and in exchange for such Allowed Priority Tax Claim, Cash equal to the unpaid portion of such Allowed Priority Tax Claim on the Distribution Date or such other treatment as to which the Debtors and such holder have agreed upon in writing.</p> <p><i>Estimated Recovery</i> – 100%</p>
<p>Class 1 – Priority Non-Tax Claims</p> <p><i>Estimated Amount:</i> \$0.00</p>	<p><i>Unimpaired</i> – On the Distribution Date, each Holder of an Allowed Class 1 Priority Non-Tax Claim will receive, in full satisfaction, settlement, release, and discharge of and in exchange for such Allowed Class 1 Priority Non-Tax Claim, in the sole discretion of the Debtors, either Cash equal to the unpaid portion of such Allowed Class 1 Priority Non-Tax Claim or such other treatment as to which Debtors and such holder will have agreed upon in writing.</p> <p><i>Estimated Recovery</i> – 100%</p>

<i>Class Description</i>	<i>Treatment Under The Plan</i>
<p>Class 2A, 2B, 2C – Secured Lender Claims</p> <p><i>Estimated Amount:</i> \$66 million</p>	<p>Each Holder of an Allowed Class 2A, 2B, and 2C Secured Lender Claim will receive in full satisfaction, settlement, release and discharge of and in exchange for such Allowed Class 2 Secured Lender Claim, its Ratable Portion of the proceeds of such sale.</p> <p><i>Estimated Recovery – 33.3%</i></p>
<p>Classes 3A, 3B, 3C – Other Secured Claims</p> <p><i>Estimated Amount:</i> \$0.00</p>	<p><i>Unimpaired –</i></p> <p>Each Holder of an Allowed Class 3A, 3B, and 3C Claim shall receive, in full satisfaction, settlement, release, and discharge of and in exchange for such Allowed Class 3A, 3B and 3C Claim, on the Initial Distribution Date or fifteen (15) days after the Claim Allowance Date, whichever is later, Cash in an amount equal to such Allowed Secured Claim or such other treatment as the Debtors and such holder shall have agreed upon in writing. Holders of an Allowed Class 3A, 3B, and 3C Other Secured Claim shall retain their liens until such holders have been paid the Allowed Amount of such Claims in full.</p> <p><i>Estimated Recovery – 100%</i></p>
<p>Classes 4A, 4B, 4C – General Unsecured Claims</p> <p><i>Estimated Amount:</i> \$250,000.00</p>	<p><i>Impaired –</i></p> <p>Each Holder of an Allowed Class 4A, 4B, and 4C Claim will receive Cash equal to their ratable share of the Unsecured Creditors Fund.</p> <p><i>Estimated Recovery – 10%</i></p>
<p>Class 5 – Equity Interests in Century Resources</p>	<p>The Holder of Class 5 Interests will not receive or retain any property under the Plan. All Century Resource Interests and any other securities giving rise to ownership to or resulting from ownership of equity interests in any of the Debtors, and any and all rights related to or arising from such common stock or other securities existing prior to the Effective Date shall be cancelled and extinguished on the Effective Date.</p>
<p>Class 6 – Equity Interests in Gulf Coast</p>	<p>The Holder of Class 6 Interests will not receive or retain any property under the Plan. All Gulf Coast Oil Interests and any other securities giving rise to ownership to or resulting from ownership of equity interests in any of the Debtors, and any and all rights related to or arising from such common stock or other securities existing prior to the Effective Date shall be cancelled and extinguished on the Effective Date.</p>

<i>Class Description</i>	<i>Treatment Under The Plan</i>
Class 7 – Equity Interests in New Century	The Holders of Class 7 Interests will not receive or retain any property under the Plan. All New Century Interests and any other securities giving rise to ownership to or resulting from ownership of equity interests in any of the Debtors, and any and all rights related to or arising from such common stock or other securities existing prior to the Effective Date shall be cancelled and extinguished on the Effective Date.

After careful review of the Debtors' current business operations, estimated recoveries in a liquidation scenario, and prospects as an ongoing business, the Debtors have concluded that the recovery to Creditors will be maximized by the Debtors' orderly liquidation under the Plan.

## **B. Implementation.**

### **1. Plan Terms.**

The purpose of the Plan is to orderly liquidate the Debtors' Property. Implementation of the Plan requires entry of the Confirmation Order. The Plan is to be implemented, if accepted and approved by the Bankruptcy Court, in its entire form. On the Distribution Date, the Debtors shall make or cause to be made to the holders of Allowed Claims the Distributions provided in Section 8.1 of the Plan. Disputed Claims shall be resolved in accordance with Section 9.2 of the Plan and, if a Disputed Claim becomes an Allowed Claim by Final Order, distributions shall be made on account of such Claim in accordance with Section 9.3 of the Plan.

### **2. Anticipated Ownership of the Debtors.**

On the Effective Date, the Debtors will be dissolved and will cease doing business. The Debtors' corporate existence will survive for the sole and limited purpose of winding down their affairs and performing those functions described in the Plan.

## **II. INTRODUCTION**

The Debtors submit this Disclosure Statement, dated March 13, 2009 (the "Disclosure Statement") pursuant to section 1125 of title 11 of the United States Code (the "Bankruptcy Code") to holders of Claims against the Debtors in connection with (i) the solicitation of acceptances by the Debtors of their First Amended Joint Amended Plan of Reorganization Under Chapter 11 of the Bankruptcy Code, dated March 13, 2009 (the "Plan"), and (ii) the hearing to consider confirmation of the Plan (the "Confirmation Hearing") scheduled for [REDACTED], 2009 at [REDACTED]:[REDACTED] p.m. prevailing Central time before the United States Bankruptcy Court for the Southern District of Texas (the "Bankruptcy Court"). Unless otherwise defined herein, all capitalized terms contained herein have the meanings ascribed to them in the Plan.

A BALLOT IS ENCLOSED, FOR THE ACCEPTANCE OR REJECTION OF THE PLAN, WITH THE DISCLOSURE STATEMENT SUBMITTED TO HOLDERS OF CLAIMS IN CLASSES 2A, 2B, AND 2C (SECURED LENDER CLAIMS) AND CLASSES 4A, 4B, AND 4C (GENERAL UNSECURED CLAIMS) WHO ARE ENTITLED TO VOTE TO ACCEPT OR REJECT THE PLAN.

HOLDERS OF CLASS 1 (PRIORITY NON-TAX CLAIMS) AND CLASS 3 (OTHER SECURED CLAIMS) ARE UNIMPAIRED BY THE PLAN, ARE CONCLUSIVELY PRESUMED TO HAVE ACCEPTED THE PLAN, ARE NOT ENTITLED TO VOTE TO ACCEPT OR REJECT THE PLAN, AND ARE THUS NOT RECEIVING BALLOTS.

HOLDERS OF INTERESTS IN CLASSES 5, 6, AND 7 SHALL RECEIVE NOTHING UNDER THE PLAN AND ARE DEEMED TO REJECT THE PLAN AND, THEREFORE, ARE NOT ENTITLED TO VOTE TO ACCEPT OR REJECT THE PLAN, AND ARE THUS NOT RECEIVING BALLOTS.

On [REDACTED], 2009, after notice and a hearing, the Bankruptcy Court approved this Disclosure Statement as containing adequate information of a kind and in sufficient detail to enable hypothetical, reasonable investors typical of the Debtors' Creditors to make an informed judgment whether to accept or reject the Plan. APPROVAL OF THIS DISCLOSURE STATEMENT DOES NOT, HOWEVER, CONSTITUTE A DETERMINATION BY THE BANKRUPTCY COURT AS TO THE FAIRNESS OR MERITS OF THE PLAN.

The order approving the Disclosure Statement, a copy of which is annexed hereto as Appendix B sets forth in detail the deadlines, procedures and instructions for voting to accept or reject the Plan and for filing objections to confirmation of the Plan, the record date for voting purposes, and the applicable standards for tabulating Ballots. In addition, detailed voting instructions accompany each Ballot. Each holder of a Claim entitled to vote on the Plan should read the Disclosure Statement, the Plan, the order approving the Disclosure Statement and the instructions accompanying the Ballot 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. *No solicitation of votes to accept the Plan may be made except pursuant to section 1125 of the Bankruptcy Code.*

**A. Holders of Claims Entitled to Vote.**

Pursuant to the provisions of the Bankruptcy Code, only holders of allowed claims or equity interests in classes of claims or equity interests that are impaired under the terms and provisions of a chapter 11 plan and that will receive distributions under the chapter 11 plan are entitled to vote to accept or reject the plan. Classes of claims or equity interest in which the holder of claim or interests will not receive or retain any property under a chapter 11 plan are deemed to have rejected the plan and are not entitled to vote to accept or reject the plan. Classes of claims or equity interests in which the holders of claims or interests are unimpaired under a chapter 11 plan are deemed to have accepted the plan and are not entitled to vote to accept or reject the plan.

Class 1 (Priority Non-Tax Claims), and Class 3 (Other Secured Claims) are conclusively presumed to have accepted the Plan and are not entitled to vote to accept or reject the Plan.

Each of Classes 2A, 2B, and 2C (Secured Lender Claims) and Classes 4A, 4B, and 4C (General Unsecured Claims) is entitled to vote to accept or reject the Plan.

Classes 5, 6, and 7 are conclusively presumed to have rejected the Plan and are not entitled to vote to accept or reject the Plan.

The Bankruptcy Code defines "acceptance" of a plan (i) by a class of claims as acceptance by creditors in that class that hold at least two-thirds in dollar amount and more than one-half in number of the claims that cast ballots for acceptance or rejection of the plan, and (ii) by a class of interests as acceptance by interest holders in that class that hold at least two-thirds in amount of interests in such class that cast ballots for acceptance or rejection of the Plan. For a complete description of the requirements for confirmation of the Plan, *see* Section VII, "Confirmation and Consummation Procedure."

UNDER SECTION 1129 OF THE BANKRUPTCY CODE, A PLAN CAN BE CONFIRMED ONLY IF AT LEAST ONE IMPAIRED CLASS ACCEPTS THE PLAN. THEREFORE, THE PLAN CAN BE CONFIRMED ONLY IF ONE OF THE AFOREMENTIONED IMPAIRED CLASSES WITH RESPECT TO EACH DEBTOR ACCEPTS THE PLAN AND IF THE OTHER REQUIREMENTS FOR CONFIRMATION ARE MET AS DESCRIBED BELOW. IF ALL IMPAIRED CLASSES OF CLAIMS FOR A DEBTOR REJECT THE PLAN OR ARE DEEMED TO HAVE REJECTED THE PLAN, THAT DEBTOR HAS THE RIGHT TO REQUEST CONFIRMATION OF THE PLAN PURSUANT TO SECTION 1129(b) OF THE BANKRUPTCY CODE. SECTION 1129(b) PERMITS THE CONFIRMATION OF A PLAN NOTWITHSTANDING THE NON-ACCEPTANCE OF SUCH PLAN BY ONE OR MORE IMPAIRED CLASSES OF CLAIMS OR EQUITY INTERESTS. 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. FOR A MORE DETAILED DESCRIPTION OF THE REQUIREMENTS FOR CONFIRMATION OF A NONCONSENSUAL PLAN, *SEE* SECTION VII, "CONFIRMATION AND CONSUMMATION PROCEDURE."

If the impaired Classes vote to reject the Plan, the determination as to whether to seek confirmation of the Plan under such circumstances will be announced before or at the Confirmation Hearing.

