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IN THE UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF TEXAS
FORT WORTH DIVISION

IN RE:	§	**Chapter 11**
	§	
REOSTAR ENERGY CORPORATION, ET AL.,	§	**Case No. 10-47176-dml-11**
	§	
	§	
Debtors	§	**Jointly Administered**

DISCLOSURE STATEMENT UNDER 11 U.S.C. § 1125 IN SUPPORT OF THE AMENDED JOINT PLAN OF REORGANIZATION OF BT AND MK ENERGY AND COMMODITIES, LLC

Dated: June 25, 2012
Fort Worth, Texas

THIS DISCLOSURE STATEMENT HAS NOT YET BEEN APPROVED BY THE COURT FOR VOTING

THE DISCLOSURE STATEMENT HAS BEEN PREPARED BY BT AND MK ENERGY AND COMMODITIES, LLC ("BTMK" OR "PROPONENT"), AND DESCRIBES THE TERMS AND PROVISIONS OF, AND SETS FORTH CERTAIN MATERIAL CONSIDERATIONS IN CONNECTION WITH, BTMK'S JOINT PLAN OF REORGANIZATION (THE "PLAN"). ANY CAPITALIZED TERM USED IN THIS DISCLOSURE STATEMENT THAT IS NOT DEFINED HEREIN HAS THE MEANING ASCRIBED TO THAT TERM IN THE PLAN.

BTMK URGES YOU TO ACCEPT THE PLAN BY SIGNING AND RETURNING THE BALLOTS MAILED TO YOU ALONG WITH THIS DISCLOSURE STATEMENT. IN THE EVENT THAT THE PLAN IS NOT CONFIRMED, THE DEBTORS LIKELY WILL BE FORCED TO LIQUIDATE THEIR ASSETS UNDER CHAPTER 7 OF THE BANKRUPTCY CODE. IN A CHAPTER 7 LIQUIDATION, BTMK BELIEVES THAT UNSECURED CREDITORS WOULD RECEIVE NO DISTRIBUTIONS OR SUBSTANTIALLY LESS THAN IS CONTEMPLATED BY THE PLAN.

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ReoStar Energy Corporation, ReoStar Gathering, Inc., ReoStar Leasing, Inc., and ReoStar Operating, Inc., are the debtors (hereinafter collectively referred to as "Debtors")[2] in the above-captioned Jointly Administered Chapter 11 Cases (the "Bankruptcy Case").[1] BTMK hereby submits this Disclosure Statement (the "Disclosure Statement") in connection with its proposed Joint Plan of Reorganization (the "Plan") under Chapter 11 of the United States Bankruptcy Code (the "Bankruptcy Code ").

NOTICE

BTMK has proposed the Plan for the benefit of the Creditors of the Debtors. All holders of Claims or Interests are encouraged to read and carefully consider this entire Disclosure Statement and the Plan. Voting instructions regarding the Plan are provided in this Disclosure Statement, and the Plan. The Plan can only be confirmed if at least one Class of Voting Claims votes in favor of the Plan.

The Disclosure Statement is submitted in accordance with section 1125 of the Bankruptcy Code, which requires that creditors receive a written disclosure statement containing sufficient information about the Debtors to enable Creditors to make an informed and intelligent decision regarding the Plan. Prior to the solicitation of your vote on the Plan, and as required by the Bankruptcy Code, the Bankruptcy Court will have approved this Disclosure Statement as containing adequate information, as further discussed below.

In addition to this Disclosure Statement and accompanying Plan, you will also receive an order of the Court establishing a hearing date and time on confirmation of the Plan and establishing deadlines for casting your vote or filing objections to confirmation. Mailing instructions are included in your Ballot. YOUR VOTE IS IMPORTANT. In order for the Plan to be accepted, at least two-thirds (2/3's) in amount and one-half (½) in number of the voting Creditors in each class for a debtor must affirmatively vote for the Plan. Even if all classes of claims accept the Plan, the Bankruptcy Court may refuse to confirm the Plan. Among other things, section 1129 requires that the Plan be in the best interests of the Creditors and other parties in interest, and generally requires that the holders of the claims not receive less than would otherwise be realized if the debtor was liquidated under Chapter 7 of the Bankruptcy Code.

In appropriate circumstances, the Bankruptcy Court may confirm a Plan for a debtor even though less than all of the classes of claims accept the Plan. The circumstances warranting confirmation notwithstanding the vote of a dissenting class or classes of Creditors are set forth in Section 1129(b) of the Bankruptcy Code. Except as otherwise provided in the Plan, the Order of Confirmation, or Section 1141(d), confirmation of the Plan will discharge the Debtors from all of their debts. Confirmation makes the Plan binding on the Debtors and all of their Creditors, regardless of whether or not they have accepted the Plan.

The Proponent believes that the Plan is in the best interests of all holders of Claims, provided the Proponent's assumptions and estimations of Claims herein are correct.

PLAN SUMMARY

The Plan, as proposed by Proponent, provides for the restructure of the Debtors and their emergence from bankruptcy as privately owned companies. The Plan provides for the Reorganized Debtors to be owned by

[1] *In re ReoStar Energy Corporation*, Case No. 10-47176 ("ReoStar Energy"), *In re ReoStar Gathering, Inc.*, Case No. 10-7198 ("ReoStar Gathering"), *In re ReoStar Leasing, Inc.*, Case No. 10-7201 ("ReoStar Leasing"), and *In re ReoStar Operating, Inc.*, Case No. 10-7203 ("ReoStar Operating") are Jointly Administered Cases under Case No. 10-47176.

BTMK, unless another purchaser outbids BTMK at the post-Confirmation auction of the equity of the Reorganized Debtors to occur between the confirmation and Effective Date as contemplated by the Plan. The Plan further provides for payments to holders of Allowed Administrative, Priority, Secured and non-Insider Unsecured Claims upon the terms as set forth herein and in the Plan. The Plan also resolves pending litigation without incurring additional litigation expense, delay or risk. A more detailed discussion of the Plan and its implementation, together with projections of income and expenses and the time necessary to complete the payments under the Plan is found in this Disclosure Statement. The Plan should be read in conjunction with the Disclosure Statement. BTMK urges all Creditors and other parties in interest to consult with legal counsel. Creditors and other parties in interest should not rely on any representations not contained in the Plan and/or Disclosure Statement in making a determination on voting to accept/reject the Plan. A detailed discussion concerning the voting rights of Creditors and other parties in interest is contained in this Disclosure Statement.

PAYMENTS TO CREDITORS UNDER THIS PLAN

Each Holder of an Allowed Administrative Claim, other than Fee Claims, shall receive (1) the amount of such holder's Allowed Claim in one Cash payment within thirty (30) days after the Claim becomes Allowed by Final Order, or (2) such other treatment as may be agreed upon in writing by the Reorganized Debtors and such holder; provided, however, that an Administrative Claim representing a liability incurred in the ordinary course of business of the Debtors may be paid in the ordinary course of business by the Debtors. With respect to Fee Claims, upon entry of a Final Order allowing a Fee Application of a Professional Person, the Debtors shall make payment to the Professional Person within thirty (30) days, unless otherwise agreed with the Debtors.

Each holder of an Allowed Priority Tax Claim against the Debtors shall receive in full satisfaction of such holder's Allowed Priority Tax Claim the amount of such holder's Allowed Claim on the Effective Date, or may receive such other treatment as may be agreed upon in writing by the holder of such Allowed Priority Tax Claim, the Reorganized Debtors, and the Proponent.

In addition to payment of Secured Claims, Administrative Claims, and Priority Claims under the priorities of the Bankruptcy Code, the Proponent has agreed to pay certain holders of Allowed General Unsecured Claims thirty percent (30%) of their Allowed General Unsecured Claim amounts over thirty-six (36) equal monthly payments starting on the first business day following the Effective Date.

The estimated amount of Claims in each Class and the estimated Plan payments, to be provided as Exhibit "B" to this Disclosure Statement (the "Plan Projections"), are further detailed in Section VI (C) below.

If the Plan is confirmed, the Claims of holders of Allowed Claims against the Debtors will be entitled to distributions and treatment as set forth in the Plan. Due to the size of the secured, priority and administrative claims, unsecured Creditors may not receive distributions other than as provided for in the Plan. A chapter 7 liquidation will likely mean that General Unsecured Creditors receive no distribution. The Plan offers all Creditors in excess of what a chapter 7 liquidation would be likely to provide.

Please consult the Plan for further details.

I. INTRODUCTION

A. Filing of the Debtors' Chapter 11 Bankruptcy Cases

On November 1,2010 (the "Petition Date"), the Debtors each filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Northern District of Texas, Fort Worth Division before the Honorable D. Michael Lynn, United States Bankruptcy Judge (the "Court"), commencing the Bankruptcy Case. Since that time, they have continued to operate as Debtors in Possession pursuant to the provisions of sections 1107 and 1108 of the Bankruptcy Code.

B. Purpose of the Disclosure Statement

This Disclosure Statement is submitted by the Proponent pursuant to section 1125 of the Bankruptcy Code in connection with the Proponent's Plan. A copy of the Plan is filed contemporaneously with this Disclosure Statement. For purposes hereof, any term used in this Disclosure Statement (regardless of capitalization) and not otherwise separately defined herein shall have the defined meaning ascribed to it in Annex 1 which is the Glossary to the Plan, the Plan or, if not defined in the Glossary or Plan, then in section 101 of the Bankruptcy Code. As used herein, "Reorganized Debtors" means the privately held Debtors, on and after the Effective Date of Confirmation of the Plan.

Pursuant to Section 1125(b) of the Bankruptcy Code, a precondition to solicitation of acceptances and rejections of a Plan of Reorganization from holders of claims or interests in the bankruptcy estate is that the holders be furnished with a copy of the Plan or a summary of the Plan and a written Disclosure Statement which contains "adequate information".

"Adequate information" means information of a kind, and in sufficient detail, as far as is reasonably practicable in light of the nature and history of the Debtors and the condition of the Debtors' books and records, that would enable a hypothetical reasonable investor typical of holders of claims or interests of the relevant class to make an informed judgment about the Plan, but adequate information need not include such information about any other possible or proposed plan. 11 U.S.C. § 1125(a)(1).

Whether or not a Disclosure Statement contains adequate information is determined by the Court upon notice and hearing. 11 U.S.C. § 1125(b). All parties in interest may participate in this determination. After the Disclosure Statement is approved by the Court, a hearing will be set on confirmation of the Plan and a Plan package which includes copies of the Order Approving Disclosure Statement, Plan, Disclosure Statement and Ballot will be sent to the parties entitled to vote on the Plan.

The Court's approval of this Disclosure Statement does not constitute an endorsement of any of the representations contained in either the Disclosure Statement or the Plan, nor does it constitute an endorsement of the Plan. Approval does indicate, however, that the Court has determined that the Disclosure Statement meets the requirements of section 1125 of the Bankruptcy Code.

IT IS EXTREMELY IMPORTANT THAT YOU READ THIS DISCLOSURE STATEMENT IN FULL AND IN CONJUNCTION WITH THE PLAN.

OTHER THAN A DISCLOSURE STATEMENT APPROVED BY THE COURT, NO STATEMENT OR INFORMATION GIVEN FOR THE PURPOSE OF SOLICITING ACCEPTANCES OR REJECTIONS OF THE PLAN HAS BEEN APPROVED BY THE BANKRUPTCY COURT

CONCERNING (1) THE DEBTORS AND THEIR BUSINESS, ASSETS OR PROPERTY; (2) THE REORGANIZED DEBTORS AND THE PROJECTED RESULTS OF THEIR FUTURE BUSINESS OPERATIONS AND FINANCIAL CONDITION; OR (3) DISTRIBUTIONS TO BE MADE UNDER THE PLAN. YOU SHOULD USE CAUTION IN CONSIDERING ANY STATEMENT OR INFORMATION IN MAKING YOUR VOTING DECISION BASED UPON INFORMATION NOT CONTAINED HEREIN.

THIS DISCLOSURE STATEMENT MAY NOT BE RELIED UPON FOR ANY PURPOSE OTHER THAN TO DETERMINE WHETHER TO VOTE TO ACCEPT OR REJECT THE PLAN. THIS DISCLOSURE STATEMENT CONTAINS PROJECTED FINANCIAL INFORMATION REGARDING THE DEBTORS AND THE REORGANIZED DEBTORS AND CERTAIN OTHER FORWARD-LOOKING STATEMENTS, ALL OF WHICH ARE BASED ON VARIOUS ASSUMPTIONS AND ESTIMATES REGARDING THE DEBTORS AND WILL NOT BE UPDATED TO REFLECT EVENTS OCCURRING AFTER THE DATE HEREOF. SUCH INFORMATION AND STATEMENTS ARE SUBJECT TO INHERENT UNCERTAINTIES AND TO A WIDE VARIETY OF SIGNIFICANT BUSINESS, ECONOMIC, AND COMPETITIVE RISKS INCLUDING, AMONG OTHERS, THOSE DESCRIBED HEREIN. *SEE* "ARTICLE IX – FEASIBILITY AND RISKS." CONSEQUENTLY, ACTUAL EVENTS, CIRCUMSTANCES, EFFECTS, AND RESULTS MAY VARY SIGNIFICANTLY FROM THOSE INCLUDED IN OR CONTEMPLATED BY SUCH PROJECTED FINANCIAL INFORMATION AND SUCH OTHER FORWARD-LOOKING STATEMENTS.

The Debtors have an Internet website (www.reostarenergy.com) but it may not contain all information set forth and/or referenced herein, or contained in the Debtors' Chapter 11 Bankruptcy Case or SEC-EDGAR filings, as it would be impractical for the Debtors' website to be managed so as to capture all such information, nor is that the primary purpose of the Debtors' website, which is largely a marketing tool. In voting on the Plan, Creditors should not solely rely on information contained on the Debtors' internet website, as such information is not intended to be complete for voting purposes.

C. Hearing on Confirmation of the Plan

Confirmation of a Plan is simply approval by the Court, which will be sought by the Proponent at the hearing on confirmation. In order to obtain approval of the Court, the Proponent must show that the Plan meets all requirements for confirmation.

The requirements for confirmation are listed in 11 U.S.C. §1129(a). These requirements are part of the balancing of rights and obligations between the Debtors and their Creditors. Certain of the requirements for confirmation necessitate the solicitation of ballots from the holders of claims against, and interests in, the Debtors indicating either their acceptance or rejection of the Plan. Section 1129(a) does not require that each and every holder of a claim against or interest in the Debtors vote to accept the Plan in order for it to be confirmed by the Court.

First, only those holding claims or interests which are in classes which are impaired are entitled to vote. Impairment is defined in 11 U.S.C. §1124. Impairment basically means an alteration of the legal, equitable or contractual rights of the holder of the claim or interest. The Proponent must assert in the Disclosure Statement whether or not each class is deemed by them to be impaired. The Proponent's conclusion may be disputed by a Creditor and the dispute resolved by the Court. If a plan impairs or changes the rights of any creditor, it must be accepted by at least one class of impaired claims. Second, only those ballots that are properly completed and timely delivered are counted. Third, of those voting in each class, only a majority of the claims in number and at

least two-thirds (2/3) in amount are needed for the acceptance of the plan by that class.

Even if all Classes of claims and interests accept the Plan, its confirmation may be denied by the Bankruptcy Court for the failure to meet some other requirements of Section 1129 of the Bankruptcy Code. Among those requirements is one that the Plan is in the best interest of claimholders and interest holders. That generally requires that the value to be distributed to claimholders and interest holders may not be less than such parties would receive if the Debtors were liquidated under Chapter 7 of the Code.

D. Sources of Information

THE STATEMENTS AND THE FINANCIAL INFORMATION ABOUT THE DEBTORS AND/OR THE REORGANIZED DEBTORS, INCLUDING ALL FINANCIAL PROJECTIONS AND INFORMATION REGARDING CLAIMS AND INTERESTS CONTAINED HEREIN, HAVE BEEN DERIVED FROM THE DEBTOR'S THIRD AMENDED DISCLOSURE STATEMENT, WHICH, ACCORDING TO THE DEBTORS, WAS PREPARED FROM THE DEBTORS' BOOKS AND RECORDS AND OTHER DATA OBTAINED FROM DISCLOSURES MADE IN THE BANKRUPTCY CASE. CERTAIN STATEMENTS REGARDING THE ESTIMATED VALUES OF WORKING INTERESTS AND M&M LIENS THEREON WERE TAKEN BY THE DEBTORS, IN PART, FROM THE BOOKS, RECORDS, AND INFORMATION OF DEBTORS' AS DESCRIBED IN THE BANKRUPTCY CASE. WHILE THE DEBTORS ASSERT THAT THE DEBTORS BELIEVE THE INFORMATION TO BE ACCURATE AND COMPLETE, THE PROPONENT HAS NOT TAKEN ANY INDEPENDENT ACTION TO VERIFY THE ACCURACY OR COMPLETENESS OF SUCH STATEMENTS AND INFORMATION AND THE PROPONENT EXPRESSLY DISCLAIMS ANY REPRESENTATION CONCERNING THE ACCURACY OR COMPLETENESS THEREOF.

THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT ARE MADE AS OF THE DATE HEREOF UNLESS ANOTHER TIME IS SPECIFIED, AND DELIVERY OF THIS DISCLOSURE STATEMENT SHALL NOT, UNDER ANY CIRCUMSTANCES, CREATE AN IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE INFORMATION SET FORTH HEREIN SINCE THE DATE OF THE DISCLOSURE STATEMENT OR SINCE THE MATERIALS RELIED UPON IN THE PREPARATION OF THE DISCLOSURE STATEMENT WERE COMPILED.

Certain of the materials contained in this Disclosure Statement are taken directly from other readily accessible documents or are summaries of other documents. While the Proponent has made every effort to retain the meaning of such other documents or portions that have been summarized, the Proponent urges that any reliance on the contents of such other documents should depend on a thorough review of the documents themselves. In the event of a discrepancy between this Disclosure Statement and the actual terms of a document, the actual terms of such document shall apply.

No statements concerning the Debtors, the value of their property, or the value of any benefit offered to the holder of a Claim or Interest in connection with the Plan should be relied upon other than as set forth in this Disclosure Statement. In arriving at your decision, you should not rely on any representation or inducement made to secure your acceptance or rejection that is contrary to information contained in this Disclosure Statement, and any such additional representations or inducements should be reported to counsel for the Proponent:

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II. OVERVIEW OF CHAPTER 11

A. Overview of Chapter 11

Chapter 11 is a portion of the Bankruptcy Code which provides a business with protection from its creditors while it seeks to reorganize its business affairs, including the repayment of its debts. The terms of the proposed reorganization are embodied in a plan of reorganization. While the Bankruptcy Code gives the Debtors many aids in the reorganization of their financial affairs, these aids are balanced with rights and protections afforded to Creditors. Confirmation of a plan of reorganization is the objective of a debtor in a Chapter 11 reorganization case. Performance of the confirmed plan is the objective of a reorganized debtors. The plan is the legal document by which the claims against and interests of a debtor is satisfied.