## **B. Voting Procedures**

If you are entitled to vote to accept or reject the Plan, a Ballot is enclosed for the purpose of voting on the Plan. Please vote and return your Ballot(s) to—

Andrews Kurth LLP  
Attention: David Zdunkewicz  
600 Travis, Suite 4200  
Houston, Texas 77002

Telephone: (713) 220-4200  
Facsimile: (713) 220-4285  
Gulf Coast Oil Corporation, *et al.*

TO BE COUNTED, YOUR BALLOT INDICATING ACCEPTANCE OR REJECTION OF THE PLAN MUST BE RECEIVED NO LATER THAN 4:00 P.M., HOUSTON TIME, ON [REDACTED], 2009.

Any Claim in an impaired Class as to which an objection or request for estimation, is pending or which is scheduled by the Debtors as unliquidated, disputed or contingent is not entitled to vote unless the holder of such Claim has obtained an order of the Bankruptcy Court temporarily allowing such Claim for the purpose of voting on the Plan.

If you are a holder of a Claim entitled to vote on the Plan and did not receive a Ballot, received a damaged Ballot or lost your Ballot, or if you have any questions concerning the Disclosure Statement, the Plan, or the procedures for voting on the Plan, please contact:

Andrews Kurth LLP  
Attention: David Zdunkewicz  
600 Travis, Suite 4200  
Houston, Texas 77002  
Telephone: (713) 220-4200  
Facsimile: (713) 220-4285  
Gulf Coast Oil Corporation, *et al.*

### C. Confirmation Hearing.

Pursuant to section 1128 of the Bankruptcy Code, the Confirmation Hearing will be held on [REDACTED], 2009, at [REDACTED]:[REDACTED].m. Houston time, before the Honorable Wesley W. Steen, United States Bankruptcy Judge, at the United States Bankruptcy Court, 515 Rusk Avenue, Courtroom 400, Houston, Texas 77002. The Bankruptcy Court has directed that objections, if any, to confirmation of the Plan be served and filed so that they are received on or before [REDACTED], 2009, at 4:00 p.m. Houston time, in the manner described below in Section VII, "Confirmation and Consummation Procedure." The Confirmation Hearing may be adjourned from time to time by the Bankruptcy Court without further notice except for the announcement of the adjournment date made at the Confirmation Hearing or at any subsequent adjourned Confirmation Hearing.

FOR THE CONVENIENCE OF HOLDERS OF CLAIMS AND INTERESTS, THIS DISCLOSURE STATEMENT SUMMARIZES THE TERMS OF THE PLAN, BUT THE PLAN ITSELF QUALIFIES ALL SUMMARIES. IF ANY INCONSISTENCY EXISTS BETWEEN THE PLAN AND THE DISCLOSURE STATEMENT, THE TERMS OF THE PLAN ARE CONTROLLING. THE DISCLOSURE STATEMENT MAY NOT BE RELIED ON FOR ANY PURPOSE OTHER THAN TO DETERMINE WHETHER TO VOTE TO ACCEPT OR REJECT THE PLAN, AND NOTHING STATED HEREIN SHALL CONSTITUTE AN ADMISSION OF ANY FACT OR LIABILITY BY ANY PARTY, OR BE

ADMISSIBLE IN ANY PROCEEDING INVOLVING THE DEBTORS OR ANY OTHER PARTY, OR BE DEEMED CONCLUSIVE EVIDENCE OF THE TAX OR OTHER LEGAL EFFECTS OF THE PLAN ON THE DEBTORS, OR HOLDERS OF CLAIMS OR INTERESTS. CERTAIN OF THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT, BY NATURE, ARE FORWARD-LOOKING AND CONTAIN ESTIMATES AND ASSUMPTIONS. THERE CAN BE NO ASSURANCE THAT SUCH STATEMENTS WILL BE REFLECTIVE OF ACTUAL OUTCOMES. ALL HOLDERS OF CLAIMS ENTITLED TO VOTE TO ACCEPT OR REJECT THE PLAN SHOULD CAREFULLY READ AND CONSIDER FULLY SECTION X OF THIS DISCLOSURE STATEMENT, "RISK FACTORS TO BE CONSIDERED," BEFORE VOTING TO ACCEPT OR REJECT THE PLAN.

SUMMARIES OF CERTAIN PROVISIONS OF AGREEMENTS REFERRED TO IN THIS DISCLOSURE STATEMENT DO NOT PURPORT TO BE COMPLETE AND ARE SUBJECT TO, AND ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO, THE FULL TEXT OF THE APPLICABLE AGREEMENT, INCLUDING THE DEFINITIONS OF TERMS CONTAINED IN SUCH AGREEMENT.

THE DEBTORS BELIEVE THAT ACCEPTANCE OF THE PLAN IS IN THE BEST INTERESTS OF THE DEBTORS AND THEIR CREDITORS. THE DEBTORS URGE THAT CREDITORS ENTITLED TO VOTE ACCEPT THE PLAN.

### **III. THE DEBTORS' HISTORY AND REASONS FOR THEIR CHAPTER 11 FILINGS**

The Debtors are an independent oil and gas exploration and production company. The Debtors' major areas of operations are located onshore United States, primarily in McMullen, Matagorda, Wharton, Goliad and Jim Hogg Counties in Texas. Current 8/8ths daily production on Company operated properties is approximately 700 barrels of oil per day and 1.6 MMCFG per day.

All of the Debtors oil and gas properties are operated by Century Resources, a wholly owned operating subsidiary of New Century. Century Resources is a bonded oil and gas operator (operator #141835) with the Railroad Commission of Texas. Title ownership of the various oil and gas properties are held in three entities - Gulf Coast Oil, another wholly owned subsidiary of New Century; New Century and Century Resources, with all field operations conducted under the name of Century Resources. The working interest ownership of the various operated properties range from 80% in the Sargent South Field in Matagorda County, Texas, to 100% in the San Miguel Creek Field (McMullen County, Texas), Mustang Creek Field (McMullen and Atascosa Counties, Texas), Prado Field (Jim Hogg County, Texas), Soleberg Wilcox Field (Goliad County, Texas), and Tenna Field (Wharton County, Texas). Additionally, the Debtors own a 15.20% non-operated working interest with a 12.214% net revenue interest in the Wishbone Field in McMullen County, Texas.

The Debtors income statements and balance sheets for the years ended December 31, 2005, December 31, 2006, and December 31, 2007, are attached at Appendix C.

### **Factors Leading to Chapter 11.**

On June 30, 2005, New Century entered into a Securities Purchase Agreement (the "SPA") with Laurus Master Fund, Ltd. (collectively with its assigns and agents, "Laurus"), whereby New Century sold a three-year Secured Convertible Term Note in the principal amount of \$15,000,000 (as amended and restated, the "Convertible Note"), issued Laurus a warrant to purchase additional shares of common stock, and issued an option to Laurus to purchase additional shares of common stock. On September 19, 2005, the Debtors also entered into a Secured Term Note in the original principal amount of \$9,500,000 (the "Term Note"). The interest on the Term Note is payable monthly in arrears.

Century Resources entered into a Subsidiary Guaranty Agreement (the "Century Resources Guaranty") with Laurus on June 30, 2005, whereby it agreed to guaranty the prompt payment of all amounts, when due, owed to Laurus under the Convertible Note. The Debtors also entered into a Master Security Agreement with Laurus, whereby they agreed to grant Laurus certain security interests as set forth in the agreement.

On April 26, 2006, Gulf Coast Oil entered into a Securities Purchase Agreement with Laurus, whereby Gulf Coast Oil sold Laurus a Secured Term Note in the amount of \$40,000,000 (the "Gulf Coast Note"), collateralized by security interests as set forth in the Note.

On June 30, 2008, certain obligations of the Debtors owed to Laurus, including the Convertible Note and the Term Note became due. The Company failed to repay the outstanding amounts of the Convertible Note and the Term Note (collectively, the "Notes") on June 30, 2008.

On or about July 7, 2008, Laurus gave the Debtors notice of an event of default under the Notes and alleged other events of defaults pursuant to other Laurus Agreements. Laurus agreed to forbear from exercising its rights and remedies under the agreements until 5:00 p.m. Eastern time on July 18, 2008, or such later time as Laurus may agree in its sole discretion. After July 18, 2008, Laurus did not further extend the forbearance period.

Because of the default remedies granted to Laurus under its various agreements with the Debtors and Laurus's refusal to extend the forbearance period another sixty (60) days, the Debtors determined that it was in their best interests, and the interests of their equity holders, creditors, and interest holders, that they seek protection under chapter 11 of the Bankruptcy Code.

Despite a significant increase in crude oil and natural gas prices as well as an increase in oil production due to recent drilling success in the last half of 2007 and the first half of 2008 in the Gulf Coast subsidiary, New Century did not generate sufficient cash flow from its separate operations to repay the remaining balance on the two New Century Notes that came due on or about June 30, 2008. Also, the rise in oil and natural gas prices was partially offset by operating cost increases in labor, fuel, steel and equipment costs driven by higher prices for steel piping and other materials necessary for used in drilling, completing and operating oil and gas wells. In addition, certain of the Gulf Coast prepetition debt securities require 80% of net revenues be paid to Laurus and its affiliates, leaving minimal cash flow to fund its operations,

general corporate expenses or for development capital or for payment of the New Century debt. Gulf Coast's recent increase in daily oil production was primarily a result of year-to-date drilling success on its McMullen County properties which was financed by \$12.4 million of debt raised in November 2007 (the "November 2007 Financing") from Laurus and its affiliates, of which \$9.2 million was designated for the expansion of drilling activities (the remaining amounts were used to pay fees to Laurus or were designated as restricted cash). This was the first round of development capital the Debtors had received since December 2006, when the Debtors raised \$16.2 million of debt (the "December 2006 Secured Note") from Laurus and its affiliates, of which only \$1 million could be used at the Debtors' discretion. Without consistent and reliable access to development capital, the Debtors were constrained in their efforts to grow reserves and increase daily production to meet the impending debt maturities despite having a large inventory of undeveloped reserves and drilling prospects.

#### IV. PURPOSES AND EFFECTS OF THE PLAN.

The primary purpose of the Plan is provide for an orderly liquidation of the Debtors' Property.

#### V. SIGNIFICANT EVENTS DURING THE CHAPTER 11 CASES

##### A. Continuation of Business.

The Debtors filed their petitions for relief on July 28, 2008. Subsequent to the Petition Date, the Debtors have continued to operate as debtors-in-possession subject to the supervisions of the Bankruptcy Court.

##### B. Joint Administration and Complex Case Designation.

By orders of the Bankruptcy Court entered on August 13, 2008, the Debtors' Chapter 11 Cases were jointly administered under the case number for Gulf Coast Oil, Case No. 08-50213 [*see* Docket No. 17], and their cases were designated as complex chapter 11 cases as set forth in General Order 2000-2 for the Bankruptcy Court for the Southern District of Texas [*see* Docket No. 22].

##### C. Cash Collateral Order.

The Debtors filed their *Expedited Motion for Interim and Final Order Authorizing the Debtors' Use of Cash Collateral and Scheduling Final Hearing* [Docket No. 9] (the "Cash Collateral Motion") on August 1, 2008. The Court entered the *Stipulated Interim Order Authorizing Use of Cash Collateral* [Docket No. 18] (the "Interim Cash Collateral Order") after a hearing on August 13, 2008. On September 15, 2008, Laurus submitted a proposed *Stipulated Final Order Authorizing Use of Cash Collateral* [Docket No. 71], which was entered by the Court after a hearing on September 29, 2008 [Docket No. 95] (the "Final Cash Collateral Order").

The Final Cash Collateral Order contained certain deadlines regarding the Debtors' filing and confirmation of a plan of reorganization. The Final Cash Collateral Order provided that the automatic stay as to Laurus would be lifted without further court order unless

the deadlines were met. Because those deadlines were not met, the automatic stay with respect to Laurus's liens was lifted on January 18, 2009.

**D. Retention of Professionals.**

The Debtors requested that the Bankruptcy Court enter orders authorizing the employment of (i) Andrews Kurth LLP as Debtors' bankruptcy counsel [Docket No. 33]; (ii) Thomas Leger & Co., L.L.P., as tax professionals and audit consultants [Docket No. 40]; (iii) David Loev and the Loev Law Firm, as special SEC reporting counsel [Docket No. 41]; (iv) Agility Financial Partners, LLC, and Ken Cleveland, as part-time Chief Financial Officer [Docket No. 44] (the "Agility Application"); (v) Malone & Bailey P.C., as auditors [Docket No. 45]; and (vi) Broadpoint Capital, Inc. ("Broadpoint"), as Financial Advisors [Docket No. 48] (the "Broadpoint Application"). Laurus filed an objection to the Broadpoint Application.

On September 29, 2008, the Bankruptcy Court held a hearing on the employment applications. At the hearing, the Debtors withdrew the Agility Application. A modified order was entered on the Broadpoint Application [Docket No. 99]. The Bankruptcy Court also entered orders on the employment applications of Andrews Kurth LLP [Docket No. 96], Malone & Bailey, P.C. [Docket No. 100], David Loev and the Loev Law Firm [Docket No. 101], and Thomas Leger & Co, L.L.P. [Docket No. 102].

Subsequently, the Debtors filed an application requesting that the Bankruptcy Court enter an order authorizing the employment of R. A. Lenser & Associates, Inc. as Independent Oil and Gas Consultants [Docket No. 129]. The Bankruptcy Court entered orders on the Lenser employment application on January 22, 2009 [Docket No. 208] and February 6, 2009 [Docket No. 226].

On January 27, 2009, the Debtors served Broadpoint with notice of termination of the Broadpoint engagement.

**E. Royalty Payment Motion.**

The Debtors filed their Expedited Motion for Order Establishing Procedures to (A) Collect Proceeds from Sale of Oil and Gas, (B) Pay or Authorize Payment of Such Proceeds to Interest Owners and Taxing Authorities, and (C) Allow Exercise of Debtors' Setoff Rights [Docket No. 8] (the "Royalty Payment Motion"), requesting authority to pay prepetition royalties to royalty interest owners and to continue to make royalty payments throughout the pendency of these cases. An order approving the Royalty Payment Motion was entered on August 13, 2008 [Docket No. 19].

**F. Critical Vendor Motion.**

The Debtors filed their Expedited Motion for Order Under 11 U.S.C. §§ 105(a) and 363(c) Authorizing Payment of Prepetition Claims of Critical Vendors [Docket No. 111] (the "Critical Vendor Motion"), which sought Bankruptcy Court authorization to pay the prepetition claims of certain critical vendors in order to assure such vendors' continued cooperation with the Debtors. On October 27, 2008, after notice and a hearing, the Bankruptcy Court entered an order approving the Critical Vendor Motion and authorizing the payments [Docket No. 128].

**H. Motion to Determine Amount of Laurus's Secured Claim.**

The Debtors filed their Expedited Motion to Determine the Amount of Laurus Master Fund Ltd.'s Secured Claim [Docket No. 121], which sought an order of the Bankruptcy Court determining Laurus's entitlement to certain types of damages and penalties as part of its secured claim. In light of the agreement with Laurus to limit the amount of its credit bid on the Debtors' Properties to \$75,000,000, the Debtors have withdrawn the Motion to Determine Amount of Laurus's Secured Claim.

**I. Debtors' Original Plan of Reorganization.**

On November 7, 2008, the Debtors filed their Joint Plan of Reorganization (the "Original Plan"). The Original Plan contemplated the restructuring of the obligations under the Notes by the issuance of new notes that would pay in full the obligations owed to Laurus. Because of the continuing decrease in oil and gas prices during the later half of 2008 and continuing into 2009, the Debtors determined that it could not confirm the Original Plan. Accordingly, the Debtors withdrew the Original Plan.

**J. Motion to Sell Debtors' Properties under Section 363.**

On December 19, 2008, the Debtors filed their Motion Pursuant to Sections 105, 363, and 365 of the Bankruptcy Code for an Order Authorizing the Sale Free and Clear of All Liens, Claims and Encumbrances and for Assumption and Assignment of Executory Contracts. The Sale Motion was heard by the Bankruptcy Court on January 26, 2009. On January 28, 2009, the Bankruptcy Court denied the Sale Motion (Docket No. 211), and the Bankruptcy Court issued its findings of fact and conclusions of law on February 12, 2009 (Docket No. 237).

**K. Market Conditions.**

Since the Petition Date, the capital markets have deteriorated amid a world-wide recession. As the demand for oil has weakened, the price of oil has decreased from approximately \$140 per barrel on the Petition Date to the current price of approximately \$40 per barrel. The collapse of world oil prices has had a negative effect on the Debtors' income and the decline made it impossible for the Debtors' to confirm the Original Plan.

**VI. THE PLAN OF REORGANIZATION**

The Debtors believe that through the Plan, holders of Claims will obtain a greater recovery from the Debtors' estates than the recovery which would be available if the Debtors' assets were liquidated under chapter 7 of the Bankruptcy Code.

The Plan is annexed hereto as Appendix A and forms a part of this Disclosure Statement. The summary of the Plan set forth below is qualified in its entirety by reference to the more detailed provisions set forth in the Plan.

THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT INCLUDE SUMMARIES OF THE PROVISIONS CONTAINED IN THE PLAN AND IN DOCUMENTS REFERRED TO THEREIN. THE STATEMENTS CONTAINED IN THIS

DISCLOSURE STATEMENT DO NOT PURPORT TO BE PRECISE OR COMPLETE STATEMENTS OF ALL THE TERMS AND PROVISIONS OF THE PLAN OR DOCUMENTS REFERRED TO THEREIN, AND REFERENCE IS MADE TO THE PLAN AND TO SUCH DOCUMENTS FOR THE FULL AND COMPLETE STATEMENTS OF SUCH TERMS AND PROVISIONS.

THE PLAN ITSELF AND THE DOCUMENTS REFERRED TO THEREIN CONTROL THE ACTUAL TREATMENT OF CLAIMS AGAINST THE DEBTORS UNDER THE PLAN AND WILL, UPON OCCURRENCE OF THE EFFECTIVE DATE, BE BINDING UPON ALL HOLDERS OF CLAIMS AGAINST THE DEBTORS, THEIR ESTATES, ALL PARTIES RECEIVING PROPERTY UNDER THE PLAN, AND OTHER PARTIES IN INTEREST. IN THE EVENT OF ANY CONFLICT BETWEEN THIS DISCLOSURE STATEMENT, ON THE ONE HAND, AND THE PLAN OR ANY OTHER OPERATIVE DOCUMENT, ON THE OTHER HAND, THE TERMS OF THE PLAN AND/OR SUCH OTHER OPERATIVE DOCUMENT WILL CONTROL.

**A. Classification and Treatment of Claims and Interests.**

Under the Plan, Claims against and Interests in the Debtors are divided into different Classes. All Allowed Claims and Interests are entitled to receive distributions under the Plan. The following is a description of the Plan's treatment of Claims against and Interests in the Debtors.

The Plan is being proposed as a joint plan of reorganization for all of the Debtors. Claims against, and Interests in, the Debtors (other than Administrative Expenses and Priority Tax Claims) are classified in Article III of the Plan and treated in Article IV of the Plan. Because the Plan does not substantively consolidate the three separate Debtors, the Debtors must meet the requirements for section 1129 of the Bankruptcy Code with respect to each Debtor in order to confirm the Plan.

**1. Unclassified Claims.**

*a. Administrative Expense Claims.*

Administrative Claims are defined as (a) a cost or expense of administration as defined by section 503(b) of the Bankruptcy Code, (b) any fee or charge assessed against the Estates under 28 U.S.C. § 1930, and (c) any Claim Allowed pursuant to 11 U.S.C. § 503.

On the Distribution Date, except as otherwise provided in the Plan, each holder of an Allowed Administrative Claim will receive, in full satisfaction, settlement, release, and discharge of and in exchange for such Allowed Administrative Claim, Cash equal to the unpaid portion of such Allowed Administrative Claim or such other treatment as to which the Debtors and such holder have agreed upon in writing; *provided, however*, that Allowed Administrative Claims with respect to liabilities incurred by the Debtors in the ordinary course of business during the Chapter 11 Cases will be paid in the ordinary course of business in accordance with the terms and conditions of any agreements relating thereto.

b. *Priority Tax Claims*

There are no existing Priority Tax Claims as of the Effective Date. Accordingly, no Distributions will be made on account of any Priority Tax Claims. Post-petition tax claims that accrued on or after January 1, 2009, will be the responsibility of the purchaser of the Debtors' Property.

**2. Classes of Claims.**

a. *Class 1 – Priority Non-Tax Claims*

The Priority Non-Tax Claims are those Claims other than an Administrative Claim or a Priority Tax Claim, entitled to priority in payment under section 507(a) of the Bankruptcy Code.

On the Distribution Date, each holder of an Allowed Class 1 Priority Non-Tax Claim will receive, in full satisfaction, settlement, release, and discharge of and in exchange for such Allowed Class 1 Priority Non-Tax Claim, either Cash equal to the unpaid portion of such Allowed Class 1 Priority Non-Tax Claim or such other treatment as to which Debtors and such holder will have agreed upon in writing.

b. *Class 2 – Secured Lender Claims*

The Debtors' assets, including its cash on hand, will be sold as set forth in Section 8.2 of the Plan, and each holder of an Allowed Class 2A, 2B, and 2C Secured Lender Claim will receive in full satisfaction, settlement, release and discharge of and in exchange for such Allowed Class 2 Secured Lender Claim, its Ratable Portion of the proceeds of such sale.

c. *Class 3 – Other Secured Claims*

Each holder of an Allowed Class 3A, 3B, and 3C Claim shall receive, in full satisfaction, settlement, release, and discharge of and in exchange for such Allowed Class 3A, 3B, and 3C Claim, on the Initial Distribution Date or fifteen (15) days after the Claim Allowance Date, whichever is later, Cash in an amount equal to such Allowed Secured Claim or such other treatment as the Debtors and such holder shall have agreed upon in writing. Holders of an Allowed Class 3A, 3B, and 3C Other Secured Claim shall retain their liens until such holders have been paid the Allowed Amount of such Claims in full.

d. *Class 4 – General Unsecured Claims*

On the Distribution Date, each holder of an Allowed Class 4A, 4B, and 4C Claim will receive Cash equal to its ratable share of the Unsecured Creditors Fund.

e. *Class 5 – Equity Interests in Century Resources*

All Century Resource Interests and any other securities giving rise to ownership to or resulting from ownership of equity interests in any of the Debtors, and any and all rights

related to or arising from such common stock or other securities existing prior to the Effective Date shall be cancelled and extinguished on the Effective Date.

f. *Class 6 – Equity Interests in Gulf Coast Oil*

All Gulf Coast Oil Interests and any other securities giving rise to ownership to or resulting from ownership of equity interests in any of the Debtors, and any and all rights related to or arising from such common stock or other securities existing prior to the Effective Date shall be cancelled and extinguished on the Effective Date.

g. *Class 7 – Equity Interests in New Century*

All New Century Interests and any other securities giving rise to ownership to or resulting from ownership of equity interests in any of the Debtors, and any and all rights related to or arising from such common stock or other securities existing prior to the Effective Date shall be cancelled and extinguished on the Effective Date.