Chapter 11 is the principal reorganization Chapter of the Bankruptcy Code. Upon the commencement of a Chapter 11 case, section 362 of the Bankruptcy Code provides for an automatic stay of all attempts to collect upon claims against a debtor that arose prior to the bankruptcy filing. Generally speaking, the automatic stay prohibits interference with a debtor's property or business.

B. Plan of Reorganization

A plan of reorganization sets forth the means for satisfying all claims against, and interests in, a debtor. Generally, a claim against a debtor arises from a normal debtor/creditor transaction such as a promissory note or a trade-credit relationship, but may also arise from other contractual arrangements or from alleged torts. An interest in a debtor is held by a party that owns all or part of the debtor, such as a shareholder or partner.

After a plan of reorganization has been filed with a bankruptcy court, it must be accepted by holders of impaired claims against, or interests in, a debtor. The Bankruptcy Code provides that claim holders and interest holders are to be grouped into "classes" under a plan and that they are to vote to accept or reject a plan by class. While courts have disagreed on the proper method to be used in classifying claim holders and interest holders, a general rule of thumb is that claim holders with similar legal rights are placed together in the same class and that

interest holders with similar legal rights are placed together in the same class. For example, all claim holders entitled to priority under the Bankruptcy Code might be placed in one class, while all claim holders holding subordinated unsecured claims might be placed in a separate class. Generally, each secured creditor will be placed in a class by itself because each such creditor usually has a lien on distinct property and therefore has distinct legal rights.

Independent of the acceptance of the plan as described above, to confirm a plan the Court must determine that the requirements of section 1129(a) of the Bankruptcy Code have been satisfied. See below, "Voting Procedures and Requirements for Confirmation," Article III, for a discussion of the section 1129(a) requirements for confirmation of a plan of reorganization.

THE PROPONENT BELIEVES THAT THE PLAN SATISFIES EACH OF THE CONFIRMATION REQUIREMENTS OF SECTION 1129(a) AND, IF NECESSARY, SECTION 1129(b) OF THE BANKRUPTCY CODE.

Confirmation of a plan makes the plan binding upon the debtor(s), the reorganized debtor(s), claim holders, interest holders, and other parties in interest irrespective of whether they have filed proofs of claim or voted to accept the plan.

III. VOTING PROCEDURES AND REQUIREMENTS FOR CONFIRMATION

If you are the holder of a Claim or Interest in one of the Classes whose rights are affected by the Plan, it is important that you vote. If you fail to vote, your rights may be jeopardized.

A. Persons Entitled to Vote

Pursuant to the provisions of section 1126 of the Bankruptcy Code, only holders of claims or interests that are (i) allowed, (ii) impaired, and (iii) receiving or retaining property on account of such claims pursuant to the plan, are entitled to vote either for or against the plan ("Voting Claims"). Accordingly, in this Bankruptcy Case, any holder of a Claim or Interest classified in Classes 1, 2.1, 2.2, and 4 of the Plan may have a Voting Claim and should have received a Ballot for voting (with return envelope) along with this Disclosure Statement, Plan, and other materials because these are the only Classes consisting of Impaired Claims that are receiving property. Under the Bankruptcy Code, any Classes under the Plan that are unimpaired are presumed to vote to accept the Plan and, therefore, votes from such Classes are not solicited. Classes such as Classes 5, 6, and 7 under the Plan that do not receive or retain any property under the Plan as payment of the Claims or Interests within those Classes are presumed to vote to reject the Plan and, therefore, votes from such Classes are not solicited.

As referenced in the preceding paragraph, a Claim must be Allowed to be a Voting Claim. The Debtors filed the Schedules in their Bankruptcy Case listing Claims against the Debtors. To the extent a Creditor's Claim was listed in the Debtors' Schedules, and was not listed as disputed, contingent, or unliquidated, or otherwise objected to by the Debtors, such Claim is deemed "Allowed" only in the amount scheduled unless otherwise allowed by the Court. Any Creditor whose Claim was not scheduled, or was listed as disputed, contingent, or unliquidated, must have timely filed a proof of Claim in the appropriate Debtor's case in order to have an Allowed Claim against such Debtor.

The last day for holders of Claims to have filed their Claims for amounts owed or Interests held

prepetition against the Debtors, was March 10, 2011 for non-governmental claims, and April 30, 2011 for governmental claims. After amending the Schedules to reflect that the Claims of alleged Creditors Mark Zouvas and Tritaurian Capital, Inc. were disputed, on May 27, 2011, the Debtors filed a Motion to Set New Bar Date for Disputed Claims **[Docket No. 193]**. By Order entered on June 6, 2011 **[Docket No. 201]**, the Bankruptcy Court set July 15, 2011 as the new bar date for the alleged Creditors Mark Zouvas and Tritaurian Capital, Inc. to file their Claims for amounts owed or Interests held prepetition against the Debtors. Collectively, these dates constitute the "Claims Bar Dates" for the respective Claims against the Debtors. Claims not filed by the applicable Claims Bar Date are forever barred and discharged.

Absent an objection to a timely filed proof of Claim by the Objection Deadline, such Claim is deemed Allowed. In the event that any proof of Claim is a Contested Claim during the Plan voting period, then, by definition, it is not Allowed for purposes of section 1126 of the Bankruptcy Code, and is not to be considered a Voting Claim entitled to cast a Ballot. Nevertheless, pursuant to Bankruptcy Rule 3018(a), the holder of a Contested Claim may petition the Bankruptcy Court, after notice and hearing, to allow the Claim temporarily for voting purposes in an amount that the Bankruptcy Court deems proper. Allowance of a Claim for voting purposes, and disallowance for voting purposes, does not necessarily mean that all or a portion of the Claim will be Allowed or Disallowed for distribution purposes.

BY ENCLOSING A BALLOT, THE PROPONENT IS NOT REPRESENTING THAT YOU ARE ENTITLED TO VOTE ON THE PLAN. BY INCLUDING A CLAIM AMOUNT ON THE BALLOT (IF APPLICABLE), THE PROPONENT IS NEITHER ACKNOWLEDGING THAT YOU HAVE AN ALLOWED CLAIM IN THAT AMOUNT NOR WAIVING ANY RIGHTS THE DEBTORS OR THE REORGANIZED DEBTORS MAY HAVE TO OBJECT TO YOUR VOTE OR CLAIM.

If you believe you are a holder of a Claim in an impaired Class under the Plan and entitled to vote to accept or reject the Plan, but did not receive a Ballot with these materials, please contact Kim Morzak, Haynes and Boone, LLP, 2323 Victory Avenue, Suite 700, Dallas, Texas 75219-7673, kim.morzak@haynesboone.com, (Telephone) 214.651.5420, (Fax) 214.200.0629.

B. Voting Instructions

If you are a holder of a Voting Claim, your vote on the Plan is important. Please read the voting instructions carefully and return your Ballots as specified below and on the Voting Instructions contained in and attached to your Ballots.

1. Deadline for Submission of Ballots

BALLOTS MUST BE ACTUALLY RECEIVED BY THE PROPONENT'S COUNSEL, WHETHER BY MAIL, COURIER, OR FACSIMILE, ON OR BEFORE _____at **5:00 P.M. CENTRAL TIME**. ANY BALLOTS RECEIVED AFTER THAT TIME WILL NOT BE COUNTED. ANY BALLOT THAT IS NOT EXECUTED BY A PERSON AUTHORIZED TO SIGN SUCH BALLOT WILL NOT BE COUNTED.

IF YOU HAVE ANY QUESTIONS REGARDING THE PROCEDURES FOR VOTING ON THE PLAN OR YOU DID NOT RECEIVE OR NEED A REPLACEMENT BALLOT, CONTACT KIM MORZAK, HAYNES AND BOONE, LLP, 2323 VICTORY AVENUE, SUITE 700, DALLAS, TEXAS 75219-7673, KIM.MORZAK@HAYNESBOONE.COM, (TELEPHONE) 214.651.5420, (FAX) 214.200.0629. THE PROPONENT URGES ALL HOLDERS OF VOTING CLAIMS TO VOTE IN FAVOR OF THE PLAN.

2. Incomplete or Irregular Ballots

Ballots that fail to designate the Class to which they apply will be counted, subject only to contrary determinations by the Court, in the Class determined by the Proponent. The Proponent's counsel will use its best judgment in the determination of votes; however, Ballots that do not reflect acceptance or rejection, or reflect both acceptance and rejection of the Plan for a single Claim may not be counted.

3. Ballot Retention

Original ballots will be retained by the Proponent's counsel for six months following the Confirmation Date, after which they may be destroyed at their discretion.

C. Confirmation of Plan

1. Solicitation of Acceptances

The Proponent is soliciting your vote. The cost of any solicitation by the Proponent will be borne by the Proponent, but may be reimbursed by the Debtors if approved by the Court. No other additional compensation shall be received by any party for any solicitation other than as disclosed to the Bankruptcy Court.

NO REPRESENTATIONS OR ASSURANCES, IF ANY, CONCERNING THE DEBTORS OR THE PLAN ARE AUTHORIZED BY THE PROPONENT OTHER THAN AS SET FORTH IN THIS DISCLOSURE STATEMENT. ANY REPRESENTATIONS OR INDUCEMENTS MADE BY ANY PERSON TO SECURE YOUR VOTE THAT ARE OTHER THAN HEREIN CONTAINED SHOULD NOT BE RELIED UPON BY YOU IN ARRIVING AT YOUR DECISION, AND SUCH ADDITIONAL REPRESENTATIONS OR INDUCEMENTS SHOULD BE REPORTED TO COUNSEL FOR THE PROPONENT FOR SUCH ACTION AS MAY BE DEEMED APPROPRIATE.

THIS IS A SOLICITATION BY THE PROPONENT, AND IS NOT A SOLICITATION BY ANY SHAREHOLDER, ATTORNEY, FINANCIAL ADVISOR, OR ACCOUNTANT FOR THE PROPONENT. THE REPRESENTATIONS, IF ANY, MADE HEREIN ARE THOSE OF THE PROPONENT, AND ARE BASED ON INFORMATION DERIVED FROM THE DEBTORS AND THEIR CO-PROPONENT, WHERE EXPRESSLY INDICATED.

Under the Bankruptcy Code, a vote for acceptance or rejection of the Plan may not be solicited unless the Claim holder has received a copy of a disclosure statement approved by the Bankruptcy Court prior to, or concurrently with, such solicitation. This solicitation of votes on the Plan is governed by section 1125(b) of the Bankruptcy Code. Violation of section 1125(b) of the Bankruptcy Code may result in sanctions by the Bankruptcy Court, including disallowances of any improperly solicited vote.

2. Requirements for Confirmation of the Plan

At the Confirmation Hearing, the Court will determine whether the requirements of section 1129(a) of the Bankruptcy Code have been satisfied. If those requirements have been satisfied, the Court will enter the Confirmation Order. The requirements for confirmation under the Bankruptcy Code are as follows:

- The Plan complies with the applicable provisions of the Bankruptcy Code.
- The Proponent has complied with the applicable provisions of the Bankruptcy Code.

- The Plan has been proposed in good faith and not by any means forbidden by law.
- Any payment made or promised by the Proponent or by a person issuing securities or acquiring property under the Plan, for services or for costs and expenses in, or in connection with, the case, or in connection with the Plan and incident to the Bankruptcy Case, was disclosed to the Court, and any such payment made before confirmation of the Plan is reasonable, or if such payment is to be fixed after confirmation of the Plan, such payment is subject to the approval of the Court as reasonable.
- The Proponent has disclosed the identity and affiliation of any individual proposed to serve, after confirmation of the Plan, as director, officer or voting trustee of the Debtors, any affiliate of the Debtors participating in a plan with the Debtors, or a successor to the Debtors under the Plan, and the appointment to, or the continuance in, such office of such individual, is consistent with the interests of holders of Claims and Interests and with public policy.
- The Proponent has disclosed the identity of any Insider that will be employed or retained by the Reorganized Debtors and the nature of the compensation for such Insider.
- Any governmental regulatory commission with jurisdiction, after confirmation of the Plan, over the rates of the Debtors has approved any rate change provided for in the Plan, or such rate change is expressly conditioned on such approval.
- With respect to each Class of impaired Claims, either each holder of a Claim in such Class has accepted the Plan, or will receive or retain under the Plan on account of such Claim property of a value, as of the Effective Date of the Plan, that is not less than the amount such Claim holder would receive or retain if the Debtors were liquidated on such date under Chapter 7 of the Bankruptcy Code.
- Subject to the Plan proponent's "cramdown" right further described under the topic heading "*Cramdown*" below, each Class of Claims or Interests has either accepted the Plan or is not impaired under the Plan.
- Except to the extent that the holder of a particular Claim has agreed to a different treatment of such Claim, the Plan provides that Administrative Claims will be paid in Cash in full on the Effective Date and that any tax Claim entitled to priority under section 507(a)(8), the holder of such Claim will receive on account of such Claim regular installment payments, (i) of a total value, as of the Effective Date of the Plan, equal to the Allowed amount of such Claim; (ii) over a period ending not later than 5 years after the date of the order for relief; and (iii) in a manner not less favorable than the most favored nonpriority unsecured Claim provided for by the Plan.
- At least one impaired Class of Claims against each debtor has accepted the Plan, determined without including any acceptance of the Plan by any Insider holding a Claim in such Class.
- Confirmation of the Plan is not likely to be followed by the liquidation of the Debtors or the need for further financial reorganization of the Debtors or any successors to the Debtors under the Plan, unless such liquidation or reorganization is proposed in the Plan.
- All fees payable under 28 U.S.C. § 1930 have been paid (or the Plan has provided for payment of such fees) on the Effective Date of the Plan.
- The Plan provides for continuation after its Effective Date of retiree benefits, if any, for the duration of the period the Debtors have obligated themselves to provide such benefits.
- All transfers of property of the Plan shall be made according to applicable non-bankruptcy law governing property transfers by a corporation that is not a moneyed, business, or commercial corporation.

The Proponent believes that the confirmation requirements applicable to the Bankruptcy Case are met under the Plan. The Proponent will present evidence in support of each applicable requirement at the Confirmation Hearing.

3. Acceptances Necessary to Confirm the Plan

The Bankruptcy Code does not require that each holder of a Claim or Interest vote in favor of the Plan for the Court to confirm the Plan. Rather, the Plan must be accepted by each *Class* of holders of Claims or Interests (subject to an exception discussed in the "*Cramdown*" section below). Under the Bankruptcy Code, a Class of holders of Claims or Interests has accepted the Plan if, of the Claims in the Class that actually are voted on the Plan, such Claims constituting at least two-thirds in dollar amount and more than one-half in number of voted Allowed Claims vote to accept the Plan. At least one class of impaired claims against each debtor must accept the Plan, excluding the votes of insiders, to confirm a plan. For example, if a hypothetical class has ten claims that are voted and the total dollar amount of those ten voted claims is $1,000,000, then for such class to have accepted the plan, six or more of those claims must be voted to accept the plan (a simple majority), and the claims voted to accept the plan must total at least $666,667 (a two-thirds majority).

4. Cramdown

If any impaired Class of Claims does not vote to accept the Plan, the Court may nevertheless confirm the Plan pursuant to the "cramdown" provisions of section 1129(b) of the Bankruptcy Code. If the Court determines that the Plan "does not discriminate unfairly" and is "fair and equitable" to each Class of dissenting holders of Claims or Interests, the Court may confirm the Plan through "cramdown" with acceptance of at least one impaired Class of Claims.

With respect to each dissenting Class of Unsecured Claims, "fair and equitable" means either: (i) the members of each dissenting impaired Class of Unsecured Claims receive property of a value, as of the Effective Date of the Plan, equal to the amount of their Allowed Claim; or (ii) the holders of Claims and Interests that are junior to each dissenting impaired Class of unsecured Claims will not receive any property under the Plan.

5. Absolute Priority Rule

Simply characterized, the absolute priority rule set forth in section 1129(b)(2)(B) of the Bankruptcy Code requires that confirmation obtained by "cramdown" meet an "either/or" test. Either (i) the members of each dissenting impaired class of unsecured claims must be paid in full, or (ii) the holders of claims and equity interests that are junior to each dissenting impaired class of claims must not receive any property under the plan of reorganization on account of "such junior interest." The absolute priority rule applies only in cases where a class of claims or equity interests is impaired and either does not accept the plan or is deemed to have rejected the plan. Thus, the absolute priority rule does not apply to all classes of claims and equity interests but only to the dissenting class and classes junior to the dissenting class.

The absolute priority rule may apply in this Bankruptcy Case because several Classes of Claims are impaired and entitled to vote.

A more comprehensive discussion of the application of the absolute priority rule and the new value exception contains complexities and subtleties, the explanation of which is beyond the scope of this Disclosure Statement. To the extent a Claim or Interest holder desires further explanation regarding such rule or its exception, or any other portion of the Disclosure Statement of Plan, they are advised to seek the advice of counsel.

IV. BACKGROUND OF DEBTORS AND EVENTS LEADING TO BANKRUPTCY

A. History of the Debtors

ReoStar is an oil and gas company incorporated on November 29, 2004 under the laws of the State of Nevada under the name Goldrange Resources, Inc. Effective February 1, 2007, the company changed its name to ReoStar Energy Corporation, after three entities (JMT Resources, Ltd., a Texas limited partnership ("JMT"), REO Energy, LTD., a Texas limited partnership ("REO"), and BENCO Operating, Inc., a Texas corporation ("BENCO") (JMT, REO and BENCO, are collectively referred to as "Contributors") transferred certain assets to Goldrange Resources, Inc. ("Goldrange") in exchange for stock. The Contributors were under common control prior to the transaction, and immediately after the transactions, the former shareholders of the Contributors owned 80.4% of the issued and outstanding stock of Goldrange.

In February, 2007, ReoStar went public and at that time conducted an initial public offering of its stock. ReoStar Gathering, ReoStar Operating, and ReoStar Leasing are all wholly owned subsidiaries of ReoStar Energy. ReoStar Gathering, a Texas corporation, was incorporated on June 25, 2007 primarily to gather ReoStar Energy's Corsicana Oil; ReoStar Leasing, a Texas corporation, was incorporated on July 2, 2007 to buy and own oilfield equipment; and ReoStar Operating, a Texas corporation, was incorporated on August 8, 2008 to operate ReoStar Energy's Corsicana properties. The ReoStar entities shall be referred to collectively as "ReoStar." ReoStar's corporate offices are located at 3880 Hulen Street, Suite 500, Fort Worth, Texas 76107; telephone number (817) 989-7367.

At all relevant times during the events described herein, Zouvas acted as the Chief Executive Officer, President and Director of ReoStar and Allen acted as the Chief Financial Officer of ReoStar. ReoStar has filed suit against Zouvas and Allen.

The auditors on the company's transaction going private to public was Killman, Murrell & Co., P.C. out of Odessa, Texas.

ReoStar Energy Corporation is an oil and gas company engaged in the development and production of non-conventional oil and gas properties with operations primarily focused on known reservoirs. The company is engaged in the exploration, development and acquisition of oil and gas properties, primarily located in the state of Texas. It has historically sought to increase oil and gas reserves and production through internally generated drilling projects, coupled with complementary acquisitions.

At year-end 2010, ReoStar reported that it owned approximately 9,000 acres of leasehold, which included 5,000 acres of exploratory and developmental prospects as well as 4,000 acres of enhanced oil recovery prospects, which the Debtors believe is enough acreage to sustain several years of drilling. Its principal place of business has always been located in Fort Worth, Texas.

It should be noted that the Barnett Shale area is famous for its horizontal wells yet these Debtors (and Mr. Rife's companies as the drilling contractors) have drilled and completed only one horizontal well (Inglish #1H) – all of the remaining wells are vertical wells that would have materially less production than from using horizontal drilling technologies (that would necessarily have to be provided by non-insider companies given Mr. Rife's lack of experience and his companies' lack of the equipment to drill horizontally). The Proponent is informed and believes that the following leases appear to have expired in whole or in part or do not otherwise appear to have one of the Debtors listed as the owner of record in the appropriate records in those counties reducing the acreage under lease in the Barnett Shale from a represented 6,681 to approximately 3,088 acres:

Berry II, Busby II, Fletcher, Ford II, Hamilton, Hancock, McCoy, Moss, Muncaster Craig (560 acres instead of 1,133.89 acres), Nobles, Powell and Wilson.

Before the bankruptcy filing, the Debtors' experienced multiple defaults under the Union Bank debt that, in all likelihood, would have resulted in a notice of foreclosure being issued in August 2010 (for the first Tuesday in September 2010) but for the purchase of the Union Bank debt by BTMK. ReoStar's financial condition was such that it was unable to repay the multi-million dollar over-advance on the Union Bank debt during 2010 and received a "qualified opinion" from its auditor questioning its ability to continue as a going concern. During 2010, the Debtors' operations were suffering from severe cash constraints before the Union Bank debt was purchased by BTMK such that it was affecting their operations.

In connection with discussions between BTMK and ReoStar, a Term Sheet was executed by ReoStar and BTMK along with M.O. Rife III and Joe Bill Bennett, each "on his own behalf and on behalf of any and all related entities, assigns, heirs and beneficiaries." M.O. Rife III and Joe Bill Bennett each failed and refused to provide the requisite written shareholder consents for themselves and the entities (and individuals) for which they had signatory authority to implement the terms outlined in the Term Sheet.

The Term Sheet executed by ReoStar, M.O. Rife III and Joe Bill Bennett stated, "ReoStar has executed a form of consent and acknowledgement to BTMK's acquisition of the Senior Debt from the Bank. ReoStar represents and covenants that its Board of Directors has approved ReoStar's execution of this Term Sheet."

The Term Sheet executed by ReoStar, M.O. Rife III and Joe Bill Bennett stated, "The above relinquishment and or cancellation of interests shall include those interests held by JMT Resources, LLC, a Texas partnership owned by Rife, Zouvas and entities related to Joe Bill Bennett and his assigns (Collectively "Bennett"), all of whom consent to the above conditions." ReoStar, with M.O. Rife III as its Chairman and CEO, take positions in the litigation with BTMK and others that are contrary and contradictory to the terms outlined in the Term Sheet (including challenging the Board's approval of the acquisition of the Union Bank debt).

B. Debtors' Business Strategy

The Debtors' stated business objective was to build shareholder value by establishing and consistently growing their production and reserves with a strong emphasis on cost control and risk mitigation. The Debtors' stated strategy was to (1) control operations of all its leases through their affiliated operating companies, (2) to acquire and develop leasehold in key regional resource development plays while utilizing existing infrastructure and engaging in long-term drilling and development programs, and (3) to acquire leasehold in mature fields and implement enhanced oil recovery programs.

C. Debtors' Current Leasehold Assets and the Opportunities They Present

1. Barnett Shale

The Debtors' acreage of leasehold in the Barnett Shale is located in the "oil window" of the Barnett at the convergence of the Cooke, Montague and Wise County, Texas lines. The Debtors claim that optimism amongst many big-name operators (EOG Resources, Pioneer Natural Resources, Burlington (Conoco/Phillips)) is high in the so-called Combo play of the northern portion of the Fort Worth basin, primarily underlying the exact position of ReoStar's assets.

2. Corsicana

The Debtors' description of its acreage of its Corsicana leasehold is that it contains multiple zone potential throughout. According to the Debtors, primary and secondary recovery stages have resulted in total production of approximately 10 million barrels of oil, with anywhere from 5% to 15% of the "original oil in place" (OOIP) in the proved producing reservoir recovered via "natural" reservoir drive in the primary recovery stage, and 10% to 30% of the original oil in place being recovered during the secondary oil recovery stage, primarily including the use of water floods. Modern EOR technology (Alkaline surfactant polymers, steam injection, etc.), which reportedly has the potential to recover up to 60% of the oil left in place, along with oil prices in the $100 range, may allow for significantly increased profitability.

D. Pre-petition Production, Revenues and Price History Through March 2010

The following table from the Debtors' Third Amended Disclosure Statement sets forth information regarding their oil and gas production, and revenues through March 2010.

Years Ending		March 31, 2010		March 31, 2009		March 31, 2008
Production	$	23,949	$	45,105	$	33,602
Oil (Bbl)		404,131		479,180		351,538
Gas (Mef)						
Revenues						
Crude Oil	$	1,613,235	$	4,034,376	$	2,704,468
Gas		1,406,275		2,523,693		2,197,604
Total		3,019,510		6,558,069		4,902,072
Average Sale Price per Bbl	$	67.36	$	89.44	$	80.49
Average Sale Price per MCF	$	3.48	$	5.27	$	6.25
Lease Operating Costs (per BOE)		$ 20.13		$ 20.79		$ 23.05
Severance Taxes (per BOE)		$ 1.71		$ 3.00		$ 3.13
Average Sale Price (per BOE)		$ 33.07		$ 52.48		$ 53.17
Average Sale Price (per MCFE)		$ 5.51		$ 8.75		$ 8.86[2]

(a) Natural Gas was converted to BOE at the rate of 1 barrel equals 6 MCF.

[2] All production data contained in this Disclosure Statement was taken from data included in the Debtors' Third Amended Disclosure Statement. The Proponent has not independently verified such data.

E. Summary of Pre-petition Financial Status as of September 2010 with Consolidated Balance Sheet and Consolidated Statement of Operations

During the quarter ended September 30, 2010, the Debtors reportedly sold approximately 3,785 barrels of oil compared with approximately 5,080 barrels of oil for the quarter ended September 30, 2009. The average price for oil sold during the quarter ended September 30, 2010 was $72.96 per barrel compared with the average price for the quarter ended September 30, 2009 of $64.16 per barrel.

The Debtors reportedly sold approximately 83,780 mcf of gas for the quarter ended September 30, 2010 compared with approximately 100,075 mcf of gas for the same period a year earlier. The average price for natural gas sold during the quarter ended September 30, 2010 was $5.69 per mcf (net of transportation, compression and CO2 charges) compared with $2.23 per mcf for the quarter ended September 30, 2009.

Oil and gas revenues for the quarter ended September 30, 2010 were reportedly $796,972 compared with $556,141 for the three months ended September 30, 2009, an increase of approximately 43%. Oil and gas revenues for the six months ended September 30, 2010 were reportedly $1,670,161, compared with $1,174,212 for the six months ended September 30, 2009, an increase of approximately 42%.

Below are the Consolidated Balance Sheets and Statement of Operations through September 2010, taken from data in the Debtors' Third Amended Disclosure Statement.

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ReoStar Energy Corporation
Consolidated Balance Sheets

	September 30, 2010 (unaudited)	**March 31, 2010**
ASSETS		
Current Assets:		
Cash	$ 235,602	$ 277,307
Accounts Receivable:		
Oil & Gas - Related Party	489,939	639,738
Related Party	848,656	561,169
Other	447	-
Inventory	118,715	130,886
Other Current Assets	-	248,759
Total Current Assets	1,693,359	1,857,859
Notes Receivable	212,773	213,619
Oil and Gas Properties - successful efforts method	26,842,132	26,847,329
Less Accumulated Depletion and Depreciation	(10,283,771)	(9,034,348)
Oil & Gas Properties (net)	16,558,361	17,812,981
Other Depreciable Assets:	2,028,487	2,028,487
Less Accumulated Depreciation	(522,381)	(427,013)
Other Depreciable Assets (net)	1,506,106	1,601,474
Total Assets	$ 19,970,599	$ 21,485,933
LIABILITIES		
Current Liabilities:		
Accounts Payable	$ 408,662	278,233
Revenue Payable	17,104	20,912
Payable to Related Parties	148,550	148,550
Other Current Liabilities	-	93,923
Accrued Expenses	433,467	140,390

	September 30, 2010 (unaudited)	March 31, 2010
Accrued Expenses - Related Party	131,861	88,458
Current Portion of Long-Term Debt	10,447,407	10,283,339
Total Current Liabilities	$ 11,587,051	$ 11,053,805
Notes Payable – Related Parties	3,518,924	3,518,924
Total Long-Term Debt	3,518,924	3,518,924
Asset Retirement Obligation	345,055	324,773
Deferred Tax Liability	-	639,034
Total Liabilities	15,451,030	15,536,536
Stockholder's Equity		
Common Stock, $.001 par,200,000,000 shares authorized and 80,743,912 shares outstanding on September 30, 2010 and March 31, 2010, respectively	80,743	80,743
Additional Paid-In-Capital	11,499,103	11,460,893
Treasury Stock, at cost	(12,240)	(12,240)
Retained Deficit	(7,048,037)	(5,579,999)
Total Stockholders' Equity	4,519,569	5,949,397
Total Liabilities & Stockholders' Equity	$ 19,970,599	$ 21,485,933

ReoStar Energy Corporation Consolidated
Statements of Operations

	Three Months Ended		Six Months Ended	
	September 30, 2010 (unaudited)	**September 30, 2009 (unaudited)**	**September 30, 2010 (unaudited)**	**September 30, 2009 (unaudited)**
Revenues				
Oil & Gas Sales	$ 796,972	$ 556,141	$ 1,670,161	$ 1,174,212
Sale of Leases	-	137,677	-	137,677

	Three Months Ended		Six Months Ended	
Other Income	(18,120)	90,119	72,793	173,582
	778,852	783,937	1,742,954	1,485,471
Costs and Expenses				
Oil & Gas Lease Operating Expenses	385,849	515,195	781,854	1,043,398
Workover Expenses	13,680	43,998	13,680	43,998
Severance & Ad Valorem Taxes	48,109	31,129	100,691	65,195
Geologic & Geophysical	21,975	-	38,494	-
Plugging and Abandonments	9,030	-	17,787	-
Depletion & Depreciation	707,090	684,361	1,508,860	1,395,927
ARO Accretion	10,141	11,031	20,282	21,781
General & Administrative:				
Salaries & Benefits	279,851	201,935	432,937	403,495
Legal & Professional	159,728	648,979	343,841	776,830
Other General & Administrative	76,165	126,406	155,870	272,371
Interest, net of capitalized interest of $0 and $132,375 for the three months ended 9/30/10 and 9/30/09, respectively and $0 and $254,273 for the six months ended 9/30/10 and 9/30/09, respectively	419,955		419,955	
	2,131,573	2,263,034	3,834,251	4,022,995
Other Income (Expense)				
Interest Income	10	13,934	20	27,904
Hedging Gain (Loss)	(34,493)	(103,643)	(15,800)	(103,643)
Income (Loss) from continuing operations before income taxes	(1,387,204)	(1,568,806)	(2,107,077)	(2,613,263)
Income Tax Benefit (Expense)	393,765	351,944	639,034	691,988
Net Income (Loss)	$ (993,439)	$(1,216,862)	$ (1,468,043)	$ (1,921,275)
Basic & Diluted Loss per Common Share	$ (0.01)	$ (0.02)	$ (0.02)	$ (0.02)
Weighted Average Common Shares Outstanding	80,743,912	80,998,912	80,743,912	80,722,483[3]

[3] All financial data and information contained in this Disclosure Statement was taken from data included in the Debtors' Third Amended Disclosure Statement. The Proponent has not independently verified such financial data and information.

F. BTMK

BTMK is a joint venture between BancTrust & Co. ("BT"), a Venezuelan company and MK Oil Venture LLC, an affiliate of the Michael Kenwood Group from Connecticut. The Michael Kenwood Group is currently the subject of a receivership action in federal court in Connecticut. BTMK purchased the Debtors' obligations to Union Bank, N.A., after the Debtors executed a consent to the purchase.

BTMK was formed to participate in the different areas of the hydrocarbons sector with emphasis in drilling of exploratory and production wells. During 2010 and 2011, BTMK Energy and Commodities established alliances with different Texas oil and gas companies, including Blackpearl Exploration , LLC, Vetra Exploration and Production and Sigma Exploration and Production, to explore and develop four different Exploratory Prospects named as follows : i) Cinnamon Island Field, located in Wharton County, Texas (Cinnamon Prospect); ii) Atwood Cay Prospect, located in Washington County, iii) Crump Island Prospect, located in Lavaca County, Texas; iv) Turtle Dove Prospect located in Beauregard Parish, Louisiana. As a result of those agreements, six (6) wells were drilled, two (2) in Cinnamon Prospect, one (1) in Atwood Prospect, one (1) in Crump Island Prospect and two (2) in Turtle Dove Prospect. Of those wells, are two active producing wells in Turtle Dove (wells Olympia Minerals 1 and Olympia Minerals 2) in Louisiana, and two (2) producing wells in Cinnamon Field are expected to be repaired.

Additionally, BancTrust International Inc. has acquired two active companies in Colombia to work on the different areas of the hydrocarbons industry, with the intention of drilling and producing exploratory and development wells in Colombia.

BancTrust International Inc. has an Oil and Gas Business Unit, whose Director is Cesar Jimenez, with branches with offices in Houston and Bogota, Colombia. Its Oil and Gas Business Unit has several high technical and experienced personnel with an average of over 30 years of experience.

G. Chapter 11 Operations

1. Chapter 11 Highlights

a. Use of Cash Collateral.

On November 4, 2010, the Court held a hearing on the Debtors' use of cash collateral to operate its business. On that day, and subsequent thereto, on December 6, 2010, January 4, 2010 and March 7, 2011, the Bankruptcy Court entered orders extending use of cash collateral through July 7, 2011. Through subsequent agreement reached with BTMK's counsel, and/or order of the Court, the Debtors have been authorized to use cash collateral. However, the Debtors have repeatedly failed to make all of the adequate protection payments required to be made to BTMK as adequate protection for the use of its collateral, including its cash collateral.

b. The Examiner.

During hearings before the Court, the Court appointed Mike McConnell as Examiner. Mr. McConnell is hereinafter referred to as "the Examiner." On or about February 10, 2011, the Examiner completed and filed his

Statement of Investigation (the "Examiner's Report") **[Docket No. 93]**. Below is an excerpt from the Conclusions section of the Examiner's Report:

> "The Court directed the Examiner to investigate and report to the Court on (1) the status of current assets and current liabilities and the desirability of continuing current operations, and (2) the prospects for the Debtors' reorganization, including the advisability of asset sales. With respect to the first group of issues, the company is operating on a current basis at a "break-even" basis with no monthly debt service. There are no funds available for drilling, acquisition or exploration and no funds are available under the Senior Credit Facility. Current operations can continue at this level but there are little or no internally-generated funds available for development or reworking operations.
>
> With respect to the second group of issues, from the data provided by ReoStar and its subsidiaries, it is obvious to all parties that these companies cannot reorganize on a stand-alone basis. The assets must either be sold or there must be a very substantial equity infusion from third-parties. While there may still be opportunities for recapitalization, the company does not have the luxury of unlimited time. Any development is currently held in check for lack of funding and any future significant operational problem will cause an immediate operational loss. The Examiner is unaware of any current formal recapitalization proposal. In the absence of any current recapitalization proposal, the most viable option is a sale of assets.
>
> Accordingly, the Examiner first recommends that the offer to purchase the ReoStar interest in the Ford No. 1 well should be acted upon immediately. Second, the Corsicana properties should be marketed and sold independently of any sale process for the Barnett Shale properties, although this would not foreclose a combined sale if it ripened. Third, a formal marketing process for the Barnett Shale properties should begin promptly, under the guidance of qualified marketing professionals, to adequately test the market for the ReoStar Barnett Shale properties and obtain market value of the assets. The current Venro offer or a favorable offer from ConocoPhillips could serve as a basis, with appropriate buyer protection, for this effort."

2. Claims Issues and Objections

a. BTMK, Zouvas and Tritaurian Capital

BTMK has filed a Claim against ReoStar Energy **[Claim No. 10]**, ReoStar Gathering **[Claim No. 1]**, ReoStar Leasing **[Claim No. 1]**, and ReoStar Operating **[Claim No. 2]**, in each of their respective Bankruptcy Cases ("BTMK Claims"). The Debtors have filed objections to each of these claims for the reasons set forth in the BTMK Litigation ("Claims Objections") and the Debtors' complaint, and the Debtors have requested a determination of the extent that BTMK's Claims are secured under section 506(a)(1) of the Bankruptcy Code and Bankruptcy Rule 3012. The Debtors have requested that BTMK Claims be equitably subordinated. BTMK has opposed the Debtors' efforts, which are currently pending before the U.S. District Court for the Northern District of Texas. See discussion below regarding the BTMK Litigation.

Zouvas filed proof of Claim No. 20 ("Zouvas Claim"). The Debtors requested that the Court equitably subordinate the Zouvas Claim under 11 U.S.C. § 510(c)(1) and or (2) because Zouvas was an insider and engaged in inequitable conduct.

Tritaurian Capital, Inc. filed proof of Claim No. 19 ("Tritaurian Claim"). The Debtors request that the

Court equitably subordinate the Tritaurian Claim under 11 U.S.C. § 510(c)(1) and or (2) because the claimant engaged in inequitable conduct.

b. Breithaupt

The Debtors filed an objection to Claims Number 14 through 16 filed by Creditors J.A. Breithaupt III (Claim #14), Claudia Breithaupt Childress (Claim #15), James McCabe (Claim #16) and Martha Bendand (Claim #17). These claims are unliquidated claims that relate to a state court case filed in 2007 against the Debtors and others in a case styled *I.A. Breithaupt, III, Claudia Breithaupt Childress, and Becky McCabe v Texas M.O.R. Inc., a Texas corporation, Moroil, Inc., a Texas Corporation, JMT Resources, LTD, Reostar Energy Corporation, a Texas Corporation, Business Exchange Investments, Inc.,* Cause Number 07-15951-CV, pending in the District Court, 13th Judicial District, Navarro County, Texas (hereinafter "State Court Litigation"). The state court suit seeks to terminate an oil and gas lease and seeks damages, including legal fees against the Debtors and other defendants.