**B. Means of Implementation**

**1. Distributions.**

On the Distribution Date the Debtors shall make or cause to be made to the holders of Allowed Claims the Distributions provided in Section 8.1 of the Plan. Disputed Claims shall be resolved in accordance with Section 9.2 of the Plan and, if a Disputed Claim becomes an Allowed Claim by Final Order, Distributions shall be made on account of such Claim in accordance with section 9.3 of the Plan.

**2. Management of Property Pending Sale.**

Pending the closing of a sale of the Properties, the Debtors shall generally manage, maintain, secure and preserve the Properties to the standard of a reasonably prudent owner and operator of oil and gas properties. Accordingly, the Debtors shall, among other things, collect the proceeds of the production of the Debtors' Properties and all other monies to which they are entitled, and shall pay or reserve for all costs and expenses incurred in the operation, management, maintenance, and securing of the Properties, including without limitation lease operating expenses, real property taxes and assessments, premiums for casualty and liability insurance; compensation and benefits for management and supervisory personnel, and utilities. Such expenses shall be paid pursuant to a budget to be agreed upon in advance by the Debtors and Laurus and shall be made pursuant to the Stipulated Final Cash Collateral Order Authorizing Use of Cash Collateral entered on September 29, 2008. Pending the closing of a sale of the Properties, all of the Debtors' net income and cash flow, less only such actual and necessary expenses as are set forth in the agreed upon budget, shall be reserved and be disbursed in accordance with the Plan.

**3. Sale of the Properties.**

The Plan constitutes a motion to sell the Debtors' Property, including cash on hand, under section 363 of the Bankruptcy Code with the sale to be conducted at the

Confirmation Hearing. The Confirmation Order constitutes an order by the Bankruptcy Court approving such sale under Section 363 of the Bankruptcy Code. Laurus shall be allowed to credit bid its claim pursuant to section 363(k) of the Bankruptcy Code in incremental bids in any amounts up to and including the full amount of its Allowed Claim. For the purposes of bidding at the sale, the Debtors and Laurus have agreed that Laurus may credit bid for the Debtors' Properties, and including any cash on hand, up to \$75 million. If Laurus is the winning bidder at the sale, unless the net sales price is greater than \$75 million, then all cash on hand as well as the Debtors' Properties will be distributed to Laurus, NCEY Holdings Corp., and/or Brazos Lateral Holdings Corp. If the sale of the Debtors' Properties results in net proceeds in excess of \$75 million, then \$75 million will be distributed to Laurus, and any remaining proceeds will be distributed to Holders of Class 4 Claims. If Holders of Class 4 Claims are paid in full, then any remaining property will be distributed to the Holders of Class 5 Interests. The Debtors do not anticipate that the sale of the Debtors' Properties will exceed \$75 million. Pursuant to Bankruptcy Rule of Procedure 9019(a), the Plan shall constitute a motion to approve the Debtors' settlement and compromise with Laurus. A copy of the proposed Asset Purchase Agreement between the Debtors and Laurus's designees, NCEY Holdings Corp and Brazos Lateral Holdings Corp., is attached hereto as Appendix F.

### **C. Provisions Governing Distributions.**

#### **1. Date of Distributions.**

Unless otherwise provided in the Plan, any distributions and deliveries to be made under the Plan shall be made on the Initial Distribution Date. In the event that any payment 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 the performance of such act may be completed on the next succeeding Business Day, but shall be deemed to have been completed as of the required date.

#### **2. Disbursing Agent.**

All Distributions under the Plan shall be made by Debtors as Disbursing Agent or such other entity designated by Debtors as Disbursing Agent on the Distribution Date. The Disbursing Agent shall not be required to give any bond or surety or other security for the performance of its duties unless otherwise ordered by the Bankruptcy Court, and, in the event that a Disbursing Agent is so otherwise ordered, all costs and expenses of procuring any such bond or surety shall be borne by the Debtors.

#### **3. Compensation of Professionals.**

Each Professional retained or requesting compensation in the Chapter 11 Cases pursuant to section 327, 328, 330, 331, 503(b), or 1103 of the Bankruptcy Code shall be required to file and serve an application for allowance of final compensation and reimbursement of expenses in the Chapter 11 Cases on or before thirty (30) days after the Effective Date. Objections to any application made under this section 13.1 shall be filed on or before twenty (20) days after the filing of such application and served on NCEY Holdings Corp., the United States Trustee and the requesting Professional.

Professional Fee Claims shall be paid by the Debtors at such time as the Claim becomes allowed by a Final Order of the Bankruptcy Court from the Professional Claims Reserve.

On or prior to the Confirmation Date, each Professional seeking compensation or reimbursement under section 327, 328, 330, 331, 503(b), or 1103 of the Bankruptcy Code shall provide the Debtors with a written estimate of the amount of its requested compensation and reimbursement through the Effective Date. On the Effective Date, the Debtors shall establish the Professional Claims Reserve in an amount equal to the aggregate amount of such estimated compensation or reimbursements, unless otherwise previously paid by the Debtors. The funds in the Professional Claims Reserve shall be used solely for the payment of Allowed Professional Fee Claims. Allowed Professional Fee Claims may only be paid from the Professional Claims Reserve and, if applicable, the Unsecured Claims Fund.

Broadpoint was the Debtors' financial advisor from the Petition Date until February 10, 2009, when the Broadpoint Letter Agreement was terminated by the Debtors. The Debtors, Laurus, and Broadpoint have resolved all claims and causes of action between or among them as set forth herein. On the later of the Effective Date or the date that the Court approves Broadpoint's Professional Fee Claim, Broadpoint shall receive the total sum of \$326,000.00 in full and final satisfaction of its claims against the Debtors. Further, Broadpoint shall retain all amounts previously paid by the Debtors to Broadpoint since the Petition Date. Effective upon the payment of such amount, Broadpoint, on behalf of itself, its predecessors, successors, and assigns, fully and completely release the Debtors, NCEY Holdings Corp., and Laurus and their affiliates, and each of their respective officers, directors and professionals from all liability and does covenant not to sue, regarding any and all prepetition and postpetition claims, causes of action, suits, debts, obligations, liabilities, demands, losses, costs and expenses of any kind, character, or nature whatsoever, known or unknown, fixed or contingent, that Broadpoint may have or claim under the Broadpoint Letter Agreement or in connection with or relating to the Debtors, these Bankruptcy Cases or Broadpoint's employment in these cases. In exchange for the releases provided herein and other good and valuable consideration, the Debtors and Laurus on behalf of themselves, their predecessors, successors, and assigns, fully and completely release Broadpoint and its affiliates, and each of its respective officers, directors and professionals from all liability and does covenant not to sue, regarding any and all prepetition and postpetition claims, causes of action, suits, debts, obligations, liabilities, demands, losses, costs and expenses of any kind, character, or nature whatsoever, known or unknown, fixed or contingent, that the Debtors or Laurus may have or claim under the Broadpoint Letter Agreement or in connection with or relating to the Debtors, these Bankruptcy Cases or Broadpoint's employment in these cases.

#### **4. Delivery of Distributions.**

Distributions to holders of Allowed Claims shall be made by the Disbursing Agent (a) at the addresses set forth on the Proofs of Claim filed by such holders (or at the last known address of such holders if no Proof of Claim is filed or if the Debtors, or NCEY Holdings Corp., have been notified of a change of address), (b) at the addresses set forth in any written notice of address changes delivered to the Disbursing Agent after the date of any related Proof of Claim, or (c) at the addresses reflected in the Schedules if no Proof of Claim has been filed and

the Disbursing Agent has not received a written notice of a change of address. If a Distribution to any Claimant is returned as undeliverable, the Debtors shall use reasonable efforts to determine such Claimant's then-current address. After reasonable efforts, if NCEY Holdings Corp. cannot determine such Claimant's then-current address, then unless and until NCEY Holdings Corp. are notified of such Claimant's then-current address, no further Distributions shall be made to such Claimant, unless and until NCEY Holdings Corp. are notified of such Claimant's then-current address. All such Distributions shall be set aside and held in a segregated interest-bearing account. All claims for undeliverable Distributions must be made on or before the later of the first (1st) anniversary of the Effective Date of the Plan, or the ninetieth (90th) day following the date on which such Claim is Allowed. After such date, all unclaimed Distributions shall revert to the NCEY Holdings Corp. pursuant to section 347(b) of the Bankruptcy Code, and the Claim of any holder, or successor to such holder, with respect to such Distribution will be discharged and forever barred. Checks issued in respect of Allowed Claims will be null and void if not negotiated within six (6) months after the date of issuance thereof. In no event shall any unclaimed Distribution escheat to any state.

**5. Manner of Payment Under the Plan.**

At the option of the Disbursing Agent, any Cash payment to be made hereunder may be made by a check or wire transfer or as otherwise required or provided in applicable agreements.

**6. Setoffs and Recoupment.**

The Debtors, or NCEY Holdings Corp., may, but shall not be required to, set off against any Claim (and the payments or other Distributions to be made pursuant to the Plan in respect of such Claim) claims of any nature whatsoever that the Debtors or NCEY Holdings Corp. may have against the holder of such Claim; *provided, however*, that neither the failure to do so nor the allowance of any Claim hereunder shall constitute a waiver or release by the Debtors, or NCEY Holdings Corp., of any such claim that the Debtors, or NCEY Holdings Corp., may have against such holder.

**7. Distributions After Distribution Date.**

Distributions made after the Date to holders of Disputed Claims that are not Allowed Claims as of the Distribution Date but which later become Allowed Claims shall be deemed to have been made on the Distribution Date.

**8. Rights and Powers of Disbursing Agent.**

a. *Powers of the 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 distributions 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, pursuant to the Plan, or as deemed by the Disbursing Agent to be necessary and proper to implement the provisions hereof.

b. *Expenses Incurred on or After the Effective Date.*

Except as otherwise ordered by the Bankruptcy Court, 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 fees and expenses) made by the Disbursing Agent shall be paid in Cash by the Debtors in the ordinary course.

**9. Reserves.**

Before making any Distributions under the Plan, the Debtors shall establish a separate reserve the amount of Cash that would be required to be distributed under the Plan on account of any Claim but for the fact that such Claim is not Allowed, *provided, however*, that at the time as such Claim is disallowed in whole or in part by Final Order, settlement or otherwise, the reserve on account of such Claim for the disallowed amount thereof, shall be returned to NCEY Holdings Corp. If a Claim as to which an objection has been filed becomes, in whole or in part, an Allowed Claim, NCEY Holdings Corp. shall distribute to the holder thereof the amount to which it is entitled from the Disputed Claims Reserve in accordance with the terms of the Plan. Any balance remaining in the Disputed Claims Reserve after all Claims have been satisfied in accordance with the terms of this Plan and the Chapter 11 Cases are ready to be closed, shall be transferred to NCEY Holdings Corp.