On May 16, 2011, the Bankruptcy Court granted relief from the automatic stay to allow the Breithaupt Creditors to pursue the State Court Litigation as of June 16, 2011, provided that the plaintiffs may only assert in the litigation vis a vis Reostar Energy the claims asserted in the timely filed Proofs of Claim, assigned Claim Nos. 14 - 17. The Bankruptcy Court found that the modification of the stay is limited to the plaintiffs and that no cross claims or other claims could be filed by any of the other defendants.

Debtors have filed an Objection to the Claim Nos. 14 -17 **[Docket No. 154]** on the grounds that they are duplicative and represent multiple recoveries against the estate. The Debtors have also requested that these Claims be estimated for confirmation. The Debtors and the Breithaupt Creditors have reached a settlement resolving the State Court Litigation, Claims, and Claims Objections, and the Breithaupt Creditors have filed a Rule 9019 settlement motion seeking approval of the Breithaupt settlement by the Court. The Examiner is reviewing the settlement at the Court's request. BTMK objected to the settlement and how it benefitted insiders of the Debtors to the Debtors' detriment and how it was negotiated and approved solely by insiders who would benefit from the settlement.

After the settlement was revised to substantially curtail the insider benefits, the revised settlement was approved by the Court. In the process of investigating the settlement, the Proponent discovered that counsel to the Debtors also represented the insiders in the State Court Litigation and never disclosed the representation to the Court. The Breithaupt Claims were allowed for a total of $350,000.

c. Rife Energy Operating, Inc.

By way of background, Rife Energy Operating, Inc. ("Rife Energy") engages in the development of oil and natural gas and is 100% owned by M.O. Rife, III, who is also the Debtors' Chief Executive Officer and Chairman of the Board of Directors, as well as a shareholder of the Debtors. Mr. Rife formed Rife Energy in 2002. This would have occurred in the same year that another of Mr. Rife's entities, Rife Oil Properties, Inc., filed for relief under Chapter 11 of the Bankruptcy Code.

Rife Oil Properties, Inc., is currently in a bankruptcy case pending in Dallas where unsecured creditors will receive no distributions. However, Mr. Rife, Joe Bill Bennett and others in the ReoStar management team were removed from managing Rife Oil Properties when the bankruptcy judge found "cause for the appointment of a chapter 11 trustee, including significant errors in the schedules and statement of financial affairs and mismanagement" after considering the Motion to Convert Case to Chapter 7, the US Trustee's response thereto

and the US Trustee's Motion to Dismiss with Prejudice. The United States Trustee's pleadings in the Rife Oil Properties case noted, "At a hearing on March 24, 2003, it became apparent that the debtor's Schedules and Statement of Financial Affairs contained significant errors, including the omission of the transactions surrounding the forgiveness of debt due from an affiliated company." The original motion to convert the case to a chapter 7 liquidation reflect a write down of approximately $400,000 from Power Exploration, Inc., a company where Mr. Rife and Joe Bill Bennett were directors and where MOROil, Inc. (a company owned by Mr. Rife) owned 36% of Power Exploration.

The commonality between the Rife Oil Properties case and these cases, each of which involved using a company in bankruptcy for the benefit of another of Mr. Rife's companies, requires a more fulsome disclosure of the facts, circumstances and rulings in that case – particularly since Rife Energy Properties case remains pending. Additionally, the felony conviction of Joe Bill Bennett (Rife Energy's CEO) raises questions about the relationship with and claims asserted by Rife Energy.

ReoStar Energy's Schedules filed in the Bankruptcy Case identify an obligation owing to Rife Energy in the amount of $860,003.73 and to Texas MOR in the amount of $133,828.89 (the "ReoStar Energy Payable"). ReoStar Operating's Schedules filed in its bankruptcy case identify an obligation owing to Rife Energy in the amount of $6,178.62 and to Texas MOR in the amount of $166,093.63 (the "ReoStar Operating Payable"). The total of the ReoStar Energy Payable and the ReoStar Operating Payable is $1,166,104.87 (this amount is referred to herein as the "ReoStar Payable").

ReoStar Energy's Schedules filed in the Bankruptcy Case show the amount of $1,289,188.68 as owing by Rife Energy to ReoStar Energy and the amount of $270,610.38 as owing to ReoStar Energy by Texas MOR, for a total due of $1,559,799.06 (the "ReoStar Energy Receivable").

Rife Energy filed a Proof of Claim, assigned Claim No. 11 in the Bankruptcy Cases against ReoStar Energy and ReoStar Gathering in the amount of $1,215,192.90. Rife Energy filed a Proof of Claim, assigned Claim No. 3 in the Bankruptcy Cases against ReoStar Operating in the amount of $6,178.62. Rife Energy filed a Proof of Claim, assigned Claim No. 2 in the Bankruptcy Cases against ReoStar Leasing in the amount of $2,250.50.

MorOil, Inc. ("MorOil") filed a Proof of Claim, assigned Claim No. 12, in the Bankruptcy Cases against ReoStar Energy and ReoStar Gathering in the amount of $211,053.70. The Proof of Claim was signed by Jon B. Bennett.

Texas M.O.R., Inc. ("Texas MOR") filed a Proof of Claim, assigned Claim No. 5 in the Bankruptcy Cases against ReoStar Operating in the amount of $401,663.86.

The parties reduced their agreement to writing in the form of a Settlement and Release Agreement (the "Rife Agreement"). The Debtors initially filed a motion to approve the Rife Agreement on April 28, 2011 and subsequently withdrew the motion on March 19, 2012 **[Docket Nos. 159 and 485, respectively]** after BTMK served discovery requests upon the Debtors. The Proponent has requested discovery regarding the Debtors' transactions and claims among insiders to evaluate the claims asserted by those insiders. The Proponent or the Reorganized Debtors (or both) may object to the claims asserted by the insiders.

On September 24, 2010, the Chief Financial Officer transmitted a letter to ReoStar's Board of Directors via email questioning a number of invoices and billing entries where "the Chairman's wholly owned companies have billed ReoStar and its subsidiaries more than $550,000 for what appear to be non-legitimate expenses at a

time when ReoStar is teetering on bankruptcy." Note the discussion regarding Rife Oil Properties, above.

d. Nitro Claim

On March 10, 2011, Nitro Petroleum, Inc. filed a Proof of Claim, assigned Claim No. 13 for $1,551,459.00 claiming it to be partially secured. The claim was signed by counsel for the claimant and ReoStar Energy wholly disputed the claim. An objection was filed on March 28, 2011 **[Dockets No. 134 and 135]** after which the court entered an order on April 20, 2011 **[Docket no. 144]** withdrawing Claim No 13 in its entirety with the agreement of the Creditor.

e. Reservation of Claims.

The Plan includes and contemplates a reservation of each and every, all and singular, whatever claims and causes of action might be assertable against the Debtors' current management team and the entities they own or control, including those described below. The Proponent has yet to fully analyze all of the potential claims and causes of action that one or more of the Debtors may have against insiders and affiliates, including M.O. Rife III, Jon B. Bennett, Joe Bill Bennett, Texas MOR, MorOil, Inc., Rife Energy and others.

Claims against the entities could include claims to set aside preferential or fraudulent transfers, overcharges of various obligations, failure to pay their obligations to the Debtors, and other causes of action.

Claims against the individuals may include claims to set aside preferential or fraudulent transfers, breaches of fiduciary duties and similar claims. Additionally, one or more Debtors may have claims or causes of action against M.O. Rife III and/or Joe Bill Bennett arising from or related to the execution of the Term Sheet with the Debtors regarding the contemplated transaction with BTMK and the failure of those individuals and entities to proceed toward implementation thereof.

f. Sale of Ford Well Assets

Upon filing the Bankruptcy Cases, ReoStar Energy owned and/or scheduled certain assets and interests in the Barnett Shale region of Texas, including the following: interests in and to oil and gas leases (the "Leases") and the Ford #1 (API 42-097-33896) (the "Ford Well") in Cooke County, Texas (the Leases and the Ford Well collectively being referred to herein as the "Ford Well Assets"). During the pendency of the Cases, Debtors, specifically ReoStar Energy, received an offer from EOG Resources, Inc. ("EOG") to acquire these assets. ReoStar Energy accepted the offer subject to approval by the Bankruptcy Court. The sale of the Ford Well Assets to EOG, free and clear of all liens, interests, and/or encumbrances was approved by the Bankruptcy Court on April 14, 2011. Following approval of the sale, ReoStar learned that EOG hydraulically fractured the well and caused loss of oil, as well as environmental and other damages. In addition to the sales price approved by the Court, EOG agreed to pay ReoStar an additional amount of money as a result of the fracing incident. The sale of the Ford Well Assets to EOG closed on May 4, 2011. The proceeds from the sale, $201,155.00, were placed by ReoStar in a segregated account pending direction by the Court as to their disposition. The Court entered an Order on July 25, 2011 regarding the distribution of the proceeds. [Doc. No. 235].

g. Burlington Top Lease Dispute

Burlington Resources Oil and Gas Company, LP is an oil and gas company and claims to have a leasehold in certain oil and gas interests on 710 acres in Cooke County, Texas (the "Burlington Lease"). Burlington is a party-in-interest in this bankruptcy case due to its interest in the Burlington Lease and on October

11, 2011 filed Adversary Proceeding No. 11-04184, styled Burlington Resources Oil and Gas Company, LP v. ReoStar Energy Corporation and BT and MK Energy and Commodities, LLC, seeking, among other things, declaratory relief including declarations that: 1) the Top Lease is void and/or invalid; 2) alternatively, that the Top Lease expired; and 3) that there is no lien or other secured interest encumbering the Top Lease (the "Burlington Adversary").

On April 4, 2012, the Court entered its Final Judgment granting the Motion for Summary Judgment filed by Burlington and declaring that the lease entered into between the Hancock Family Limited Partnership and Ed Harris, recorded in the real property records of Cooke County, Texas, at Volume 1574, Page 106, covering the same 710 acres that are alleged to be covered by the Burlington Lease in its Schedules as the "Hancock" lease. (Doc. 40, Schedule A-1), and later assigned to ReoStar Energy Corporation by Ed Harris by the Assignment of Oil and Gas Lease filed in the real property records of Cooke County, Texas, at Volume 1602, Page 490 (the "Hancock Lease") expired and no longer encumbers the property described therein.

The Court further declared that any claim or asserted interest of BTMK pursuant to the Deed of Trust recorded in the real property records of Cooke County, Texas, at Volume 1607, Page 409, and Memorandum Regarding Assignment Agreement recorded in the real property records of Cooke County, Texas, at Volume 1706, Page 589, in and to the Hancock Lease is null and void, and the property described in the Memorandum of Oil and Gas Lease dated June 29, 2011, and entered between the Hancock Family Limited Partnership and Burlington Resources Oil and Gas Company and recorded in the real property records of Cooke County, Texas, at Volume 1758, Page 287, being the same property described in the Hancock Lease, is free and clear and unencumbered by any security interest, lien or assignment in favor of or for the benefit of BTMK.

h. Inglish Family, Lease Dispute

According to the Debtor's Third Amended Disclosure Statement, the following significant facts have occurred with respect to a dispute that arose with regard to certain leases between the Debtors and Elizabeth Kay Inglish Aldridge, individually and as Independent Co-Executrix of the Estate of William Bailey (W.B.) Inglish, Deceased, Ann Inglish Knight, individually and as the Independent Co-Executrix of the Estate of William Bailey (W.B.) Inglish, Deceased, and Norma Ann Inglish Knight, individually (collectively referred to herein as the "Inglish Family") with regard to what acreage remains subject to the Inglish Leases:

- On August 15, 2011, according to the Debtors, the Debtors' counsel provided the Inglish Family, through its counsel, with a schedule of the Inglish Wells (All Leases) which lists each well, together with its API Number, spud date, date of first production, RRC Permit Number, type of well (oil or gas), and RRC ID Number (including ID Number as reclassified, if applicable). Certain inadvertent errors on the Debtors' Schedules did not match the actual acreage shown on the Debtors' books and records, and the Debtors' believe these errors on the Schedules, which have now been rectified, and were shown correctly on the schedule provided on August 15, 2011, caused this dispute to arise.

- With respect to the Inglish B Lease, three wells (the Inglish B Nos. 1, 2 and 3 Wells) were drilled and all three are reported to continue to produce oil and/or gas. These three wells were originally completed as oil wells, and the B Lease was given Railroad Commission ("RRC") ID No. 30816. All Lease B production was reported under that RRC ID No. until October 2008, when the three wells were reclassified as gas wells and given RRC ID Nos. 248923, 248924 and 248926, respectively. Beginning October 2008, all production from these wells has been reported under the gas well ID Nos. A schedule for each of these wells setting forth the Debtors' reports of production history

beginning with their reclassification in October 2008 was provided to counsel for the Inglish Family on August 15, 2011.

- On September 30, 2011, the Inglish Family filed *The Inglish Family's Motion for Relief from Automatic Stay as to State Court Litigation* (Dkt. No. 300). The Inglish Family seeks to have the automatic stay in bankruptcy modified to permit them to proceed with state court litigation, which has yet to be filed, to obtain a declaration that ReoStar Energy does not have any equity in certain currently undeveloped and non-producing acreage which is the subject of certain oil and gas leases which have been identified in ReoStar Energy's Schedules A and G, as amended, as the Inglish D Lease and the Inglish Sisters Lease, as well as other state law damage claims. ReoStar Energy disputed these contentions; however, the parties agreed to an agreed lift of the automatic stay by an order entered on January 8, 2012.

David H. Dodson provided the following, to be included in the Debtors' Third Amended Disclosure Statement:

- David H. Dodson, among other Dodson family members who executed similar leases ("Dodson Family"), executed that certain Paid Up Oil and Gas Lease dated November 21, 2003 with MOFOIL ("Dodson Lease") covering approximately 814 acres of land, and generally being the same as what is referred to in the Disclosure Statement as the "Inglish D" Lease. The primary term of the Dodson Lease was three (3) years from execution. Paragraph 15 of the Dodson Lease prohibits pooling of the acreage covered by the Dodson Lease with any other acreage to form an oil or gas unit. The Debtor is the apparent successor in interest as Lessee under the Dodson Lease. Rife Operating, Inc. is the Lessee's operator under the Dodson Lease. Pursuant to paragraph 17 of the Dodson Lease, after the primary term of the Dodson Lease, the Lessee is required to continuously develop the real property covered by the Dodson Lease or risk the termination of the Dodson Lease. The Lessee is required to drill one (1) well per year. If the Lessee fails to drill one (1) well per year, then the Dodson Lease terminates by its own terms for all acreage upon which no well has yet been drilled. If the Lessee drills the one (1) well each year, then the primary term is extended one (1) year for such well drilled. Paragraph 17 reads in pertinent part, "Lessor and Lessee stipulate and agree that after the primary term of this oil and gas lease, they can only hold the acreage involved in this particular oil and gas lease if they engage in a continuous drilling program in which an oil or gas well is drilled on the acreage described in this tract. It being the intent that Lessee must continue to drill one (1) well a year . . . . in order to maintain this oil and gas lease in full force and effect." The Debtor maintains that the Dodson Lease term has been extended to 2020 as to all acreage covered by the Dodson Lease. However, based upon records filed by the Debtor with the Railroad Commission ("RRC"), the Debtor certified that it has proration units in the acreage covered by the Dodson Lease totaling 362 developed acres. According to the plats filed with the RRC for the acreage covered by the Dodson Lease, there are various proration units designated with more acreage than 20 acres including some 40 acre units and one 22 acre unit. It is the Dodson Family's position that the express intent of the Dodson Lease is to hold the lessee (Reostar) and thus its operator (Rife) accountable to fully develop the Dodson Lease by drilling one well a year in order to maintain an active lease on the balance of all leased acreage. It is the Dodson Family's position that the Lessee has not drilled a well each year on the acreage covered by the Dodson Lease, including no wells drilled during the time period the Debtor has been in bankruptcy, and thus all undeveloped acreage covered by the Dodson Lease has terminated by its own terms. Therefore, using the total described lease acreage of 814 acres and the current 362 acres held by the existing filed proration units, the balance of expired acreage to revert to the Dodson Family is 452 acres. The Dodson Family has hired separate oil and

gas counsel who is preparing to file the state court suit concerning the expiration of leased acreage and other related issues.

i. BTMK Litigation

The Debtors' Disclosure Statement includes an extensive recitation of the Debtors' view of the BTMK Litigation as well as the history of, and other unrelated information regarding, BTMK. This is a continuation of the Debtors' strategy of identifying scapegoats to cover for the economic failures and questionable transactions of the Debtors' under the management and control of its largest shareholders, M.O. Rife III, Joe Bill Bennett and the companies they controlled. In an effort to divert attention for how ReoStar was heading for financial collapse under his leadership, and that he his companies were receiving significant revenues from the Debtors, while failing to create profits for Reostar shareholders, Rife has directed that the BTMK Litigation be initiated and prosecuted.

The Debtors' ongoing financial failures are completely unrelated to BTMK. The Debtors' experienced multiple defaults under the Union Bank debt that resulted in the Debtors receiving a Notice of Default in February 2010 which was reported and duly noted in a February 2010 filing with the SEC. ReoStar was unable to repay the multi-million dollar over-advance on the Union Bank debt during early 2010. The Debtors' financial condition continued to deteriorate to the point that the Company's auditors provided a "qualified opinion" dated June 29, 2010, indicating that there was substantial doubt about the Company's ability to continue as a going concern without additional capital being raising.

The continuing deterioration, in all likelihood, would have resulted in a notice of foreclosure being issued in August 2010 (for sales on the first Tuesday in September 2010) but for the purchase of the Union Bank debt by BTMK. During 2010, the Debtors' operations were suffering from severe cash constraints before the Union Bank debt was purchased by BTMK. These cash restraints were independent of and from any actions by BTMK.

In connection with discussions between BTMK and ReoStar regarding a possible restructure and recapitalization, a Term Sheet was executed by BTMK and ReoStar. The Term Sheet was also executed by M.O. Rife III (ReoStar's Chairman) and Joe Bill Bennett, each "on his own behalf and on behalf of any and all related entities, assigns, heirs and beneficiaries." The Term Sheet required the approval of 95% of the shareholders for the deal to become effective. To meet that requirement Rife and Bennett (as key shareholders) would need to provide individual shareholder consent to the proposed transaction. M.O. Rife III and Joe Bill Bennett each failed and refused to provide the requisite written shareholder consents for themselves and the entities (and individuals) for which they had signatory authority to implement the terms outlined in the Term Sheet.

The Term Sheet executed by ReoStar, M.O. Rife III and Joe Bill Bennett stated, "ReoStar has executed a form of consent and acknowledgement to BTMK's acquisition of the Senior Debt from the Bank. ReoStar represents and covenants that its Board of Directors has approved ReoStar's execution of this Term Sheet."

The Term Sheet executed by ReoStar, M.O. Rife III and Joe Bill Bennett stated, "The above relinquishment and or cancellation of interests shall include those interests held by JMT Resources, LLC, a Texas partnership owned by Rife, Zouvas and entities related to Joe Bill Bennett and his assigns (Collectively "Bennett"), all of whom consent to the above conditions." ReoStar, with M.O. Rife III as its Chairman and CEO, take positions in the litigation with BTMK and others that are contrary and contradictory to the terms outlined in the Term Sheet (including challenging the Board's approval of the acquisition of the Union Bank

debt).

BTMK opposes the BTMK Litigation and believes that it is without merit. BTMK filed a Motion to Dismiss the lawsuit on a number of grounds, including seeking to dismiss the "preference" and "fraudulent transfer" counts regarding BTMK's acquisition of the defaulted loan to the Debtors by pointing out that such claims only exist when an obligation is created for a debtor or property of the debtor is transferred. The lawsuit instead seeks to set aside Union Bank transferring a note it owns to BTMK – a transfer by Union Bank of its note.

Aside from the "merits" of the lawsuit, creditors should closely examine what the Debtors plan includes regarding any potential proceeds of the BTMK Litigation. The Creditors Trust under the Plan is not the main beneficiary of the BTMK Litigation because only the recoveries (of whatever amount) against officers and directors of the Debtors are to go to the Creditors Trust. The Plan provides that the balance of any recovery, if any, will go for the benefit of ReoStar's new owner – Russco Energy, LLC ("Russco") – to effectively reduce the price being paid to take over ReoStar. No disclosure is made regarding the collectability of any judgment against the officers and directors who are defendants in the BTMK Litigation. While BTMK disputes that there will be any recovery on the BTMK Litigation, the Debtors and Russco have designed the plan in such a way that it practically assures that general unsecured creditors will not receive any significant value..

H. Marketing Efforts in Chapter 11

ReoStar has reportedly worked with several potential buyers regarding its leasehold and production assets in the Barnett Oil Window and Corsicana.

I. Description of Current Assets

The Debtors' respective Schedules A and B, as may have been amended, reflect the Debtors' reporting of its estimates of assets and values as of the Petition Date. The Debtors' Monthly Operating Reports reflect additional information. The Disclosure Statement also includes a schedule of reorganizational assets and plan payments, as well as a schedule of liquidation values.

J. Background of the Debtors' Management

Effective October 5, 2010, Mark Zouvas and Scott Allen each resigned from the Board of Directors of ReoStar Energy Corporation. Effective November 15, 2010, Mark Zouvas resigned from ReoStar Energy Corporation as its Chief Executive Officer.

Effective November 15, 2010, M.O. Rife III was appointed as the Chief Executive Officer of ReoStar Energy Corporation (the "Company"). Mr. Rife, age 71, is the current Chairman of the Board of Directors of the Company, a position he has held since February 2007. Mr. Rife also serves on the Company's Audit Committee as its chairman and as a member of its Compensation Committee. From August 2003 to February 2007, Mr. Rife was a partner of REO Energy, Ltd, a predecessor company to ReoStar Energy. From November 2003 to February 2007, Mr. Rife was a partner of JMT Resources Ltd, a predecessor company to ReoStar Energy. From 1997 to 2005, Mr. Rife served as Chairman of Board of Matrix Energy Services Corp., a publicly traded oil and gas exploration company. Mr. Rife has been in the oil and gas industry for 50 years and has been involved in the drilling, completion and operation of over 3,500 wells throughout the mid-continent Region including Louisiana, Oklahoma, and New Mexico. Mr. Rife attended Texas Christian University. There is no family relationship between Mr. Rife and any of the other executive officers or directors of the Company. BTMK has requested

additional information regarding Mr. Rife's relationships with many of these entities.

Mr. Rife was also in the senior management of Rife Oil Properties, Inc. until a Chapter 11 trustee was appointed for that entity as we result of significant errors in the schedules and statement of financial affairs and mismanagement.

K. Debtor's Termination of Registration

On June 1, 2011, the Debtors' Board of Directors unanimously voted to terminate the registration of the Debtors' common stock under the Securities and Exchange Act of 1934 and to suspend the Debtors' obligations to file reports under Section 15(d) of the Exchange Act. The Debtors were eligible to deregister by filing a Form 15 because the Debtors had fewer than 300 holders of record of its common stock. On June 16, 2011 the Debtors' filed Form 15 providing certification and notice of termination of registration under section 12(g) of the Securities Exchange Act of 1934 or suspension of duty to file reports under sections 13 and 15(d) of the Securities Exchange Act of 1934. The Debtors' deregistration is reportedly complete.

V. POST-PETITION OPERATIONS

Since the Debtors filed their voluntary petitions, the Debtors have continued to operate their businesses. The Debtors have filed their schedules and statements of financial affairs with the Court (including all amendments and supplements thereto, the "Schedules"). The Schedules contain a detail of the Debtors' assets, liabilities, and other information related to the business activities. Copies of the Debtors' Schedules and other filings may be obtained online from the Court's website at: http://www.txnb.uscourts.gov/pacer/. For information or to subscribe to PACER (the online court-document-viewing system), you may visit the PACER Service Center website at http://www.pacer.gov.

Also, in conformance with the Guidelines of the Office of the United States Trustee for the Northern District of Texas, the Debtors have filed monthly operating reports and paid the quarterly United States Trustee fees. The monthly operating reports detail the Debtors' post-petition operating activities, income, and disbursements. Copies of the Debtors' monthly operating reports also may be obtained online from the Court's website at: http://www.txnb.uscourts.gov/pacer/.

Also, in an effort to comply with requirements of the United States Securities and Exchange Commission (the "SEC"), the Debtors' filed their 10-Q Form Report on February 18, 2011, which contains significant information concerning the Debtors' post-petition operations, as well as Form 8-K's. These reports can be found by going to the following website and enter the name "REOSTAR" into the field labeled "Company name:" http://www.sec.gov/edgar/searchedgar/companysearch.html.

VI. ASSETS AND LIABILITIES OF THE DEBTORS

A. Overview of the Debtors' Assets and Liabilities

While the Debtors have provided estimated information on the Plan Projections, the Claims Payment Schedule and the Sources and Uses of Capital Funding, attached as Exhibit "B" to the Debtors' Third Amended Disclosure Statement, and relied upon herein, no representation can be made by BTMK that such information is accurate. The information set forth thereon is subject to the uncertainties of litigation and other factors that may

not be resolved in the Debtors' favor. Therefore, no assurance can be given that the estimated Allowed Claims are exact or that the estimated recoveries will be achieved.

B. Claims Asserted Against the Debtors

The Claims filed against the Debtors are reported to exceed **$15 million**, including additional scheduled Claims by the Debtors for which a proof of Claim was not filed. The Claims filed against the Debtors will not necessarily become Allowed Claims. The Proponent has requested more information regarding the claims, including a more fulsome description of which unsecured claims are asserted by insiders compared to those asserted by independent Creditors. It appears that a substantial proportion of the unsecured claims being asserted relate to insider transactions or relationships.

The Plan allows the Reorganized Debtors until ninety (90) days after the Effective Date, or ninety (90) days after a Claim is filed after the Effective Date, to file objections to Claims, unless extended by order of the Bankruptcy Court. The Plan further provides that the filing, litigation, settlement, or withdrawal of all objections and Estate Actions may be made by the Reorganized Debtors without approval by the Court under Bankruptcy Rule 9019. The Court's register for Claims filed against the Debtors is available on the Courts' website at: http://www.txnb.uscourts.gov/pacer/. The Debtors' Claim registers contain some Claims that have been paid, resolved in lower amounts, are duplicative, or are disputed by the Debtors.

C. Estimated Allowed Claims and Estimated Recoveries

BTMK (on behalf of the Reorganized Debtors) reserves all rights to object to any and all Claims, liens, and Interests filed or asserted against the Debtors or their property or property interests notwithstanding any discussion or treatment herein, specifically including claims asserted by insiders against the Debtors. An estimate of the aggregate Allowed Claims against the Debtors' estates will be as set forth in the estimated Claims Payments Schedule, included as part of the Plan Projections to be attached as Exhibit "B", and as set forth below.[4] For data obtained from the Debtors' Disclosure Statement, neither the Proponent nor the Reorganized Debtors make any representation or warranty regarding the allowability of any claim and reserve all rights to object thereto.

Class	Est. Claim Amt.	Est. Pay. Amt.	Payment Schedule
Class 1 – Secured Tax Claims	$22,250*	$22,250*	$22,250 at Effective Date
Class 2.1 – Secured Claims of M&M Lienholders	$0.00*	$0.00*	$0.00
Class 2.2 – Secured Claims of BTMK	~ $11.2 million	~ $11.2 million	100% of New Equity Interests, plus an Allowed Secured Note for the difference between ~

[4] All estimated claim amounts noted by the " * " were obtained from the Debtor's Third Amended Disclosure Statement, dated April 30, 2012. BTMK is not privy to information sufficient to allow BTMK to independently estimate the amount of each claims class.

Class	Est. Claim Amt.	Est. Pay. Amt.	Payment Schedule
			$11.2 million and $7 million
Class 3 – Non-Tax Priority Unsecured Claims	$1,780*	$1,780*	$1,780 at Effective Date
Class 4 – General Unsecured Claims	$3,850,000*[5]	$1,155,000*[6]	Allowed General Unsecured Claims shall receive 30% over 36 equal monthly payments
Class 5 – Subordinated and Penalty Claims	Unknown[7]	$0.00	$0.00
Class 6 - Interests	N/A	$0.00	Cancelled as of Effective Date

D. Estimated Professional Fees and Reorganization Costs

The Debtor has provided estimates that aggregate requested postpetition professional fees and other reorganization costs asserted in their Bankruptcy Cases, excluding ordinary course liabilities, will be approximately $750,000 on the Effective Date, assuming an Effective Date in July 2012. The Debtors' estimate of Administrative Expenses is:

Administrative Claims (all subject to Court approval)	**Total**
Cantey Hanger LLP	$600,000
Miscellaneous Administrative Claims	$150,000
Totals	**$750,000**

The Debtors have not estimated the amount of fees that might be requested by the co-proponent of their plan (Russco), and BTMK (on its own behalf and on behalf of the Reorganized Debtors) reserves the right to object to any request that might be made by either Russco or counsel for the Debtors. The Proponent reserves the right

[5] This amount includes the $350,000 proposed settlement regarding the Breithaupt litigation, which the Breithaupt Creditors are seeking to have approved by the Court **[Docket No. 488]** (see section IV(G)(2)(b) below for further discussion of Breithaupt Claims), but does not include the claims and setoffs described in subparagraph IV(G)(2)(c) of the Disclosure Statement.

[6] To the extent that an Unsecured Claim is Allowed and is subordinated as a Class 5 Allowed Claim, the amounts that such Unsecured subordinated claimholder would have received but for the subordination will be redistributed among the holders of Allowed General Unsecured Claims up to 100% of such Allowed General Unsecured Claims in Class 4.

[7] The Reorganized Debtors reserves the right to seek to subordinate claims asserted by insiders as result of their actions and their impact upon the Debtors and their creditors.

to request reimbursement of the fees and expenses it incurs in these cases and in connection with the Plan.

The Allowed Administrative Claim of E-Fire, Ltd., as set forth in the (a) *Motion to Approve Post-Petition Loan by Insider, Nunc Pro Tunc,* and (b) *First Amended Motion to Approve Post-Petition Loan by Insider, Nunc Pro Tunc* **[Docket No. 137]** (the "E-Fire Motions"), shall be paid in accordance with the *Order Granting (A) Debtors' Motion to Approve Post-Petition Unsecured Loan by Insider, Nunc Pro Tunc and (B) First Amended Debtors' Motion to Approve Post-Petition Loan by Insider, Nunc Pro Tunc* **[Docket No. 143]**, which provides that the post-petition financing by E-Fire, Ltd. as set forth in the E-Fire Motions shall be an administrative expense to be paid only after all other administrative expenses in the cases have been paid in full.

E. Preference and Other Avoidance Litigation and Estate Actions

Pursuant to the Bankruptcy Code, debtors may recover certain preferential transfers of property, including cash, made while insolvent during the ninety (90) days immediately prior to the filing of its bankruptcy petition with respect to pre-existing debts, to the extent the transferee received more than it would have in respect of the pre-existing debt had the debtor been liquidated under Chapter 7 of the Bankruptcy Code. In the case of insiders, the Bankruptcy Code provides for a one-year preference period. There are certain defenses to such recoveries. Transfers made in the ordinary course of the debtors' and the transferee's businesses, according to ordinary business terms, are not recoverable. Furthermore, if the transferee extended credit subsequent to the transfer (and prior to the commencement of the bankruptcy case), such extension may constitute a defense, to the extent of any new value, against any otherwise recoverable transfer of property. If a transfer is recovered by a trustee, the transferee has a general unsecured claim against the debtor to the extent of the recovery. BTMK and the Reorganized Debtors reserve all rights to assign, at their sole discretion, and subject to their business judgment, any Estate Actions not limited to but including any preference to the full extent allowed under the Bankruptcy Code and applicable state laws. Potential avoidance actions and other causes of action are set forth on the Debtors' Schedules B and Statements of Financial Affairs at question no. 3. In addition, the Proponent believes that avoidance causes of action, including preference avoidance and recovery under sections 547 and 550 of the Bankruptcy Code, may exist. If the Plan is confirmed, BTMK would not be subject to the avoidance actions.

Also, under the Bankruptcy Code and various state laws, debtors may recover certain transfers of property, including the grant of a security interest in property, made while insolvent or which rendered them insolvent if, and to the extent, the debtors receive less than fair value for such property. BTMK and the Reorganized Debtors reserve all rights to assign, at their sole discretion, and subject to their Business Judgment, any fraud or fraudulent transfer Estate Actions to the full extent allowed under the Bankruptcy Code and applicable state laws.

The Proponent has yet to fully analyze all of the potential claims and causes of action that one or more of the Debtors may have against insiders and affiliates, including M.O. Rife III, Jon B. Bennett, Joe Bill Bennett, Texas MOR, MorOil, Inc., Rife Energy and others. Claims against the entities could include claims to set aside preferential or fraudulent transfers, overcharges of various obligations, failure to pay their obligations to the Debtors, and other causes of action. Claims against the individuals may include claims to set aside preferential or fraudulent transfers, breaches of fiduciary duties and similar claims. Additionally, one or more Debtors may have claims or causes of action against M.O. Rife III and/or Joe Bill Bennett arising from or related to the execution of the Term Sheet with the Debtors regarding the contemplated transaction with BTMK and the failure of those individuals and entities to proceed toward implementation thereof.

Without limitation of any claims and causes of action referenced and described in the Schedules, the

Estate Actions include various potential avoidable transfers that can be recovered under Chapter 5, including transfers within four years prior to the Petition Date that can be recovered under section 544.

F. Killman Murrell & Co., P.C.

In connection with its efforts to go from a privately held to publicly held company, Debtors engaged and utilized the professional accounting services of Killman Murrell & Co., P.C. ("KMC"). KMC conducted an audit of Debtors' books and records in connection with the formation of the public entity and the transfer of assets from certain entities into ReoStar. The Debtors report that they may have causes of action against KMC relating to the audit and certain errors and/or omissions pertaining thereto, yet have not disclosed such causes of action.

VII. OVERVIEW OF THE PLAN

A. Introduction

THE PLAN IS AN INTEGRAL PART OF THIS DISCLOSURE STATEMENT. THE OVERVIEW OF THE PLAN SET FORTH HEREIN IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE FULL TEXT OF THE PLAN. IN THE EVENT OF AN INCONSISTENCY BETWEEN THE PROVISIONS OF THE PLAN AND THE OVERVIEW CONTAINED HEREIN, THE TERMS OF THE PLAN SHALL GOVERN.

Generally, the Plan is a Chapter 11 plan of reorganization that vests the assets of the Debtors' estates in the Reorganized Debtors. The Reorganized Debtors will be directed to make distributions and payments required by the Plan, object to Claims against the Debtors' estates, and prosecute claims and Estate Actions against third parties as appropriate. On the Effective Date, the Reorganized Debtors may operate, preserve and liquidate the Assets for the benefit of the Creditors and satisfying Claims consistent with the Plan. The Reorganized Debtors shall retain the names "ReoStar Energy Corporation," "ReoStar Operating, Inc.," "ReoStar Leasing, Inc.," and "ReoStar Gathering, Inc.," but may do business under any name the Reorganized Debtors deem advisable or which is necessary or appropriate and allowable by law and shall be entitled and authorized to engage in business consistent with the distribution purposes of the Plan pursuant to, inter alia, 11 U.S.C. §1123(a)(5)(A).

Additionally, all property of the estates of the Debtors, including but not limited to any and all rights, claims, causes of action, and Estate Actions, shall vest in the Reorganized Debtors pursuant to the terms of the Plan free and clear of all Liens or encumbrances pursuant to, inter alia, 11 U.S.C. §1123(a)(5)(A) as of the Effective Date; *provided that* upon any subsequent conversion to a case under Chapter 7, all assets vesting in the Reorganized Debtors shall pass to the Chapter 7 trustee as property of the Chapter 7 estate subject to those Claims, liens, and encumbrances as reserved or allowed and restructured in the Plan and as specified therein. From and after the Effective Date, the Reorganized Debtors shall be authorized to operate in the ordinary course of business, and shall be authorized to make the distributions required under, and implement the provisions of, the Plan.

B. Classification of Claims and Interests

1. Classification

Pursuant to section 1122 of the Bankruptcy Code, except as otherwise provided herein, all Claims (except for Administrative Claims and Priority Tax Claims) and all Interests shall be classified as set forth in Article 3 of the Plan. The classification of Claims and Interests in Article 3 of the Plan gives effect to the

priority scheme generally adopted by the Bankruptcy Code. In accordance with section 1123(a)(1) of the Bankruptcy Code, Administrative Claims, and Priority Tax Claims are not classified under the Plan, and the treatment of those Claims is set forth in Article 2 of the Plan.

2. Claims and Interests

The Plan classifies the Claims against the Debtors and Interests in the Debtors as follows:

Class 1:	Secured Tax Claims.
Class 2.1:	Secured Claims of M&M Lienholders.
Class 2.2:	Secured Claims of BTMK.
Class 3:	Priority Unsecured Claims.
Class 4:	General Unsecured Claims.
Class 5:	Subordinated and Penalty Claims.
Class 6:	Interests.
Class 7:	Subordinated Interests.

To the extent necessary or appropriate, each Class of Claims will include one subclass of each similar type of claim as may be allowed for each Debtor. By way of example, Class 4 General Unsecured Claims may be subdivided into Class 4A, Class 4B, Class 4C and Class 4D for claims against ReoStar Energy, ReoStar Gathering, ReoStar Leasing and ReoStar Operating, respectively.

3. Impaired Classes of Claims and Interests

Classes 1, 2.1, 2.2, and 4 are impaired under the Plan and are entitled to vote on the Plan. Classes 5, 6 and 7 are not receiving or retaining any property under the Plan, and are deemed to have rejected the Plan, and may not vote to accept or reject the Plan.

4. Impairment Controversies

If a controversy arises as to whether any Claim or Interest or any Class of Claims or Class of Interests is impaired under the Plan, the Bankruptcy Court shall, upon notice and a hearing, determine such controversy.