**D. Procedures for Treating Disputed Claims Under the Plan.**

**1. Disputed Claims.**

After the Confirmation Date, only the Debtors shall have the authority to file objections, settle, compromise, withdraw or litigate to judgment objections to Proofs of Claim. From and after the Effective Date, the Debtors, NCEY Holdings Corp., and/or Brazos Lateral Holdings Corp. shall have the exclusive right to object to any Administrative Claim asserted in these Bankruptcy Cases. From and after the Effective Date, the Debtors, with NCEY Holdings Corp.'s written consent, Brazos Lateral Holdings Corp, or NCEY Holdings Corp. may settle or compromise any Disputed Claim without the approval of the Bankruptcy Court. The Debtors expressly reserve the right to compromise and settle (subject to the approval of the Bankruptcy Court) Claims against them, and Litigation Rights or other claims that they may have against other Persons up to and including the Effective Date. Unless otherwise ordered by the Bankruptcy Court, the Debtors or NCEY Holdings Corp. shall file all objections to Claims (other than applications for allowances of compensation and reimbursement of expenses) and serve such objections upon the holders of such Claims as to which the objection is made as soon as practicable, but in no event later than the Claim Objection Deadline.

**2. No Distribution Pending Allowance.**

Notwithstanding any other provisions of the Plan, no payments or Distributions shall be made on account of a Disputed Claim or, if less than the entire Claim is a Disputed Claim, the portion of a Claim that is Disputed, until such Claim becomes an Allowed Claim.

**3. Distributions After Allowance.**

At such time as a Disputed Claim becomes an Allowed Claim, any Distributions reserved for such Allowed Claim shall be released from the Disputed Claims Reserve and delivered to the holder of such Allowed Claim in an amount proportionate to the Allowed amount of any such Claim. In the event that the Disputed Claim is disallowed in its entirety, the Distributions provided for such Claim shall be available for appropriate Distribution to the holders of other Allowed Claims, as applicable.

**E. Provisions Governing Executory Contracts and Unexpired Leases.**

**1. Assumed Contracts and Leases.**

The Plan constitutes a motion to assume and assign to NCEY Holdings Corp. those executory contracts and unexpired leases of the Debtors listed on Schedule A to the Plan, subject to the conditions and limitations set forth in the Plan. The Confirmation Order shall constitute an order of the Bankruptcy Court under section 365(a) of the Bankruptcy Code approving the contract and lease assumptions described above, as of the Effective Date. Except as provided in the Plan, as of the Effective Date, Debtors shall be deemed to have rejected each executory contract and unexpired lease not listed on Schedule A to the Plan.

**2. Payments Related to Assumption of Contracts and Leases.**

Any monetary amounts by which each executory contract and unexpired lease to be assumed pursuant to the Plan is in default shall be satisfied, under section 365(b)(1) of the Bankruptcy Code, by Cure. The corresponding Cure amounts, if any, that the Debtors contend are owed in connection with the assumption of such executory contract or unexpired lease are set forth on Appendix E hereto. Unless the counterparty to such executory contract or unexpired lease files an objection with the Bankruptcy Court on or before April \_\_, 2009, objecting to the Debtors' proposed Cure, if any, and serves such objection on the Debtors' counsel and Laurus's counsel, then the amount set forth in Appendix E hereto shall be the Cure that the Debtors' must pay in order to assume the executory contracts and unexpired leases set forth on Schedule A to the Plan. If there is a dispute regarding (i) the nature or amount of any Cure, (ii) the ability of the Debtors or any 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 (iii) any other matter pertaining to assumption, Cure shall occur following the entry of a Final Order resolving the dispute and approving the assumption or assumption and assignment, as the case may be.

**3. Bar for Rejection Damages.**

If the rejection by Debtors, pursuant to the Plan or otherwise, of an executory contract or unexpired lease results in a Claim, then such Claim shall be forever barred and shall not be enforceable against either Debtors or the properties of any of them unless a Proof of Claim is filed with the clerk of the Bankruptcy Court and served upon counsel to the Debtors within thirty (30) days after the Effective Date.

**4. Treatment Under Plan of Rejection Damages.**

Unless otherwise ordered by the Bankruptcy Court, all Allowed Claims arising from the rejection of executory contracts or unexpired leases shall be treated as Class 4 General Unsecured Claims.

**F. Conditions Precedent to Effective Date.**

The following conditions precedent must be satisfied or waived on or prior to the Effective Date in accordance with Section 10.2 of the Plan:

**1. Conditions Precedent to the Effective Date of the Plan.**

(a) the Confirmation Order, in form and substance reasonably acceptable to the Debtors and Laurus shall have been entered by the Clerk of the Bankruptcy Court, and there shall not be a stay or injunction in effect with respect thereto;

(b) all authorizations, consents and agreements required, if any, in connection with the consummation of the Plan shall have been obtained;

(c) the Debtors and NCEY Holdings Corp. shall have in place as of the Effective Date liability insurance;

(d) the Debtors shall have established the Disputed Claim Reserve in the amount attributable to the Ratable Portion that would have been paid to the holder of the Disputed Claim on the Initial Distribution Date had that Claim been Allowed;

(e) the Debtors shall have created the Professional Fee Reserve in accordance with Section 13.1 of this Plan; and

(f) the Debtors shall have created the Unsecured Creditors' Fund.

**2. Waiver of Conditions Precedent.**

Each of the conditions precedent identified in section 10.1 of the Plan, other than section 10.1(a), 10.1(e) and 10.1(f) of the Plan, with Laurus' written consent, may be waived, in whole or in part, by the Debtors in writing. Any such waivers of a condition precedent in section 10.1 of the Plan may be effected at any time, without notice, without leave or order of the Bankruptcy Court and without any formal action.

**G. Effect of Confirmation.**

**1. 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 Effective Date, the provisions of the Plan shall bind any holder of a Claim against the Debtors and such holder's respective

successors and assigns, whether or not the Claim of such holder is impaired under the Plan and whether or not such holder has accepted the Plan.

**2. Discharge of Debtors.**

As provided in section 1141(d)(3) of the Bankruptcy Code, because (i) the Plan provides for the liquidation of all of the Debtors' estates, (ii) the Debtors will not engage in business after consummation of the Plan, and (iii) the Debtors would be denied a discharge under section 727(a) if this were a case under Chapter 7, the Debtors will not receive a discharge.

**3. Term of Injunctions or Stays.**

Unless otherwise provided in the Plan, all injunctions or stays arising under or entered during these Chapter 11 Cases under section 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 30th day following the Effective Date.

**4. Exculpations.**

The Exculpated Persons shall not have or incur any liability to any Person for any act taken or omission made in good faith in connection with or in any way related to negotiating, formulating, implementing, confirming, or consummating this Plan, or any contract, instrument, filing with governmental agencies, release, or other agreement or document created in connection with or related to this Plan, or the administration of the Bankruptcy Cases, nor with respect to any liability, claim or cause of action, whether known or unknown, asserted or unasserted, belonging to or assertable by the Debtors or the Estates against the Exculpated Persons, from the beginning of time until the Effective Date. The Exculpated Persons shall have no liability to any Person for actions taken in good faith under or relating to this Plan or in connection with the administration of the Bankruptcy Cases including, without limitation, failure to obtain confirmation of this Plan or to satisfy any condition or conditions precedent, or waiver of or refusal to waive any condition or conditions precedent to confirmation or to the occurrence of the Effective Date. Further, the Exculpated Persons shall not have or incur any liability to any Person for any act or omission in connection with or arising out of their administration of this Plan, except for gross negligence or willful misconduct as determined by the Bankruptcy Court.

**H. Retention of Jurisdiction.**

The Bankruptcy Court shall have exclusive jurisdiction of all matters arising out of, or related to, the Chapter 11 Cases, the Plan and the Confirmation Order pursuant to, and for the purposes of, sections 105(a) and 1142 of the Bankruptcy Code and for, among other things, the following purposes:

a. To hear and determine pending applications for the assumption, assumption and assignment, or rejection of executory contracts or unexpired leases and the allowance of Claims resulting therefrom.

b. To enforce all agreements, assumed, if any, and to recover all property of the estate wherever located.

c. To determine any and all adversary proceedings, applications and contested matters, including without limitation, Litigation Rights.

d. To ensure that distributions to holders of Allowed Claims are accomplished as provided in the Plan.

e. To hear and determine any timely objections to Administrative Claims or to Proofs of Claim, including, without limitation, any objections to the classification of any Claim, and to allow or disallow any Disputed Claim in whole or in part.

f. To determine the validity, extent and priority of all Liens, if any, against properties of the estates.

g. To determine all assertions of an ownership interest in, the value of, or title to, any property of the estates.

h. To determine any tax liability of the estates in connection with the Plan, actions taken, distributions or transfers made thereunder.

i. To enter and implement such orders as may be appropriate in the event the Confirmation Order is for any reason stayed, revoked, modified, or vacated.

j. To issue such orders in aid of execution of the Plan, to the extent authorized by section 1142 of the Bankruptcy Code.

k. To consider any amendments to or modifications of the Plan, or to cure any defect or omission, or reconcile any inconsistency, in any order of the Bankruptcy Court, including, without limitation, the Confirmation Order.

l. To hear and determine all applications under sections 330, 331, and 503(b) of the Bankruptcy Code for awards of compensation for services rendered and reimbursement of expenses incurred prior to the Confirmation Date.

m. To hear and determine disputes arising in connection with the interpretation, implementation, or enforcement of the Plan, the Confirmation Order, any transactions, including any private sale(s) of the Properties or payments contemplated hereby or any agreement, instrument or other document governing or relating to any of the foregoing.

n. To hear and determine matters concerning state, local, and federal taxes in accordance with sections 346, 505, and 1146 of the Bankruptcy Code.

o. To hear and determine any other matter not inconsistent with the Bankruptcy Code.

p. To hear and determine all disputes involving the existence, scope, and nature of the discharges granted under the Plan and the Confirmation Order.

q. To issue injunctions and effect any other actions that may be necessary or desirable to restrain interference by any entity with the consummation or implementation of the Plan.

r. To determine such other matters as may be provided in the Confirmation Order.

s. To enter final decrees closing the Chapter 11 Cases.

## **I. Miscellaneous Provisions**

### **1. Payment of Statutory Fees.**

All fees payable under section 1930, chapter 123, title 28, United States Code, as determined by the Bankruptcy Court at the Confirmation Hearing, shall be paid on the Effective Date. Any such fees accrued after the Effective Date will be paid by the Debtors or by NCEY Holdings Corp.

### **2. Section 1125(e) of the Bankruptcy Code.**

Section 1125(e) provides that a person that solicits acceptances or rejections of a plan, in good faith and in compliance with the applicable provisions of the Bankruptcy Code, or that participated in good faith and in compliance with the applicable provisions of the Bankruptcy Code, in the offer, issuance, sale or purchase of securities, offered or sold under the Plan, is not liable, on account of such solicitation or participation, for violations of any applicable law, rule or regulation governing the solicitation of acceptances or rejections of the Plan or the offer and issuance of securities under the Plan.

### **3. Exemption from Certain Transfer Taxes.**

Pursuant to section 1146(c) of the Bankruptcy Code, any transfers from the Debtors to any other person or entity pursuant to the Plan shall not be subject to any document recording tax, stamp tax, conveyance fee, intangibles or similar tax, mortgage tax, stamp act, real estate transfer tax, mortgage recording tax, or other similar tax or governmental assessment, and the Confirmation Order shall direct the appropriate state or local governmental officials or agents to forego the collection of any such tax or governmental assessment.

### **4. Modifications and Amendments.**

The exhibits and appendices to both the Plan and Disclosure Statement can be amended by the Debtors at any time prior to the Confirmation Date. In addition, the Debtors may alter, amend, or modify the Plan under section 1127(a) of the Bankruptcy Code at any time prior to the Confirmation Date. After the Effective Date the Debtors may, under section 1127(b) of the Bankruptcy Code, institute proceedings in the Bankruptcy Court to remedy any defect or omission or reconcile any inconsistencies in the Plan or the Confirmation Order, and to accomplish such matters as may be necessary to carry out the purposes and effects of the Plan so long as such proceedings do not materially adversely affect the treatment of holders of Claims

under the Plan, *provided, however*, that prior notice of such proceedings shall be served in accordance with the Bankruptcy Rules or Order of the Bankruptcy Court.