5. One Vote per Holder

If a holder of a Claim holds more than one Claim in any one Class (or, as appropriate one or more subclass of claims), all Claims of such holder in such Class shall be aggregated and deemed to be one Claim for purposes of determining the number and amount of Claims in such Class voting on this Plan

6. Treatment Under the Plan

The Classes of Claims against and Interests in the Debtors shall be treated under the Plan as set forth in the Plan, particularly as set forth in Article II and IV thereof. The Plan is distributed to Creditors along with a copy of this Disclosure Statement.

C. Objections to Claims and Interests

1. Objection Deadline

As soon as practicable, but in no event later than (a) ninety (90) days after the Effective Date or (b) ninety (90) days after a Claim is filed after the Effective Date, unless extended by order of the Bankruptcy Court, all objections to Claims, Liens, and Interests shall be filed with the Bankruptcy Court and served upon the holders of each of the Claims, Liens, and Interests to which objections are made. The Reorganized Debtors retain the right to object to late-filed and all other Claims, Liens, and Interests, including claims filed pursuant to sections 502(g), (h), and (i) of the Bankruptcy Code. No amendments to previously filed Claims shall be allowed after the objection deadline provided in this paragraph. BTMK and the Reorganized Debtors reserve all rights whatsoever to object to or subordinate any Claims, Liens, and Interests whatsoever on any grounds and to raise any and all defenses, counterclaims, crossclaims, setoffs, and/or recoupments, in law or in equity or pursuant to § 502(d) of the Bankruptcy Code.

2. Prosecution of Objections and Estate Actions

On and after the Effective Date, the filing, litigation, settlement, or withdrawal of all objections to Claims or Estate Actions (other than the BTMK Litigation which shall be dismissed with prejudice on the Effective Date) may be made solely by the Reorganized Debtors.

D. Provisions Governing Executory Contracts and Unexpired Leases Under the Plan

1. Assumption of Certain Contracts; Rejected if Not Assumed

The Plan constitutes and incorporates a motion to assume, as of the Effective Date, the Contracts listed below:

Contract Party	Contract Description
Plains Marketing LP 12700 Hillcrest Road, Suite 158 Dallas, Texas 75230	Oil Sales Contract dated February 1, 2010
ReoStar Energy Corporation 3880 Hulen Street, Suite 500 Fort Worth, Texas 76107	Oil and Gas Standard Operating Agreement concerning the operations of oil and gas wells located in Navarro County, Texas
Various other working interest owners	Oil and Gas Standard Operating Agreement concerning the operations of oil and gas wells located in Navarro County, Texas
Hulen South Tower Limited c/o Isenberg Management 400 S. Zang Blvd, Suite 1020 Dallas, Texas 75208	Non-residential Real Estate Lease-office space located at 3880 Hulen, Suite 500 Fort Worth, Texas 76107
Various Oil and Gas Leases located in Cooke, Wise, and Montague Counties	Oil and Gas Leases
Various Oil and Gas Leases located in Navarro County, Texas	Oil and Gas Leases

Contract Party	Contract Description
ReoStar Operating, Inc. 3880 Hulen Street, Suite 500 Fort Worth, Texas 76107	Oil and Gas Standard Operating Agreement on all Oil and gas wells located in Navarro Counties
ReoStar Operating, Inc. 3880 Hulen Street, Suite 500 Fort Worth, Texas 76107	Oil and Gas Standard Operating Agreement related to the oil and gas wells located in Navarro County, Texas
Berkley Insurance Company 475 Steamboat Road Greenwich, CT 06830	Directors, Officers and Corporate Liability Insurance – Policy Number 1947529, Policy Period: April 16, 2010 to June 30, 2012
Berkley Insurance Company 475 Steamboat Road Greenwich, CT 06830	Directors, Officers and Corporate Liability Insurance – Policy Number 1947529, Policy Period: April 16, 2010 to April 16, 2011
Carolina Casualty Insurance Company 4600 Touchton Road East Building 100, Suite 400 Jacksonville, FL 32246	Directors, Officers and Corporate Liability Insurance – Policy Number 1890659, Policy Period: April 16, 2009 to April 16, 2011

No cure of such Contracts pursuant to Bankruptcy Code section 365(b)(1)(A) is necessary other than the Cure Payments, if any, listed therein, and no Bankruptcy Code section 365(b)(1)(B) compensation is owing or shall be owing upon the assumption of such Contracts. Confirmation of this Plan shall be deemed (i) adequate assurance of prompt cure of any default under such Contracts solely based upon the Reorganized Debtors' obligations in the Plan to make the Cure Payments and (ii) adequate assurance of future performance under such Contracts. Other than the Contracts listed above, and specifically as to those listed below, the Plan constitutes and incorporates a motion to reject, as of the Effective Date (the "Rejection Deadline"), all Contracts to which one or more of the Debtors is a party unless there is pending with the Bankruptcy Court as of the Rejection Deadline (a) a motion filed by the Reorganized Debtors to assume any such Contract, or (b) a motion filed by the Reorganized Debtors to extend the Rejection Deadline. Entry of the Confirmation Order by the Bankruptcy Court constitutes approval of such rejections pursuant to sections 365(a) and 1123 of the Bankruptcy Code. It is the Proponent's intention to reject all known existing executory contracts not expressly assumed pursuant to the Plan.

To the extent an oil and gas lease is considered something other than an executory contract or lease, the Debtors' obligations under such leases shall be assumed by the respective Reorganized Debtor on the Effective Date.

The contracts listed below shall be deemed rejected as of the Effective Date:

Contract Party	Contract Description
ReoStar Energy Corporation 3880 Hulen Street, Suite 500 Fort Worth, Texas 76107	Oil and Gas Standard Operating Agreements, if any, with Rife Energy Operating, Inc. concerning the operations of oil and gas wells located in Navarro County, Texas
Rife Energy Operating, Inc. 3880 Hulen Street, Suite 510 Fort Worth, Texas 76107	Oil and Gas Standard Operating Agreement on all Oil and gas wells located in Cooke, Wise and Montague Counties

Contract Party	Contract Description
ReoStar Operating, Inc. 3880 Hulen Street, Suite 500 Fort Worth, Texas 76107	Oil and Gas Standard Operating Agreements, if any, with Rife Energy Operating, Inc. on all Oil and gas wells located in Navarro Counties
Employees and personal service contract parties	Employment agreements and personal service contracts or agreements

2. Bar to Rejection Damages

If the rejection of a Contract pursuant to this Plan results in damages to the other party or parties to such Contract, a Claim for such damages, if not heretofore evidenced by a filed proof of Claim, shall be forever barred and shall not be enforceable against the Reorganized Debtors, and their respective property or their agents, successors or assigns, unless a proof of Claim is filed with the Bankruptcy Court and served upon the Reorganized Debtors on or before thirty (30) days following the Rejection Deadline.

3. Insurance Policies

Notwithstanding any other provision of the Plan, including but not limited to Articles 12.1 and 12.3, all unexpired insurance policies under which the Debtors is the insured party shall be deemed assumed as of the Effective Date.

4. Timing of Cure Payments

Except as ordered by prior order of the Court or in a specific provision of the Plan or by agreement among the parties, all Cure Payments shall be made (a) by the Reorganized Debtors in twelve (12) equal monthly installments beginning on the Class 4 Distribution Date, or (b) at the Reorganized Debtors' option, in full on the Distribution Date.

E. Miscellaneous Provisions of the Plan

1. Setoff and Other Rights

In the event that the Debtors have claims of any nature whatsoever against the holder of a Claim, the Reorganized Debtors may, but are not required to, setoff against the Claim (and any payments or other distributions to be made in respect of such Claim hereunder), subject to the provisions of section 553 of the Bankruptcy Code. Neither the failure to setoff nor the allowance of any Claim under the Plan shall constitute a waiver or release by the Reorganized Debtors of any claim that either the Debtors or Reorganized Debtors have against the holder of a Claim.

2. Discharge

Except as otherwise expressly provided in the Plan, the rights and treatment afforded in the Plan shall discharge all existing security interests, liens, debts and Claims of any kind, nature, or description whatsoever against the Debtors or any of their assets or properties to the fullest extent permitted by section 1141 of the Bankruptcy Code; upon the Effective Date, all existing Claims against the Debtors shall be, and shall be deemed to be, discharged, and all holders of Claims shall be precluded from asserting against the Reorganized Debtors, or any of their assets or properties, any other or further Claim based upon any act or omission,

transaction, or other activity of any kind or nature that occurred prior to the Effective Date, whether or not such holder filed a proof of Claim. Confirmation of the Plan and the obligations imposed on the Debtors and/or the Reorganized Debtors herein shall be in complete satisfaction, discharge and release of all Claims of any nature whatsoever against the Debtors and/or the Reorganized Debtors or any of their assets or properties; and, upon the Effective Date, the Debtors shall be deemed discharged, and released from any and all Claims, including but not limited to demands and liabilities that arose before the Effective Date, and all debts of the kind specified in sections 502(g), 502(h), or 502(i) of the Bankruptcy Code that arose before the Effective Date, whether or not (a) a proof of Claim based upon such debt is filed or deemed filed under section 501 of the Bankruptcy Code, (b) a Claim based upon such debt is Allowed under section 502 of the Bankruptcy Code, or (c) the holder of a Claim based upon such debt has accepted the Plan. Except as provided herein, the Confirmation Order shall be a judicial determination of discharge of all liabilities of the Debtors. As provided in section 524 of the Bankruptcy Code, such discharge shall void any judgment against the Debtors at any time obtained, to the extent it relates to a Claim, discharged and operates as an injunction against the prosecution of any action against the Debtors, or their property, to the extent it relates to a Claim discharged. The discharge granted pursuant to the Plan shall not discharge the Reorganized Debtors from the obligations in the Plan.

3. Injunctions

The Confirmation Order shall contain such temporary and permanent injunctions as may be necessary and appropriate to enable the Proponent and Reorganized Debtors to implement, and perform, under the Plan. Without limiting the generality of the foregoing, such injunctions shall include an absolute prohibition from enforcing Claims in any manner other than as provided for in the Plan. The Confirmation Order shall contain such injunctions as may be necessary or helpful to effectuate the discharge of the Debtors provided herein. Without limiting the generality of the foregoing, such injunction shall include an absolute prohibition from pursuing or collecting Claims in any manner other than as provided for in the Plan, including any shareholder derivative claims, trust fund liabilities, constructive trusts, statutory trusts, or liabilities arising from contribution, subrogation, warranty, indemnification or guarantee agreements whether as a representative of the Debtors or on an individual basis, or any foreclosure actions by any Lien claimant. Additionally, the Confirmation Order shall contain an injunction implementing the BTMK Release as well as enjoining all persons or entities that hold, have held, or may hold Claims against or Interests in the Debtors from (directly or indirectly) commencing or continuing any action relating to, that was or could have been asserted in the BTMK Litigation against any individual or entity that receives the benefit of the BTMK Release.

4. Injunction Regarding Claims Against the Debtors

From and after the Confirmation Date, all persons or entities that hold, have held, or may hold Claims against or Interests in the Debtors are permanently restrained and enjoined from, directly or indirectly:

(a) Commencing or continuing in any manner any action or other proceeding of any kind against the Debtors or the Reorganized Debtors, or Assets of the Debtors to collect or recover any property on account of any such Claim or Interest;

(b) Enforcing, attaching, collecting, or recovering by any manner or means any judgment, award, decree, or order to collect or recover any property on account of any such Claim or Interest against the Debtors or the Reorganized Debtors, or Assets of the Debtors;

(c) Creating, perfecting, or enforcing any Lien or encumbrance of any kind against the Debtors or the Reorganized Debtors, or the Assets of the Debtors;

(d) Asserting any right of setoff, subrogation, or recoupment of any kind against any obligation due the Debtors or the Reorganized Debtors, or the Assets of the Debtors, except as otherwise allowed by the Bankruptcy Court or Bankruptcy Code;

(e) Commencing or continuing any action against the Debtors or the Reorganized Debtors, or the Assets of the Debtors in any manner or forum in respect of such Claim or Interest that does not conform to or comply with or that is inconsistent with the Plan; and,

(f) Taking any action to interfere with the implementation or consummation of the Plan.

Notwithstanding the foregoing, however, nothing herein shall prohibit any holder of a Claim or Interest from prosecuting a proof of Claim or Interest in the Bankruptcy Case or from enforcing such holder's rights under the Plan.

5. Exculpation and Release

Neither the Proponent, nor its Representatives, including without limitation their attorneys, shall have or incur any liability to any holder of a Claim or Interest for any act, event, or omission in connection with, or arising out of, the Bankruptcy Cases, the confirmation of the Plan, the consummation of the Plan, or the administration of the Plan or the property to be distributed under the Plan, except for willful misconduct or gross negligence. As of the Effective Date, except as otherwise provided herein, each employee, officer, and director of the Debtors who served in such capacity from and after the Petition Date, the Debtors and the Proponent, and their Representatives, including without limitation their attorneys, shall be deemed to be released from all Claims, demands, and suit, known or unknown, fixed or contingent, liquidated or unliquidated, whether or not asserted, which may be held or asserted by the Debtors, Reorganized Debtors, or any current or former holder of a Claim or Interest regarding or related to the Debtors or the Debtors' business operations within the Bankruptcy Cases from the Petition Date to the Effective Date, other than the obligations under the Plan, except for willful misconduct or gross negligence Notwithstanding the forgoing, insiders, including the following entities and their Representatives shall not receive any of the benefits of the Exculpation, Release or Indemnification provided herein: Rife Energy Operating, Inc., TexasM.O.R., Inc., Rife Oil Properties, MorOil, Inc., E-Fire, Ltd and Benco Operating, Inc. and their Representatives, including M.O. Rife III, Joe B. Bennett and Jon B. Bennett.

6. Lawsuits

Upon entry of the Confirmation Order, all lawsuits, litigation, administrative, or other proceedings, judicial or administrative, in connection with the assertion of a Claim or Lien against the Debtors or the Representatives or property of the Debtors' estates, shall be subject to the discharge, if any is applicable, and any other injunctions set forth in the Bankruptcy Code or the Court's Confirmation Order. Such discharge injunctions shall be with prejudice to the assertion of such Claim or Lien in any manner other than as prescribed by the Plan. All parties to any such action shall be enjoined by the Bankruptcy Court in the Confirmation Order from taking any action in violation of the Bankruptcy Code or the Confirmation Order. All lawsuits, litigation (including objections to Claims), administrative, or any other proceedings, judicial or administrative, in connection with the assertion of any Claims by or against the Debtors (with the exception of the BTMK Litigation that shall be dismissed with prejudice on the Effective Date) shall become property of the Reorganized Debtors to prosecute, settle, or dismiss as the Reorganized Debtors see fit. Nothing in this paragraph shall create or be deemed to create any additional discharges not provided in the Bankruptcy Code, the Plan, or Confirmation Order.

7. Disallowance and Subordination of Subordinated Claims and Penalty Claims

BTMK and the Reorganized Debtors reserve all rights to seek subordinated treatment of any and all Claims or Interests to Subordinated Claims, Penalty Claims, and Subordinated Interests pursuant to any applicable bankruptcy or non-bankruptcy law or agreement, whether in law or in equity – including claims asserted by insiders. The Reorganized Debtors shall constitute the representatives of the estate for purposes of prosecuting Estate Actions and pursuant to section 1123(b)(2)(B) of the Bankruptcy Code.

8. Release of Claims

Upon final payment required by the Plan, the Reorganized Debtors shall be released from any and all Claims and causes of action of the Reorganized Debtors or the Debtors' estates that could be asserted against such pursuant to the Plan, and the Reorganized Debtors shall be discharged from their duties and powers under the Plan.

9. Integration Clause

The Plan, along with each of documents in the Plan Documents and Plan Supplement which are incorporated fully herein by this reference, is a complete, whole, and integrated statement of the binding agreement between the Reorganized Debtors, Creditors, and the parties-in-interest upon the matters herein.

10. Retention of Causes of Action

The Reorganized Debtors shall retain all rights, claims, defenses, and causes of action (with the exception of the BTMK Litigation which shall be dismissed with prejudice on the Effective Date pursuant to the Plan and the BTMK Release) including, but not limited to, the Estate Actions, and shall have sole authority to prosecute and/or settle such actions without approval of the Bankruptcy Court under Bankruptcy Rule 9019 or otherwise.

11. Severability

Should the Bankruptcy Court determine that any provision of the Plan is unenforceable either on its face or as applied to any Claim or Interest or transaction, the Proponent or the Reorganized Debtors may modify the Plan in accordance with Article 16.12 of the Plan so that such provision shall not be applicable to the holder of any Claim or Interest. Such a determination of unenforceability shall not (a) limit or affect the enforceability and operative effect of any other provision of the Plan or (b) require the re-solicitation of any acceptance or rejection of the Plan.

12. Notice to the Plan Proponents

Notice required by the Plan shall be sent as follows:

Reorganized Debtors:

Reorganized Debtors
Attn: Nelson Nava, Chief Executive Officer
16225 Park Ten Place, Suite
Houston, Texas 77084

With copies to:

John D. Penn
Haynes and Boone, LLP
201 Main Street, Suite 2200
Fort Worth, Texas 76102
Telephone: (817) 347-6610
Facsimile: (817) 348-2300
E-mail: john.penn@haynesboone.com

and to:

Robin E. Phelan
Haynes and Boone, LLP
2323 Victory Avenue, Suite 700
Dallas, Texas 75219
Telephone: (214) 551-5612
Facsimile: (214) 200-0649
E-mail: robin.phelan@haynesboone.com

13. Substantial Consummation and Closing the Case

Upon commencement of the actions to be taken pursuant to Article 2 of the Plan and transfer of all estate assets to the Reorganized Debtors, the Plan shall be deemed substantially consummated and, upon motion by the Reorganized Debtors, a final decree entered containing such provisions as may be equitable. The Court may retain jurisdiction to hear and decide: (a) any and all pending adversary proceedings, applications, and contested matters, including any remands of appeals; (b) any and all pending objections to Claims or the allowance, including with respect to the classification, priority, estimation, or payment of any Claim; and (c) any and all pending Fee Applications.

VIII. MEANS FOR EXECUTION AND IMPLEMENTATION OF THE PLAN

A. Powers and Duties of the Reorganized Debtors with Respect to Consummation of the Plan

Under the Plan, the Reorganized Debtors are empowered to: (a) take all steps and execute all instruments and documents necessary to effectuate the Plan; (b) make distributions and payments contemplated by the Plan; (c) comply with the Plan and the obligations thereunder; (d) employ, retain, or replace Professional Persons to represent them with respect to their responsibilities; (e) object to Claims; (f) prosecute the Estate Actions; and (g) exercise such other powers as may be vested in the Reorganized Debtors pursuant to order of the Court or pursuant to the Plan or as the Reorganized Debtors deems to be necessary and proper to carry out the provisions of the Plan. The Reorganized Debtors shall have the duties of carrying out the provisions of the Plan, which shall include taking or not taking any action that the Reorganized Debtors deem to be in furtherance of the Plan.