**5. Compliance with Tax Requirements.**

In connection with the consummation of the Plan, the Debtors shall comply with all withholding and reporting requirements imposed by any taxing authority, and all distributions hereunder shall be subject to such withholding and reporting requirements.

**6. Preservation of Transferred Claims and Avoidance Actions.**

All Litigation Rights which are currently held by the Debtors will be transferred to and prosecuted by NCEY Holdings Corp. in its sole and absolute discretion. The failure of the Debtors specifically to list any claim, right of action, suit, or proceeding herein or in the Plan does not, and will not be deemed to, constitute a waiver or release by the Debtors of such claim, right of action, suit, or proceeding, and NCEY Holdings Corp. will retain the right to pursue additional claims, rights of action, suits, or proceedings. At this time, the Debtors are unaware of any claims, rights of action, suits or proceedings that may exist against any third parties. Litigation Rights do not include Avoidance Actions. The Debtors have investigated whether any Avoidance Actions have merit in these cases and they have determined that they do not have merit. Accordingly, Avoidance Actions are not preserved under the Plan.

**7. Severability of Plan Provisions.**

Except as otherwise provided in the Plan, in the event that, prior to the Effective Date, any term or provision of the Plan is held by the Bankruptcy Court to be invalid, void or unenforceable, then if requested by the Debtors, the Bankruptcy Court shall have the power to alter and interpret such term or provision to make it valid or enforceable to the maximum extent practicable, consistent with the original purpose of the term or provision held to be invalid, void or unenforceable, and such term or provision shall then be applicable as altered or interpreted. Notwithstanding any such holding, alteration or interpretation, the remainder of the terms and provisions hereof shall remain in full force and effect and shall in no way be affected, impaired or invalidated by such holding, alteration or interpretation. The Confirmation Order shall constitute a judicial determination and shall provide that each term and provision of the Plan, as it may have been altered or interpreted in accordance with the foregoing, is valid and enforceable in accordance with its terms. Notwithstanding the foregoing or any other provision of the Plan, to the extent section 4 of the Plan or any part thereof is held by the Bankruptcy Court to be invalid, void or unenforceable, then the Plan shall be deemed null and void for all purposes.

**8. Filing or Execution of Additional Documents.**

On or before the Effective Date, the Debtors will file with the Bankruptcy 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 this Plan.

**9. Governing Law.**

Except to the extent that the Bankruptcy Code or other federal law is applicable, or to the extent an exhibit to the Plan provides otherwise, the rights, duties and obligations arising under the Plan shall be governed by, and construed and enforced in accordance with, the laws of the State of Texas without giving effect to the principles of conflict of laws thereof.

**VII. CONFIRMATION AND CONSUMMATION PROCEDURE**

Under the Bankruptcy Code, the following steps must be taken to confirm the Plan:

**A. Solicitation of Votes.**

In accordance with sections 1126 and 1129 of the Bankruptcy Code, the Claims in Class 2 (Secured Lender Claims) and Class 4 (General Unsecured Claims) are impaired and the holders of Allowed Claims in Classes 2 and 4 are entitled to vote to accept or reject the Plan.

Class 1 (Priority Non-Tax Claims) and Class 3 (Other Secured Claims) are unimpaired and the holders of Allowed Claims or Allowed Interests in each of such Classes are conclusively presumed to have accepted the Plan and the solicitation of acceptances with respect to such Classes is not required under section 1126(f) of the Bankruptcy Code.

Class 5 (Equity Interests in Century Resources), Class 6 (Equity Interests in Gulf Coast Oil) and Class 7 (Equity Interests in New Century) shall receive or retain no property and Holders of Interests in Classes 5, 6, and 7 shall receive nothing under the Plan and are deemed to reject the Plan and, therefore, are not entitled to vote to accept or reject the Plan, and are thus not receiving ballots.

As to classes of claims entitled to vote on a plan, the Bankruptcy Code defines acceptance of a plan by a class of creditors as acceptance by holders of at least two-thirds in dollar amount and more than one-half in number of the claims of that class that have timely voted to accept or reject a plan. A vote may be disregarded if the Bankruptcy Court determines, after notice and a hearing, that such acceptance or rejection was not solicited or procured in good faith or in accordance with the provisions of the Bankruptcy Code.

**B. The Confirmation Hearing.**

The Bankruptcy Code requires the Bankruptcy Court, after notice, to hold a confirmation hearing. The Confirmation Hearing in respect of the Plan has been scheduled for [REDACTED], 2009, at [REDACTED] p.m., Houston time, before the Honorable Wesley W. Clark, United States Bankruptcy Court Judge, at the United States Bankruptcy Court, 515 Rusk Avenue, Courtroom 400, Houston, Texas 77002. The Confirmation Hearing may be adjourned from time to time by the Bankruptcy Court without further notice except for an announcement of the adjourned date made at the Confirmation Hearing. Any objection to confirmation must be made in writing and specify in detail the name and address of the objector, all grounds for the objection and the amount of the Claim or number of shares of stock of the Debtor held by the objector. Any such objection must be filed with the Bankruptcy Court and

served so that it is received by the Bankruptcy Court and the following parties on or before [REDACTED], 2008, at 4:00 p.m., Houston time:

David Zdunkewicz, Esq.  
Andrews Kurth LLP  
600 Travis, Suite 4200  
Houston, Texas 77002  
Tel: (713) 220-4200  
Fax: (713) 220-4285

Hector Duran, Esq.  
Office of the United States Trustee  
515 Rusk Avenue, Suite 3516  
Houston, Texas 77002

Warner Stevens, L.L.P.  
301 Commerce Street, Suite 1700  
Fort Worth, TX 76102  
Attn: Michael Warner, Esq.  
Telephone: (817) 810-5250  
Fax: (817) 810-5255

Objections to confirmation of the Plan are governed by Bankruptcy Rule 9014.

**C. 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 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 stockholders which are impaired under the plan. The Plan provides for the treatment of all Claims against all of the Debtors. However, because the Plan does not effect a substantive consolidation of the Debtors, the requirements of section 1129 must be met with respect to each of the Debtors.

**D. Acceptance.**

Claimants and holders of Claims in Classes 2A, 2B, and 2C (Secured Lender Claims) and Classes 4A, 4B, and 4C (General Unsecured Claims) are impaired under the Plan and are entitled to vote to accept or reject the Plan. The Debtors reserve the right to seek nonconsensual confirmation of the Plan with respect to any Class of Claims that is entitled to vote to accept or reject the Plan if such Class rejects the Plan.

**1. Unfair Discrimination and Fair and Equitable Tests.**

To obtain nonconsensual confirmation of the Plan, it must be demonstrated to the Bankruptcy Court that the Plan “does not discriminate unfairly” and is “fair and equitable” with

respect to each impaired, nonaccepting Class. The Bankruptcy Code provides a non-exclusive definition of the phrase "fair and equitable." The Bankruptcy Code establishes "cram down" tests for secured creditors, unsecured creditors, and equity holders, as follows:

a. *Secured Creditors.*

Either (i) each impaired secured creditor retains its liens securing its secured claim and receives on account of its secured claim deferred Cash payments having a present value equal to the amount of its allowed secured claim, (ii) each impaired secured creditor realizes the "indubitable equivalent" of its allowed secured claim, or (iii) the property securing the claim is sold free and clear of liens with such liens to attach to the proceeds of the sale and the treatment of such liens on proceeds is provided in clause (i) or (ii) of this subparagraph.

b. *Unsecured Creditors.*

Either (i) each impaired unsecured creditor receives or retains under the Plan property of a value equal to the amount of its allowed Claim, or (ii) the holders of Claims and Interests that are junior to the Claims of the dissenting Class will not receive any property under the Plan.

c. *Equity Interests.*

Either (i) each holder of an Equity Interest will receive or retain under the 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 to or value of the interest, or (ii) the holder of an interest that is junior to nonaccepting class not receive or retain any property under the Plan.

The Debtors believe that the Plan and the treatment of all Classes of Claims and Equity Interests under the Plan satisfy the foregoing requirements for nonconsensual confirmation of the Plan.

**2. Feasibility.**

The Bankruptcy Code requires that confirmation of a plan is not likely to be followed by liquidation or the need for further financial reorganization. Because the Plan itself provides for the liquidation of the Debtors, by definition, the Plan is not likely to be followed by liquidation or the need for further reorganization.

**3. Best Interests Test and Liquidation Analysis.**

With respect to each impaired Class of Claims, confirmation of the Plan requires that each holder of a Claim either (i) accept the Plan, or (ii) receive or retain under the Plan property of a value, as of the Effective Date, that is not less than the value such holder would receive or retain if the Debtors were liquidated under chapter 7 of the Bankruptcy Code.

The Debtors believe that under the Plan all holders of impaired Claims will receive property with a value not less than the value such holder would receive in a liquidation of

the Debtors under chapter 7 of the Bankruptcy Code. To estimate the likely returns to holders of Claims in a chapter 7 liquidation, the Debtors determined the amount of liquidation proceeds that would be available for distribution to, and the allocation of such proceeds among, the Classes of Claims based on their relative priority.

The relative priority of distribution of liquidation proceeds with respect to any Claim depends on (i) its status as secured, priority unsecured or nonpriority unsecured and (ii) its relative subordination (including contractual subordination, structural subordination and statutory subordination (*e.g.*, as is required by section 510(b) of the Bankruptcy Code)).

In general, liquidation proceeds would be allocated in the following priority: (i) first, to the Claims of secured creditors to the extent of the value of their Collateral; (ii) second, to the costs, fees and expenses of the liquidation, as well as other administrative expenses of the Debtor's Chapter 7 case, including tax liabilities incurred in the chapter 7 case; (iii) third, to the unpaid Administrative Claims of the Debtors' Chapter 11 Cases; (iv) fourth, to Priority Tax Claims and other Claims entitled to priority in payment under section 507 of the Bankruptcy Code; (v) fifth, to unsecured Claims; (vi) sixth, to subordinated claims, if any, (vii) seventh, to Equity Interests, if any. As described more fully below, the Debtors' management believes that in a chapter 7 liquidation, would result in smaller distributions to all Creditors and Interestholders.

In this case, a chapter 7 liquidation would likely result in significant loss of estate value due to administrative expenses and the delay caused by a chapter 7 liquidation. This chapter 11 Plan is the most expedient and least costly method of distributing payments to creditors. Since a chapter 7 trustee would be unfamiliar with the facts pertaining to this case, the trustee would be forced to spend significant time processing this case and liquidating the assets before any distribution could be made to creditors. In addition, a chapter 7 trustee would bring an additional level of administrative expenses thereby further reducing the funds available for distribution to Creditors.

Most importantly, the Debtors' main assets are only valuable as a going concern. If liquidated in a chapter 7 case, the cash that would be received by a chapter 7 trustee for the "fire sale" of the Debtors' assets would likely not generate sufficient cash for distributions to Creditors greater than they would receive under this chapter 11 Plan.

In reaching these conclusions, the Debtors made a number of assumptions, which are set forth below, and estimates regarding anticipated differences in expenses, fees, asset recoveries, claims litigation and settlements, recoveries on rates, deposits and escrows, and total claims filed that could occur if the Debtors' Chapter 11 Cases were converted to chapter 7 liquidation. The liquidation analysis is annexed hereto as Appendix D.

These estimates and assumptions are inherently subject to significant uncertainties and contingencies, many of which are beyond the control of the Debtors. Accordingly, there can be no assurance as to values that would actually be realized in a chapter 7 liquidation.

Under a chapter 7 liquidation, all secured claims are required to be satisfied from the proceeds of the collateral securing such claims before any such proceeds would be distributed

to any other creditors. The Debtors' liquidation analysis assumes the application of the rule of absolute priority of distributions with respect to the remaining proceeds of the Debtors, as well as application of contractual and statutory subordination. Under that scenario, no junior creditor receives any distribution until all senior creditors are paid in full. Under the anticipated values of the Debtors' Property, it is highly likely that Class 4 Creditors would receive any distributions in a chapter 7 case. To the extent that proceeds remain after satisfaction of all Secured Lender Claims and Other Secured Claims, the proceeds would first be distributed to the holders of Administrative Claims, Priority Tax Claims and Non-Tax Priority Claims, with the balance being made available to satisfy other nonpriority, Unsecured Claims.

In summary, the Debtors believe that a chapter 7 liquidation of the Debtors would result in a substantial diminution in the value to be realized by the holders of certain Claims and delay in making distributions to all Classes of Claims entitled to a Distribution. Consequently, the Debtors believe that the Plan satisfies the requirements of section 1129(a)(7) of the Bankruptcy Code.

**E. Valuation of Debtors.**

THE ESTIMATES OF ENTERPRISE VALUE SET FORTH IN APPENDIX D REPRESENT HYPOTHETICAL ENTERPRISE VALUES THAT WERE DEVELOPED SOLELY FOR THE PURPOSE OF THE PLAN. SUCH ESTIMATES REFLECT COMPUTATIONS OF THE ESTIMATED ENTERPRISE VALUE OF THE DEBTORS THROUGH THE APPLICATION OF VARIOUS GENERALLY ACCEPTED VALUATION TECHNIQUES AND DO NOT REFLECT OR CONSTITUTE APPRAISALS OF THE ASSETS OF THE DEBTORS OR THE ACTUAL MARKET VALUE OF THE DEBTORS. BECAUSE SUCH ESTIMATES ARE INHERENTLY UNCERTAIN, THE DEBTORS ASSUME NO RESPONSIBILITY FOR THEIR ACCURACY. IN ADDITION, NO FINANCIAL ADVISOR HAS INDEPENDENTLY VERIFIED THE DEBTORS' PROJECTIONS IN CONNECTION WITH THE VALUATION, AND EXCEPT FOR THE INDEPENDENT APPRAISAL OF THE DEBTORS' RESERVE ENGINEER, R. A. LENSER & ASSOCIATES, NO INDEPENDENT EVALUATIONS OR APPRAISALS OF THE DEBTORS' ASSETS WERE SOUGHT OR OBTAINED THEREWITH.

THE ESTIMATED ENTERPRISE VALUE IS HIGHLY DEPENDENT UPON ACHIEVING THE FUTURE FINANCIAL RESULTS SET FORTH IN THE PROJECTIONS AS WELL AS THE REALIZATION OF CERTAIN OTHER ASSUMPTIONS WHICH ARE NOT GUARANTEED.

**F. Consummation.**

The Plan will be consummated on the Effective Date. The Effective Date of the Plan is the first Business Day following the date on which the conditions precedent to the effectiveness of the Plan, are satisfied or waived.

The Plan is to be implemented pursuant to the provisions of the Bankruptcy Code.

## VIII. MANAGEMENT OF NCEY HOLDINGS CORP.

### A. Management.

After the contemplated sale of the Properties to NCEY Holdings Corp. it is anticipated that the following representatives of the Debtors will be employed by NCEY Holdings Corp.:

*EDWARD R. DeSTEFANO* will be the Chief Executive Officer and President of NCEY Holdings Corp.

*KEN CLEVELAND* will be part-time Chief Financial Officer of NCEY Holdings Corp.

*DAVID WARNICK* will be comptroller of NCEY Holdings Corp.

## IX. ALTERNATIVES TO CONFIRMATION AND CONSUMMATION OF THE PLAN

The Debtors believe that the Plan affords holders of Claims the potential for the greatest realization on Debtors' assets and, therefore, is in the best interest of such holders.

If the Plan is not confirmed, however, the theoretical alternatives include (a) continuation of these Chapter 11 Cases, (b) an alternative reorganization plan or plans, or (c) liquidation of the Debtors under chapter 7 or chapter 11 of the Bankruptcy Code.

Notwithstanding the filing of the Plan by the Debtors and the support of the Plan by Laurus, Laurus reserves its right to proceed with the foreclosure of its liens on the Debtors' Property at any time until the Plan is confirmed by the Bankruptcy Court.

### A. Continuation of the Chapter 11 Cases.

If the Debtors remain in Chapter 11, the Debtors could continue to operate their businesses and manage their properties as a debtors-in-possession, but it would remain subject to the restrictions imposed by the Bankruptcy Code. The Debtors could have difficulty maintaining vendor relations, and will likely incur high costs and the erosion of market confidence if the Debtors remains Chapter 11 debtors-in-possession. Ultimately, the Debtors (or other parties in interest) could propose another plan or liquidate under chapter 7.

### B. Liquidation.

If no Plan is confirmed, the Debtors' Chapter 11 Cases may be converted to cases under chapter 7 of the Bankruptcy Code. In a chapter 7 case, a trustee or trustees would be appointed to liquidate the assets of the Debtors for distribution in accordance with priorities established by chapter 7. Although it is impossible to predict precisely how the proceeds of the liquidation would be distributed to the respective holders of Claims, a discussion of the effects that a chapter 7 liquidation would have on the recoveries of holders of claims and the Debtors' liquidation analysis is set forth above.

The Debtors believe that in a liquidation under chapter 7, before Creditors receive any Distribution, additional administrative expenses involved in the appointment of a trustee or trustee and attorneys, accountants and other professionals to assist such trustees would cause a substantial diminution in the value of the estate. The Debtors believe that liquidation under chapter 7 would result in smaller Distributions being made to creditors and interest holders than those provided for in the Plan because (a) the Debtors' assets would have to be sold or otherwise disposed of in a forced sale situation over a comparatively short period of time, (b) additional administrative expenses would be involved in the appointment of a trustee, and (c) additional expenses and Claims, some of which would be entitled to priority, would be generated during the liquidation and from the rejection of leases and other executory contracts in connection with a cessation of the Debtors' operations.

## **X. RISK FACTORS TO BE CONSIDERED**

HOLDERS OF CLAIMS AGAINST THE DEBTORS SHOULD READ AND CONSIDER CAREFULLY THE 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 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.

The ultimate recoveries under the Plan to holders of Claims and Interests depend upon the realizable value of the Property. Prior to voting on the Plan, each holder of a Claim or Interest should carefully consider the risk factors specified or referred to below.

### **A. Maintenance of Operations.**

Depending on market conditions, the Debtors may need additional financing to continue their business plan and drill, recomplete and study additional wells, which financing, if the Debtors are unable to raise may force the Debtors to scale back or abandon their business plan.

The Debtors rely heavily on Edward R. DeStefano, their sole officer and director, and if he were to leave, the Debtors could face substantial costs in securing a similarly qualified officer and director.

The Debtors believe their business plan and financial projections are fundamentally sound and that the Plan is feasible. However, numerous events, including those presented in this section, could occur that would prevent the Debtors from achieving success.

Because of the speculative nature of oil and gas exploration, there is substantial risk that no additional commercially exploitable oil or gas will be found and that the Debtors will be unable to meet their financial projections.

Because of the inherent dangers involved in oil and gas exploration, there is a risk that the Debtors may incur liability or damages as they conduct their business operations, which

could force the Debtors to expend a substantial amount of money in connection with litigation and/or a settlement.

The market for oil and gas is intensely competitive, and as such, competitive pressures could force the Debtors to abandon or curtail their business plan.

The Debtors may not be able to successfully manage their growth, which could lead to their inability to implement their business plan.

The price of oil and natural gas has historically been volatile and if it were to decrease substantially, the projections, budgets, and revenues would be adversely effected, and the Debtors would likely be forced to make major changes in their operations.

The Debtors' operations are heavily dependent on current environmental regulations, which the Debtors are unable to predict, and which may change in the future, causing the Debtors to expend substantial additional capital and/or adversely affect their financial condition and results of operations.

The Debtors rely on 3D seismic studies to assist them with assessing prospective drilling opportunities on their properties, as well as on properties that they may acquire. Such seismic studies are merely an interpretive tool and do not necessarily guarantee that hydrocarbons are present or if present will produce in economic quantities. The Debtors' inability to properly use and interpret the 3D seismic data may adversely affect their financial condition and results of operations.

## **B. Certain Bankruptcy Considerations.**

### **1. Failure to Confirm the Plan.**

Section 1129 of the Bankruptcy Code requires, among other things, a showing that confirmation of the Plan will not be followed by liquidation or the need for further financial reorganization of the Debtor (*See* Sections VII D.2. and VII D.3. "Feasibility" and "Best Interests Test and Liquidation Analysis"), and that the value of distributions to dissenting holders of Claims may not be less than the value such holders would receive if the Debtors were liquidated under chapter 7 of the Bankruptcy Code. *See* Sections VII D.2. and VII D.3. "Feasibility" and "Best Interests Test and Liquidation Analysis." Although the Debtors believe that the Plan will meet such tests, there can be no assurance that the Bankruptcy Court will reach the same conclusion.

### **2. Failure to Consummate the Plan.**

Consummation of the Plan is conditioned upon, among other things, entry of the Confirmation Order and an order (which may be the Confirmation Order) approving the assumption and assignment of all executory contracts and unexpired leases (other than those specifically rejected by the Debtors) to NCEY Holdings Corp. As of the date of this Disclosure Statement, there can be no assurance that any or all of the foregoing conditions will be met (or waived) or that the other conditions to consummation, if any, will be satisfied. Accordingly,

even if the Plan is confirmed by the Bankruptcy Court, there can be no assurance that the Plan will be consummated.

## **XI. CERTAIN FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN**

THE FOLLOWING DISCUSSION SUMMARIZES CERTAIN UNITED STATES FEDERAL INCOME TAX CONSEQUENCES OF THE IMPLEMENTATION OF THE PLAN TO THE DEBTORS AND HOLDERS OF CLAIMS. FOR PURPOSES OF THIS DISCUSSION UNDER THIS ARTICLE XI THE "DEBTORS" SHALL MEAN GULF COAST OIL, CENTURY RESOURCES AND/OR NEW CENTURY. THIS DISCUSSION IS BASED ON THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "TAX CODE"), THE TREASURY REGULATIONS ISSUED (IN FINAL OR TEMPORARY FORM) THEREUNDER, JUDICIAL DECISIONS AND CURRENT INTERNAL REVENUE SERVICE ("IRS") ADMINISTRATIVE DETERMINATIONS IN EFFECT AS OF THE DATE OF THIS DISCLOSURE STATEMENT. CHANGES IN THESE AUTHORITIES, WHICH MAY HAVE RETROACTIVE EFFECT, OR NEW INTERPRETATIONS OF EXISTING AUTHORITY MAY CAUSE THE FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN TO DIFFER MATERIALLY FROM THE CONSEQUENCES DISCUSSED BELOW. THE TAX CONSEQUENCES OF CERTAIN ASPECTS OF THE PLAN ARE UNCERTAIN DUE TO THE LACK OF APPLICABLE LEGAL AUTHORITY AND MAY BE SUBJECT TO ADMINISTRATIVE OR JUDICIAL INTERPRETATIONS THAT DIFFER FROM THE DISCUSSION BELOW. MOREOVER, NO RULINGS HAVE BEEN OR WILL BE REQUESTED FROM THE IRS AND NO LEGAL OPINIONS HAVE BEEN OR WILL BE REQUESTED FROM COUNSEL WITH RESPECT TO ANY TAX CONSEQUENCES OF THE PLAN.