B. Funding of the Reorganized Debtors

To fund the Reorganized Debtors, by operation of the Confirmation Order and subject to the liens and encumbrances retained pursuant to this Plan, the Reorganized Debtors shall be in possession of and have title to all Assets, including any cash, bank deposits, certificates of deposit, inventory, furniture, fixtures, equipment, real property, rights, contracts, claims and causes of action, garnishments, and all documents evidencing and relating to the ownership of estate property. All of the Debtors' accounts receivable shall be deemed, as of the Effective Date, to have been assigned to the Reorganized Debtors subject to the liens and encumbrances retained pursuant to this Plan. The conveyances of all property of the Debtors' estates shall be accomplished pursuant to the Plan and the Confirmation Order and shall be effective upon the Effective Date without the need of further documentation or instruments of conveyance, other than the Plan and the Confirmation Order. Upon the Effective Date, the Reorganized Debtors shall also be deemed to have taken (a) an assignment of all Estate Actions, and (b) an assignment, bill of sale, deed and/or release covering all remaining Assets described above. The Reorganized Debtors may present such orders as may be necessary to require third parties to accept and acknowledge such conveyance to the Reorganized Debtors. Such orders may be presented without further notice other than as has been given in this Plan. Further, the Proponent may also, at its sole option and in its sole discretion, allow all or any part of any payment(s) it receives from the cash bond posted in the Bankruptcy Court to fund part of the Reorganized Debtors and any payments due under the Plan.

C. Financing

BTMK's projections anticipate an initial capital infusion of approximately $3 million with additional funding being provided in support of an expanded program of drilling a number of horizontal wells on acreage currently leased by ReoStar. The initial funding (cash upon the Effective Date) would come from BTMK's cash on hand and from BT. Thereafter, funding for the drilling program would come from funds controlled by BT and from funds the Reorganized Debtors would borrow. *The projections indicate that the Reorganized Debtors would be able to fund all plan payments.*

D. Vesting of Assets in Reorganized Debtors

On the Effective Date and except as provided in this Plan regarding the retention of liens and encumbrances, all property of the estate of the Debtors, including but not limited to any and all rights, claims, causes of action, and Estate Actions, whether known or unknown, asserted or unasserted, at law or equity, and whether arising prepetition or postpetition, and whether arising pursuant to the Bankruptcy Code or other applicable law, including without limitation all rights, claims, or causes of action referenced within the body of, or exhibits attached to, the Plan, the Disclosure Statement, or the Debtors' Schedules or Statements of Financial Affairs, shall vest in the Reorganized Debtors free and clear of all Liens or encumbrances pursuant to, inter alia, 11 U.S.C. §1123(a)(5)(A). To the extent any court of competent jurisdiction determines under applicable law that, notwithstanding the provisions of the Plan, a cause of action is not assignable, then any assignment of such cause of action pursuant to the Plan shall be void *ab initio*; provided, however, that the proceeds of any such cause of action shall be transferred to the Reorganized Debtors upon receipt by the Debtors.

To the extent necessary or appropriate, the Reorganized Debtors may be substituted as the plaintiff or defendant in any or all lawsuits pending in which the Debtors are plaintiffs, defendants or are seeking relief. The Reorganized Debtors shall be and hereby are appointed the sole corporate representatives of the Debtors for purposes of prosecuting any and all rights, claims, or causes of action, including but not limited to, all Estate Actions and actions arising or assertable pursuant to Chapter 5 of the Bankruptcy Code, whether known or

unknown, asserted or unasserted, at law or equity, and whether arising pursuant to the Bankruptcy Code or other applicable law. The Reorganized Debtors may, in their sole discretion and without the necessity of obtaining Court approval, prosecute, settle, or dismiss rights, claims, or causes of action, and all proceeds therefrom shall be property of the Reorganized Debtors

E. New Equity in Reorganized Debtors

New equity shares in the Reorganized Debtors (the "New Equity Interests") shall be issued to either BTMK or the winner of the post-Confirmation auction described herein upon the Effective Date and funding of the purchase price thereof

F. Proposed Management of Reorganized Debtors

The proposed management of the Reorganized Debtors (along with biographical information) is:

Nelson Nava (Proposed CEO)

Nelson Nava joined BancTrust & Co. as COO in 2012. Mr. Nava is a seasoned Energy expert with 36 years of experience in the sector. Mr. Nava served as Member of the Board of Directors in Petróleos de Venezuela S.A. (PDVSA) from 2002 to 2003 and as President of PDVSA Gas until 2002. He was appointed Executive Director for New Business Development of PDVSA Gas in 1999 where he was responsible for the execution of a multimillion dollar Gas Project in Venezuela. Prior to his roles in PDVSA, Mr. Nava worked in Lagoven where he was responsible for the commercial development of Orimulsion Fuel, lead the Project Management for a major Gas Compression Plant, and occupied several top technical and managerial positions in the Petroleum Engineering, Project Engineering, Planning, Information Technology, Geology, and Budgeting areas. He started his career in 1975 in the Gas Engineering Group at Creole Petroleum Corporation. Mr. Nava holds a Chemical Engineering degree from Universidad del Zulia (Venezuela) and a Masters Science Degree from MIT's Sloan School of Management.

Carlos Machado (COO)

Carlos Machado joined BancTrust & Co. in 2011 as Director of the Oil & Gas Division in Houston, Texas. He is an Oil and Gas Industry veteran and has 37 years of experience in the sector. Mr. Machado worked for 29 years in Petroleos de Venezuela S.A. (PDVSA). He was appointed as Production Manager Director of the Exploitation and Production Department of PDVSA in 2002, where he was responsible for the direction, supervision, and production of the three main operational areas of the company (3 MM barrels per day). Previously he held several technical and managerial positions in the Production Department such as Petroleum Engineering Manager (1993), Technical Services Manager (1994), District Manager (1998) and General Manager of the Western Division of PDVSA (1999), one of the most prolific oil production areas in Venezuela. He started his career in 1973 as a Work Over and Drilling Engineer at Creole Petroleum Corporation. Mr. Machado holds a Mechanical Engineer degree from Universidad del Zulia (Venezuela) as well as a Master of Science in Engineering from University of Tulsa.

Patrick Orlando (Proposed CFO)

Mr. Orlando is the Managing Director focusing on BancTrust´s Investment Banking and Private Investment efforts. He is a financial industry veteran as well as a seasoned energy project manager. He served as Director and CTO of a US public company specialized in renewable energy with primary operations in Peru. Prior to these roles, he was Director at Deutsche Bank responsible for the Emerging Markets Derivatives Operations. Before Deutsche Bank, Mr. Orlando worked on structuring, marketing, and trading of Emerging Markets and G10 Financial Instruments at J.P Morgan and Banco Interandino (Peru). Mr. Orlando received

degrees in both Management Science and Mechanical Engineering from the Massachusetts Institute of Technology (MIT) in Cambridge, Massachusetts.

Luis Rodriguez (Proposed Director)

Luis Rodriguez joined BancTrust & Co. in 2009 as Senior Geologist in the Oil & Gas Division where he has been responsible for analyzing all exploration and production opportunities. Mr Rodriguez worked for 30 years in PDVSA as a CVP Manager and Senior Geologist for the Carabobo Area Orinoco Oil Belt Magna Reserve Project. During 2002-2005, Mr. Rodriguez was Senior Geologist Advisor for the Orimulsion™ Project Joint Venture between China and Venezuela. He holds a B.S. in Geological Engineering from the University of Missouri, a M.S in Geological Engineering (Petroleum Option) from the University of Missouri, and a PhD in Geology from the University of Texas.

Cesar Jimenez (Proposed Director)

Cesar Jimenez joined BancTrust & Co. in 2008 as Head and Director of Oil & Gas. He worked in Petróleos de Venezuela S.A. (PDVSA) for 28 years, holding important positions such as Exploration Director, President of INTEVEP (Instituto Técnico Venezolano del Petróleo) and Planning Executive Director. Prior to PDVSA, Mr. Jimenez held different positions such as Exploration Planning Manager, New Business Development Manager, Strategic Planning Manager, Financial Planning Manager and Marketing Planning Manager. He holds a Geological Engineering degree as well as three Master degrees in Geological Engineering, Management Engineering, and Petroleum Engineering from University of Missouri. He also holds a Master in Applied Economics from the University of Michigan.

G. Corporate Authority

After the Effective Date, the current officers and directors of the Debtors shall no longer continue to serve as officers and directors of the Reorganized Debtors. The Proponent might request that the Court appoint a chief restructuring officer or other individual to operate the Debtors between the Confirmation Date and Effective Date. The Reorganized Debtors shall be subject to the ordinary corporate governance of privately held companies. The Reorganized Debtors will be privately held companies, and no longer be publicly held as of the Effective Date.

All actions and transactions contemplated under the Plan and the Disclosure Statement shall be authorized upon confirmation of the Plan without the need of further board, officer, or ownership resolutions, approval, notice, or meetings, other than the notice provided pursuant to this Plan. The officers and directors to serve the Reorganized Debtors are identified above. The Confirmation Order may also include provisions authorizing and directing the president and secretary and other officers, managers, members, and authorized representative(s) of the Debtors and Reorganized Debtors to execute such documents as are necessary to effectuate the Plan, which documents shall be binding on the Debtors, the Debtors' Creditors, and all of the Debtors' equity Interest holders. Subject to the provisions of this Plan, the Reorganized Debtors are vested with authority to take any action on behalf of the Debtors that would otherwise require the approval of the members, managers, or officers of the Debtors. The Debtors' management and employees as of the Confirmation Date may be employed by the Reorganized Debtors upon the same terms and conditions as may be allowed by applicable law or, at the Reorganized Debtors' option, their employment may be terminated. From and after the Effective Date, the existing managers and officers of the Debtors shall have no further duties or responsibilities with respect to the Debtors or the Reorganized Debtors, except and to the extent employed by the Reorganized Debtors after the Effective Date.

H. Corporate Purpose of the Reorganized Debtors

From and after the Effective Date, the Reorganized Debtors shall operate as privately held companies, and no longer be publically held. As of the Effective Date, the Reorganized Debtors shall be authorized to operate in the ordinary course of business and shall be authorized to make the distributions required under, and implement the provisions of, the Plan.

I. Assumption of Liabilities

The liability for the obligations under the Plan shall be assumed by and become obligations of the Reorganized Debtors.

J. Contested Claims

On and after the Effective Date, the filing, litigation, settlement, or withdrawal of any and all objections to Claims or Estate Actions may be made solely by the Reorganized Debtors. The Reorganized Debtors shall be substituted in the place and stead of the Debtors for any pending objection to claim or interest (with the exception of the BTMK Litigation which shall be dismissed with prejudice on the Effective Date).

1. Establishment of Contested-Claim Reserve

Notwithstanding any other provision of this Plan, no assets or property shall be distributed under this Plan on account of any Contested Claim. For all Contested Claims, the Reorganized Debtors shall establish and hold, in trust, reserves (the "Contested-Claim Reserve") with respect to Contested Claim, and shall place in the Contested-Claim Reserve the assets and property to be distributed on account of such Contested Claims pursuant to this Plan, pending Allowance or Disallowance of such Claims. Such deposits shall be made on each Distribution Date in lieu of distributing payments or property to the holders of Contested Claims. If, by the next scheduled Distribution Date for such Class(es) of Claims, a Final Order concerning a Contested Claim has not been entered, the Reorganized Debtors shall pay into the Contested-Claim Reserve all payments provided for under this Plan that the holder of an Allowed Claim that would have received absent an objection to the Claim. To the extent practicable, the Reorganized Debtors may invest the Cash in the Contested-Claim Reserve in a manner that will yield a reasonable net return, taking into account the safety of the investment.

2. Determination of Contested Claim Reserve

The Bankruptcy Court may, at any time, determine the amount of assets sufficient to fund the Contested-Claim Reserve. The Bankruptcy Court may estimate and determine by an Estimation Order the Estimated Amount of Claims for which the Contested-Claim Reserve has been established. Any claimant holding a Contested Claim so estimated will have recourse only to undistributed assets and property in the Contested-Claim Reserve and not to the Debtors, the Reorganized Debtors, or any other assets or property, should the Allowed Claim of such claimant, as finally determined by a Final Order, exceed such Estimated Amount.

3. Return of Assets

Except as otherwise provided herein, all assets and properties (and all interest payments and distributions previously paid in connection therewith) in the Contested-Claim Reserve remaining after the resolution of all disputes relating thereto shall be delivered to the Reorganized Debtors.

4. Treatment and Schedule of Payment of Contested Claims

If an objection to a Contested Claim is pending on the date of a scheduled installment payment, then the Reorganized Debtors shall pay into the Contested-Claims Reserve either (a) the pro-rata amount that would be paid on the Contested Claim at such time if it was allowed as filed or (b) the pro-rata amount that would be paid on the Contested Claim at such time based on an estimation of the Claim obtained by the Reorganized Debtors. After the Contested Claim is resolved by a Final Order and becomes an Allowed Claim, the holder of an Allowed Claim will receive on the next installment payment, its appropriate pro-rata share of the Contested Claim Reserve and will participate pro-rata in the distributions set forth herein until the Allowed Claim is paid in full. Nothing in this Section will require the Reorganized Debtors to make any distribution in excess of, or at a more rapid pace than, the schedule provided for the distributions provided in Section 4.4 of the Plan and overall obligations to General Unsecured Creditors.

5. Withholding of Taxes

The Reorganized Debtors shall withhold from any assets and property distributed under the Plan any assets and property (including cash) which must be withheld for federal, state, and local taxes payable by the person entitled to such property to the extent required by applicable law.

K. Estimated Claims

Except as otherwise provided herein, the Court may estimate for purposes of allowance pursuant to section 502(c) of the Bankruptcy Code, (i) any Contested Claim or unliquidated Claim, or (ii) any portion or part of a Claim that is, itself, unliquidated. Any Estimation Order, to the extent it becomes a Final Order, shall determine the amount of the Allowed Claim so estimated.

L. Provisions Governing Distributions

Distributions for claims shall be governed by the Plan, particularly Articles II and X.

M. Exculpation Regarding Distributions

Upon the Effective Date and so long as there have been no uncured defaults under the Plan, the Reorganized Debtors and their respective Representatives, shall be discharged, and released by all persons, holders of Claims or Interests, entities, and parties-in-interest receiving distributions under the Plan from any and all Claims, causes of action, and other assertions of liability arising out of the Reorganized Debtors' discharge of the powers and duties conferred upon them by the Plan or any order of the Bankruptcy Court entered pursuant to or in furtherance of the Plan or applicable law. No holder of a Claim or an Interest, and no representative thereof, shall have or pursue any claim or cause of action (a) against the Proponent, Reorganized Debtors or their Representatives for making payments or taking any action in accordance with the Plan or for implementing the provisions of the Plan, or (b) against any holder of a Claim for receiving or retaining payments or other distributions as provided for by the Plan. The Representatives of the Proponent and Reorganized Debtors are hereby indemnified and held harmless by the Reorganized Debtors for any Claims, causes of action, and other assertions of liability arising out of the discharge of the powers and duties conferred upon them by the Plan or any orders of the Bankruptcy Court entered pursuant to or in furtherance of the Plan or applicable law, except only for actions or omissions arising out of the Representatives' gross negligence or willful misconduct.

N. Conditions Precedent to Effective Date

1. Conditions Precedent to Effective Date of the Plan

The occurrence of the Effective Date of the Plan is subject to satisfaction of the following conditions precedent which may only be waived by BTMK in its sole discretion: the Confirmation Order must contain approval of the proposed Class treatment and the injunctions contained in the Plan, and the Confirmation Order shall have become final and non-appealable, all documents effectuating the Plan must have been executed and delivered by the parties thereto, all conditions to the effectiveness of such documents must have been satisfied or waived as provided therein, and the Proponent shall have reviewed and approved each of the foregoing conditions in writing. The Proponent shall file a Notice of Effective Date with the Bankruptcy Court within two Business Days of the occurrence of the Effective Date. Unless the Court orders otherwise for cause shown, the Effective Date shall occur no later than 60 days after the Confirmation Order becomes final and non-appealable. Only the Proponent may request an extension of the deadline for the Effective Date.

2. Waiver of Conditions

The conditions to the Effective Date may only be waived, in whole or in part, by the Proponent at any time, without notice.

O. Retention of Bankruptcy Court Jurisdiction

The Bankruptcy Court shall retain jurisdiction as set forth in the Plan.

IX. FEASIBILITY AND RISKS

Section 1129(a)(11) of the Bankruptcy Code requires a finding that confirmation of the Plan is not likely to be followed by the liquidation, or the need for further financial reorganization, of the Debtors or any successor in interest, unless liquidation is expressly contemplated by the Plan.

THE PROJECTED FINANCIAL INFORMATION AND OTHER FORWARD-LOOKING STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT ARE BASED ON VARIOUS ASSUMPTIONS AND ESTIMATES AND WILL NOT BE UPDATED TO REFLECT EVENTS OCCURRING AFTER THE DATE HEREOF. SUCH INFORMATION AND STATEMENTS ARE SUBJECT TO INHERENT UNCERTAINTIES AND TO A WIDE VARIETY OF SIGNIFICANT BUSINESS, ECONOMIC AND COMPETITIVE RISKS INCLUDING, AMONG OTHERS, THOSE DESCRIBED HEREIN. CONSEQUENTLY, ACTUAL EVENTS, CIRCUMSTANCES, EFFECTS AND RESULTS MAY VARY SIGNIFICANTLY FROM THOSE INCLUDED IN OR CONTEMPLATED BY SUCH PROJECTED FINANCIAL INFORMATION AND SUCH OTHER FORWARD-LOOKING STATEMENTS.

A. Discussion of Financial Projections

This Section and related exhibits summarize the arithmetic projections and results, presented in the form of financial projections, of the business plan described herein pursuant to which the business of the Debtors will be carried on by the Reorganized Debtors after confirmation of the Plan.

The chart attached as Exhibit "B" to the Debtors' Third Amended Disclosure Statement details the Debtors' business operations for years beginning July 2012 through July 2015, and are based on March 31, 2011 Forrest A. Garb & Associates, Inc. reserve report estimates. As further described within the Plan, the Plan contemplates a reduction in BTMK's Allowed Secured Claim of $7.0 million and the retention of its liens to secure the balance. The proceeds from the auction of 100% of the New Equity Interests (up to the full amount owed on the BTMK Secured Claim) will be paid to BTMK and will reduce BTMK's remaining Claims. Any excess will be distributed by the Reorganized Debtors in accordance with the Plan. See Plan Projections at Exhibit "B". Exhibit "A" to the Disclosure Statement details the liquidation analysis outlining the likely results if the Debtors were to liquidate under Chapter 7 rather than reorganize under Chapter 11 (the "Liquidation Analysis").

B. Risks

The bankruptcy cases and Plan are subject to a number of material risks, including those enumerated below. Prior to deciding how to vote on the Plan, each holder of an impaired Claim and holder of an Interest should carefully consider all of the information contained in this Disclosure Statement, especially the factors mentioned in the following paragraphs.