THIS DISCUSSION DOES NOT COVER ALL ASPECTS OF FEDERAL INCOME TAXATION THAT MAY BE RELEVANT TO THE DEBTORS OR TO HOLDERS OF CLAIMS. FOR EXAMPLE, THE DISCUSSION PROVIDED BELOW DOES NOT ADDRESS ISSUES OF SPECIAL CONCERN TO CERTAIN TYPES OF TAXPAYERS, SUCH AS DEALERS IN SECURITIES, LIFE INSURANCE COMPANIES, FINANCIAL INSTITUTIONS, BANKS, SMALL BUSINESS INVESTMENT COMPANIES, MUTUAL FUNDS, REGULATED INVESTMENT COMPANIES, TAX EXEMPT ORGANIZATIONS AND FOREIGN TAXPAYERS. THE DISCUSSION, MOREOVER, IS LIMITED TO FEDERAL INCOME TAX CONSEQUENCES AND DOES NOT ADDRESS STATE, LOCAL OR FOREIGN TAXES.

THIS DISCUSSION IS INCLUDED FOR GENERAL INFORMATION ONLY. THE DEBTORS AND THEIR COUNSEL ARE NOT MAKING ANY REPRESENTATIONS REGARDING THE PARTICULAR TAX CONSEQUENCES OF CONFIRMATION AND CONSUMMATION OF THE PLAN WITH RESPECT TO THE DEBTORS, DIRECTORS OR OFFICERS OF THE DEBTORS OR HOLDERS OF CLAIMS. FURTHER, THE DEBTORS AND THEIR COUNSEL ARE NOT RENDERING ANY FORM OF LEGAL OPINION OR TAX ADVICE ON SUCH TAX CONSEQUENCES. THE TAX LAWS APPLICABLE TO CORPORATIONS (INCLUDING THE DEBTORS) IN BANKRUPTCY ARE EXTREMELY COMPLEX AND THE FOLLOWING SUMMARY IS NOT EXHAUSTIVE. FOR THESE REASONS, THE DISCUSSION IS NOT A SUBSTITUTE FOR CAREFUL TAX PLANNING

AND PROFESSIONAL TAX ADVICE BASED UPON THE INDIVIDUAL CIRCUMSTANCES OF EACH HOLDER OF A CLAIM. HOLDERS OF CLAIMS ARE URGED TO CONSULT WITH THEIR OWN TAX ADVISORS REGARDING THE FEDERAL, STATE, LOCAL, FOREIGN AND OTHER TAX CONSEQUENCES OF THE PLAN.

**A. Federal Income Tax Consequences of the Plan.**

*Gain or Loss on Sale of Property*

The Debtors will generally realize gain or loss on the sale of assets as a result of implementation of the Plan equal to the difference between the amount realized on the sale and the adjusted tax basis of such property. The Debtors will generally be able to offset any gain by their accumulated net operating loss carry forwards (defined below).

*COD*

The Debtors could realize a material amount of "cancellation of indebtedness" ("COD") as a result of implementation of the Plan. With certain exceptions, to the extent a holder of a Claim receives from the Debtors a distribution in an amount less than such holder's Claim, the Debtors will receive COD income. Assuming the COD occurs in bankruptcy under chapter 11 of the Bankruptcy Code, the Debtors will not be required to include COD income in taxable income (with the exception of certain intercompany debt, if any, between affiliates).

*Deductions Of Accrued Interest*

To the extent that a portion of the consideration issued to holders of Claims pursuant to the Plan is attributable to accrued and unpaid interest on their Claims, the Debtors would be entitled to interest deductions in the amount of such accrued interest, to the extent the Debtors have not already deducted such amounts.

*AMT*

A corporation may be subject to the alternative minimum tax ("AMT") even if its regular taxable income is entirely offset by accumulated net operating loss carry forwards ("NOLS"). For purposes of computing a taxpayer's regular federal tax liability, all of the income recognized in a taxable year may be reduced by NOL carry-overs. For purposes of the AMT, however, only 90% of a taxpayer's alternative minimum taxable income ("AMTI") may be reduced by AMT NOL carry-overs, the amount of which is determined separately from the amount of regular NOL carry-overs. Therefore, any AMTI recognized by the Debtors will be taxable at a rate of at least 2% (10% of the 20% AMT tax rate). Moreover, the Debtors' AMTI (after certain adjustments and without taking account any deduction for AMT NOL carry-overs) may be subject to a one-twelfth of one percent (.12%) environmental tax under Section 59A of the Tax Code.

**Holders of Claims**

*General Discussion*

The federal income tax consequences of the implementation of the Plan to a holder of an Allowed Claim will depend, among other things, upon (1) the origin of the holder's Claim, (2) when the holder's Claim becomes an Allowed Claim, (3) when the holder receives payment in respect of such Claim, (4) whether the Claim was acquired at a discount, (5) whether the holder reports income using the accrual or cash method of accounting, (6) whether the holder has previously included in its taxable income accrued but unpaid interest with respect to the Claim, and (7) whether the holder has taken a bad debt deduction or worthless security deduction with respect to such Claim.

Generally, a holder of an Allowed Claim will recognize gain or loss on the exchange under the Plan of its Allowed Claim for Cash in an amount equal to the difference between (i) the sum of the amount of any Cash received by the holder (other than any consideration attributable to a Claim for accrued but unpaid interest) and (ii) the adjusted basis of the Allowed Claim exchanged therefor (other than basis attributable to accrued but unpaid interest previously included in the holder's taxable income). The treatment of accrued but unpaid interest and amounts allocable thereto varies depending on the nature of the holder's Claim and is discussed below.

*Holders of Administrative Claims, Priority Tax Claims and Priority Non-Tax Claims (Class 1)*

Holders of Administrative Claims, Priority Tax Claims and Priority Non-Tax Claims generally will be paid in full in Cash on the Distribution Date. Such holders must include such amounts, to the extent taxable pursuant to the Tax Code, in their gross income in the taxable year in which such amounts are actually or constructively received by them. Amounts of income tax and employment tax will be withheld from such payments as required by law.

*Holders of Allowed Secured Lender Claims (Classes 2A, 2B, and 2C)*

A holder of an Allowed Class 2 Secured Lender Claim will receive in full satisfaction, settlement, release and discharge of and in exchange for such Allowed Class 2 Secured Lender Claim, its Ratable Portion of the proceeds from the liquidation of the Debtors. Such holder will realize gain or loss in an amount equal to the difference between (a) the holder's basis in the Allowed Class 2 Secured Lender Claim and (b) the amount of Cash received. Amounts received in respect of claims for accrued but unpaid interest will be taxed as ordinary income, except to the extent previously included in income by a holder under his method of accounting. A holder recognizing a loss as a result of the liquidation of the Debtors may be entitled to a bad debt deduction with respect to its Claim, either in the taxable year of the Effective Date or a prior taxable year.

*Holders of Other Secured Claims (Classes 3A, 3B, and 3C)*

Holders of an Allowed Class 3 Claim will be paid in full. Such holder will realize gain or loss in an amount equal to the difference between (a) the holder's basis in the Allowed Class 3 Claim and (b) the amount of Cash received. Amounts received in respect of claims for accrued interest will be taxed as ordinary income, except to the extent previously included in income by a holder under his method of accounting.

*Holders of General Unsecured Claims (Classes 4A, 4B, and 4C)*

A holder of an Allowed Class 4 Claim will receive its ratable share of the Unsecured Creditors Fund. Such holder will realize gain or loss in an amount equal to the difference between (a) the holder's basis in the Allowed Class 4 Claim and (b) the amount of Cash received. Amounts received in respect of claims for accrued but unpaid interest will be taxed as ordinary income, except to the extent previously included in income by a holder under his method of accounting. A holder recognizing a loss as a result of the liquidation of the Debtors may be entitled to a bad debt deduction with respect to its Claim, either in the taxable year of the Effective Date or a prior taxable year.

*Holders of Equity Interests in Century Resources (Class 5), Holders of Equity Interests in Gulf Coast Oil (Class 6) and Holders of Equity Interests in New Century (Class 7)*

Holders of equity interests in Century Resources, Gulf Coast Oil and New Century will not receive or retain any property in exchange for their equity interests and such equity interests will be cancelled pursuant to the Plan. The holder of an equity interest in Century Resources, Gulf Coast Oil or New Century that holds such equity interest as a capital asset should be entitled to a worthless stock deduction. Section 165(g) of the Tax Code provides that if a security that is held as a capital asset becomes wholly worthless during the taxable year, the holder is entitled to a capital loss, which is treated as recognized from the sale or exchange of such security on the last day of such taxable year. The definition of security includes (i) shares of stock in a corporation and (ii) the right to subscribe for shares of stock in a corporation. The amount of loss deductible is limited to the holder's basis in the equity interest.

**Withholding**

Distributions to holders of Claims under the Plan may be subject to any applicable withholding. Under federal income tax law, interest, dividends and other reportable payments may, under certain circumstances, be subject to "backup withholding" at a 28% rate. Backup withholding generally applies if the holder (a) fails to furnish its social security number or other taxpayer identification number ("TIN"), (b) furnishes an incorrect TIN, (c) fails properly to report interest or dividends, or (d) under certain circumstances, fails to provide a certified statement, signed under penalty of perjury, that the TIN provided is its correct number and that it is not subject to backup withholding. Backup withholding is not an additional tax but merely an advance payment, which may be refunded to the extent it results in an overpayment of tax. Certain persons are exempt from backup withholding, including, in certain circumstances, corporations and financial institutions.

**THE FOREGOING DISCUSSION IS INTENDED ONLY AS A SUMMARY OF CERTAIN UNITED STATES FEDERAL INCOME TAX ASPECTS OF THE PLAN AND HAS BEEN PROVIDED FOR INFORMATIONAL PURPOSES ONLY. THE DISCUSSION IS NOT A SUBSTITUTE FOR CAREFUL TAX PLANNING AND ADVICE BASED UPON THE UNIQUE CIRCUMSTANCES OF EACH HOLDER OF A CLAIM. HOLDERS OF CLAIMS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS CONCERNING THE FEDERAL, STATE, LOCAL, FOREIGN AND OTHER TAX CONSEQUENCES OF THE PLAN.**

### **Treasury Circular 230 Disclosure**

This disclosure is provided to comply with Treasury Circular 230. This written advice is not intended or written to be used, and cannot be used, by any person for the purpose of avoiding tax penalties that may be imposed on the person. This advice was written to support the promoting, marketing or recommending of the transaction(s) or matter(s) addressed by this written advice, and the taxpayer should seek advice based on the taxpayer's particular circumstances from an independent tax advisor. No limitation has been imposed by Andrews Kurth LLP on disclosure of the tax treatment or tax structure of the transaction.

### **CONCLUSION AND RECOMMENDATION**

The Debtors believe that confirmation and implementation of the Plan is preferable to any of the alternatives described above because it will provide the greatest recoveries to holders of Claims. In addition, other alternatives would involve delay, uncertainty and substantial additional administrative costs. The Debtors urge holders of impaired Claims entitled to vote on the Plan to vote to accept the Plan and to evidence such acceptance by returning their ballots so that they will be received not later than 4:00 p.m., Houston time, on [REDACTED], 2009.