1. Certain Risks of Non-Confirmation

There can be no assurance that the requisite acceptances to confirm the Plan will be received. Even if the requisite acceptances are received, there can be no assurance that the Court will confirm the Plan. Section 1129 of the Bankruptcy Code sets forth the requirements for confirmation and requires, among other things, a finding by the Court that the confirmation of the Plan is not likely to be followed by a liquidation or a need for further financial reorganization and that the value of the distributions to non-accepting holders of Claims and Interests will not be less than the value of the distributions that such holders would receive if the Debtors were liquidated under Chapter 7 of the Bankruptcy Code. Although the Proponent believes that these requirements will be satisfied, there can be no assurance that the Court will concur. The confirmation and consummation of the Plan also are subject to certain conditions, which are described in Articles III and VIII of this Disclosure Statement.

If the Plan were not to be confirmed and consummated, it is unclear whether a reorganization comparable to the reorganization contemplated hereby could be implemented in a timely manner and, if so, what distributions holders of Claims and Interests ultimately would receive with respect to their Claims and Interests. Moreover, if an alternative reorganization could not be implemented in a timely manner, it is possible that the Debtors would have to liquidate their assets, in which case it is likely the holders of Claims and Interests would receive substantially less than they would have received pursuant to the Plan. *See* Article X of this Disclosure Statement.

2. Potential Effects of a Prolonged Chapter 11 Proceeding

Although the Debtors report that they anticipate their financial condition improving over the next several months, it remains the case that prolonged Chapter 11 proceedings could have adverse effects on the Debtors and the Reorganized Debtors, including the continuing strain on relationships with vendors and employees, and the continuing accrual of Administrative Expenses relating to the continuation of bankruptcy proceedings.

3. Risks Relating to the Projections

The management of the Debtors has prepared the projected financial information contained in Exhibit "B" to the Debtors' Third Amended Disclosure Statement (the "Projections"). The Proponent has relied on these Projections in formulating the Plan. The assumptions and estimates underlying the Projections are inherently uncertain and are subject to significant business, economic, legal, and competitive risks and uncertainties that could cause actual results to differ materially from those projected. Accordingly, the Projections are not necessarily indicative of the future financial condition or results of operations of the Reorganized Debtors, which may vary significantly from those set forth in the Projections. Consequently, the projected financial information contained in this Disclosure Statement should not be regarded as a representation by the Proponent that the Projections can or will be achieved.

4. Capital Requirements

The Proponent believes that the cash generated from ordinary-course operations along with the potential for post-confirmation loans and potential capital infusion will be adequate to support payment of the Debtors' Administrative Expense Claims, Priority Tax Claims, and Secured Claims; however, there can be no assurance that one or more unexpected necessary capital expenditures will not impact the Reorganized Debtors materially and adversely, (e.g., fire, flood, or other natural disaster), and no assurance can be given that emergency financing will be available when needed and on reasonable terms.

5. Forward-Looking Information May Prove Inaccurate

This Disclosure Statement contains various forward-looking statements and information that are based on the Proponent's beliefs as well as assumptions made based upon information from the Debtors that is currently available to the Proponent. When used in this document, the words "believe," "expect," "anticipate," and similar expressions are intended to identify forward-looking statements. Such statements are subject to certain risks, uncertainties, and assumptions including those identified above. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, estimated, or projected.

6. Competition and Economic Factors

This Disclosure Statement assumes that industry competition and current economic conditions remain relatively unchanged. Any significant increase in competition against the Debtors or the Reorganized Debtors in their industry, or any changes in the economic condition of the Debtors' usual or expected customer base could have a negative (or positive) effect on the Debtors and their current and future projects and could affect the figures and projections presented in this Disclosure Statement. There can be no assurance that this decline will not continue and that the Debtors' financial performance may therefore continue to decline as well.

7. Industry Factors

As stated in this Disclosure Statement, in late 2008 and into 2009, the market price of oil and natural gas sharply declined. The oil and gas market can sometimes be volatile and highly competitive. There can be no assurance that future fluctuations in the oil and gas market will not adversely affect the Reorganized Debtors' business or financial performance.

X. ALTERNATIVES TO PLAN

A. Liquidation Analysis

Section 1129 of the Bankruptcy Code provides that the Court may confirm a plan of reorganization only if certain requirements are met. One of these requirements is that each non-accepting holder of an Allowed Claim or Interest must receive or retain under the Plan, on account of such Claim or Interest, property as of the Effective Date of the Plan at least equal to the value such holder would receive if the Debtors were liquidated under Chapter 7 of the Bankruptcy Code on the Effective Date. See "Liquidation Analysis" at Exhibit "A".

For purposes of the following discussion, it is assumed that a Chapter 7 trustee would seek to maximize the value of the estate by attempting to sell the businesses and assets of the Debtors as going-concerns. However, the Proponent believes that the circumstances surrounding a liquidation under Chapter 7 would inevitably lead to selling conditions that would substantially detract from the total value returned to the estate. Further, there is no assurance that a Chapter 7 trustee will sell the businesses, which would cause a forced liquidation at even more depressed prices.[8] The following are some, but not all, of the deleterious consequences that the Proponent believes would result from a Chapter 7 liquidation:

- Substantial Chapter 7 administrative costs relating to professional fees, broker commissions, sales commissions and other associated expenses would necessarily be incurred. The Debtors estimated in their Third Amended Disclosure Statement that these additional fees would approximate $200,000 if the Debtors were to convert to Chapter 7.

- The sale of the Debtors' assets and businesses under the time pressure and adverse publicity attendant to a Chapter 7 liquidation – the inability of the Debtors to acquire operations over the Barnett property in a Chapter 7 scenario, along with flooding the already-saturated local market with similar property and equipment, would create a difficult selling environment and would result in a transaction consummated at a substantial discount to going-concern value.

- Adverse tax consequences may further reduce the value returned to the estate from a sale of the ongoing operations of the Debtors. An asset sale pursuant to a Chapter 7 liquidation could potentially result in adverse federal income tax consequences to the estate.

- A Chapter 7 trustee will likely be unfamiliar with the Debtors' business at the time of his/her appointment and is not likely to be in a position to market the Debtors during the liquidation period as effectively as current management or the management of the Reorganized Debtors.

The conclusion of the Liquidation Analysis is that all holders of Claims other than holders of Secured Claims and Chapter 7 Administrative Claims should not expect a dividend in a Chapter 7 liquidation. Furthermore, the Debtors expect that the Chapter 7 Trustee's process of winding-down the Debtors' affairs, objections to Claims, and making dividends could take up to two years or longer, due to pending litigation. Thus, a dividend, if one is paid upon liquidation, would not likely be made until 2014 or later.

[8] The value of potential claims against insiders and affiliates is unknown and might improve recoveries above what is anticipated to provide no dividend in a Chapter 7 liquidation.

B. Strategic Purchasers or Investors

The Proponent has considered potential investment by an outside purchaser and the Plan provides for that avenue, if such purchaser surfaces. The Proponent is not aware of any outside party currently willing to purchase the Debtors at a price that will provide more recovery to the holders of Claims than the $7 million reduction in Proponent's Secured Claim provided for in the Plan. However, to the extent that such a purchaser does exist, the purchaser may purchase the assets of the Debtor at the post-confirmation auction provided for in the Plan, thereby maximizing returns to Creditors in this Bankruptcy Case.

C. Other Alternative Plans

The Proponent believes that to maximize the going concern value of the Company and, coincidentally maximize the return to Creditors, the current Plan is the most desirable and beneficial plan to pursue. Without confirmation of the Plan, the Proponent expects that vendors, employees, and customers may lose confidence in the Debtors, thereby draining the Debtors' Cash and negating any potential for distribution for unsecured Creditors.

XI. CERTAIN UNITED STATES FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN

The following discussion summarizes certain material U.S. federal income tax consequences of the implementation of the Plan to the Debtors, and to Creditors and Interest holders. This discussion is based on the Internal Revenue Code of 1986, as amended (the "Code"), the Treasury Regulations promulgated thereunder, judicial decisions, and published rulings and pronouncements of the Internal Revenue Service (the "IRS") in effect on the date of this Disclosure Statement. Changes in those rules, or new interpretations of those rules, may have retroactive effect and could significantly affect the federal income tax consequences described below.

The material federal income tax consequences of the Plan are complex and subject to uncertainties. The Debtors have not requested a ruling from the IRS or an opinion with respect to any of the tax aspects of the Plan. There can be no assurance that the IRS will agree with this discussion of material federal income tax consequences. In addition, this summary does not address state, local or foreign tax consequences of the Plan, and it does not purport to address the federal income tax consequences of the Plan to special classes of taxpayers (including, but not limited to, foreign taxpayers, broker-dealers, banks, insurance companies, financial institutions, small business investment corporations, regulated investment companies, tax-exempt organizations, or investors in pass through entities).

THE FOLLOWING SUMMARY OF CERTAIN MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES IS FOR INFORMATIONAL PURPOSES ONLY AND IS NOT A SUBSTITUTE FOR CAREFUL TAX PLANNING AND ADVICE BASED ON THE INDIVIDUAL CIRCUMSTANCES PERTAINING TO A PARTICULAR CREDITOR OR INTEREST HOLDER. ALL CREDITORS AND INTEREST HOLDERS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS IN DETERMINING THE U.S. FEDERAL, STATE, LOCAL, AND OTHER TAX CONSEQUENCES TO THEM UNDER THE PLAN.

A. Federal Income Tax Consequences to the Debtors

1. Debtor's NOL Carryover

The Debtors had an aggregate net operating loss carryover for federal income tax purposes through December 31, 2011. Subject to the discussion below under "Reduction of Debtors' Indebtedness" and "The Ownership Change," the Debtors may use the net operating loss carryover and any additional loss incurred in 2012 prior to the confirmation of the Plan (collectively referred to as the "NOLs") to offset their future federal income and thereby reduce their federal income tax liability.

2. Reduction of Debtors' Indebtedness

To the extent that the amount paid by the Debtors to satisfy the Claims (*i.e.*, the amount of money, the issue price of Debtor's obligations and the fair market value of other property, including newly issued stock of a Debtor) is less than the amount owed, the Debtors will realize a discharge of indebtedness income. While discharge of indebtedness generally must be included in a taxpayer's gross income, because the discharge of indebtedness that arises in this case will occur in a Title 11 bankruptcy case, the discharge of indebtedness may be excluded from the Debtors' gross income. To the extent that discharge of indebtedness arising in this case is excluded from the Debtors' gross income, the amount of such excluded discharge of indebtedness income will be applied to reduce certain of the Debtors' tax attributes existing as of the first day of the year following the year of the discharge, including, among other items, the NOLs and the adjusted tax bases of the Debtors' assets.

3. The Ownership Change

Because the Debtors will be held in their entirety by BTMK or another purchaser, the Plan will result in an "ownership change" with respect to the Debtors within the meaning of Section 382 of Code. As a result, the Debtors' NOLs that would otherwise be available (taking into account the potential reduction in the amount of the NOLs noted above) to offset income of the Debtor may be subject to a limitation as to their future use.

Also, special rules applicable to ownership changes of consolidated groups and ownership changes occurring in a bankruptcy case may impact the amount of the Debtors' NOLs that will be available to offset future income or may subject the NOLs to a limitation as to their future use.

B. Federal Income Tax Consequences to Creditors

1. In General

The federal income tax consequences of the implementation of the Plan to a Creditor will depend, among other things, on (a) whether the Creditor receives consideration in more than one tax year, (b) whether all of the consideration received by the Creditor is deemed to be received by that Creditor as part of an integrated transaction, (c) whether the Creditor reports income using the accrual or cash method of accounting, and (d) whether the Creditor has previously taken a bad debt deduction or worthless security deduction with respect to the Claim.

A Creditor generally will recognize gain or loss in connection with the implementation of the Plan in an amount equal to the difference between the Creditor's (i) amount realized with respect to its

Claim (except to the extent attributable to accrued but unpaid interest on the Claim, which generally will be treated as ordinary income) and (ii) tax basis in its Claim. In the case of a Creditor whose existing Claim does not constitute a capital asset, the gain or loss realized on the exchange will give rise to ordinary income or loss. In the case of a Creditor whose existing Claim constitutes a capital asset in its hands, the gain or loss required to be recognized generally will be classified as a capital gain or loss.

2. Backup Withholding and Information Reporting

Under the Code, interest, dividends and other "reportable payments" may, under certain circumstances, be subject to "backup withholding." Backup withholding generally applies if the holder: (i) fails to furnish its social security number or other taxpayer identification number ("TIN"), (ii) furnishes an incorrect TIN, (iii) fails to report interest or dividends, or (iv) 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.

C. Federal Income Tax Consequences to Interest Holders

Under the Plan, all outstanding Interests in the Debtors will be cancelled. As a result, each Interest holder generally will be entitled to a worthless stock deduction under Section 165(g) of the Code. Such deduction will be viewed for federal income tax purposes, as resulting from a sale or exchange of stock in the Debtors The loss from the worthlessness of the this stock generally will constitute a capital loss to the Interest holders, subject to applicable deductibility limitations.

BECAUSE THE TAX CONSEQUENCES RESULTING FROM THE IMPLEMENTATION OF THE PLAN DEPEND ON EACH CREDITOR'S AND INTEREST HOLDER'S PARTICULAR SITUATION, IT IS IMPERATIVE THAT CREDITOR AND INTEREST HOLDER SEEK ITS OWN TAX COUNSEL WITH RESPECT TO THE PLAN.

XII. MISCELLANEOUS PROVISIONS

As specified in section 1125(e) of the Bankruptcy Code, persons that solicit acceptances or rejections of the Plan and/or that participate in the offer, issuance, sale, or purchase of securities offered or sold under the Plan, in good faith and in compliance with the applicable provisions of the Bankruptcy Code, are not liable, on account of such solicitation or participation, for violation of any applicable law, rule, or regulation governing the solicitation of acceptances or rejections of the Plan or the offer, issuance, sale, or purchase of securities.

XIII. CONCLUSION

This Disclosure Statement has attempted to provide information regarding the Debtors' estates and the potential benefits that might accrue to holders of Claims against and Interests under the Plan as proposed. The Plan is the result of extensive efforts by the Proponent and its advisors to provide the Debtors' Creditors with a meaningful dividend. The Proponent believes that the Plan is feasible and will provide each holder of a Claim against the Debtors with an opportunity to receive greater benefits than those that would be received by any other alternative available to the Debtors. Therefore, the Proponent urges you to vote in favor of the Plan.

Through confirmation of the Plan, the Proponent believes that the Debtors can resolve all Claims that

have been, or could be, asserted against them in a timely and cost-effective manner. The Proponent believes that the Plan provides a mechanism to resolve and provide just compensation to all Claim holders. The Proponent believes that the Plan is fair to all parties-in-interest and should be approved by all persons entitled to vote.

Whether or not you expect to attend the Confirmation Hearing, which is scheduled for _____ a.m. Central Time, you must sign, date, and mail, hand deliver, or fax your Ballot as soon as possible for the purpose of having your vote count at such hearing. All votes must be received by the Proponent's counsel, as indicated on the Ballot, on or before **5:00 pm. Central Time on _____.** Any Ballot that is unsigned, illegible, or that fails to properly designate an acceptance or rejection of the Plan with an appropriate Claim amount may not be counted as a vote in favor of the Plan.

Dated: June 25, 2012

Respectfully submitted,

/s/ John D. Penn

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ATTORNEYS FOR BT AND MK ENERGY AND COMMODITIES, LLC

EXHIBITS TO DISCLOSURE STATEMENT

EXHIBIT "A"	**Chapter 7 Liquidation Analysis**
EXHIBIT "B"	**Projected Monthly Financial Data after Confirmation, Including Required Plan Payments**

EXHIBIT A

LIQUIDATION ANALYSIS

Liquidation Analysis of ReoStar Energy Corporation and Subsidiaries			
Asset		Estimated Recovery Low [1]	Estimated Recovery High [1]
Unrestricted Cash		$25,000	$53,751
Restricted Cash-Suspended Royalties		$90,174	$90,174
Notes Receivable		$50,000	$95,242
Due From Related Parties		$46,000	$840,000
Oil and Gas Property			
	Corsicana	$562,500	$843,750
	Barnett	$5,679,000	$6,363,000
Property & Equipment [2]			
	Office Equipment	$7,500	$15,000
	Work Over Rig	$150,000	$250,000
	Swab Rig	$35,000	$50,000
Gross Proceeds of Liquidation**		$6,645,174	$8,600,917
Post Petition Liabilities [3]			
	Suspended Royalty Payable	$90,174	$90,174
Liquidation Costs:			
	Wind down-Rent	$5,000	$5,000
	Wind down-Employees	$10,000	$10,000
	Wind down-Legal & Professional fees (attorneys, accountants, brokers)**	$200,000 [4]	$200,000 [4]
	Wind down-Trustee fees**	$226,111	$292,283
Funds Available for Creditors**		$6,113,889	$8,003,460

Allowed Claims: [5]			
	Class 1 – Secured Tax Claim**	$22,250	$22,250
	Class 2.1 – Secured M&M Lienholder Claims	$0	$0
	Class 2.2 – Allowed BTMK Secured Claim**	$6,091,639	$7,981,210
	Chapter 11 Administrative Claims	$0	$0
	Class 3 – Allowed Non-Tax Priority Unsecured Claims	$0	$0
	Class 4 – Allowed General Unsecured Claims	$0	$0
	Class 5 – Subordinated and Penalty Claims	$0	$0
	Class 6 – Interests	$0	$0
	Class 7 – Subordinated Interests	$0	$0

Notes	1	All amounts are non-binding and, unless noted otherwise, were taken from the liquidation analysis attached as Exhibit C to the Debtors' Third Amended Disclosure Statement.
	2	The Debtors may have additional equipment that is not included in this list. Accordingly, the list shall not limit the Proponent's recovery or rights.
	3	The Debtors included as a post-petition liability $850,004 as "Related Party Payables (Rife Energy for Inglish 15 and Inglish 16). This was not included in the Liquidation Analysis because such liability was not reflected in the Debtors' Monthly Operating Reports.
	4	BTMK estimates the Debtors' wind down legal and professional costs at $200,000, rather than the $400,000 asserted by the Debtors.
	5	The Debtors included as an allowed claim $62,226 as "Allowed Examiner Fees," however, the Examiner's fees have been approved and presumably paid; therefore, BTMK did not include the Examiner's fees as an allowed claim in this liquidation analysis.
	**	The liquidation values are less than BTMK's Secured Claim. It is possible that BTMK would be allowed to foreclose upon its collateral which would leave little, if any, remaining assets to be distributed to creditors. A foreclosure would also substantially reduce, if not eliminate, the need for additional professional fees and expenses to be incurred or paid to wind down the Debtors.

EXHIBIT B

PLAN PROJECTIONS

BUSINESS PLAN 5 YEAR CALCULATIONS - REORGANIZED REOSTAR

Today	6/23/2012	
Reorganized ReoStar (BTMK Plan of Reorganization)	Effective Date	1-Oct-12
Plan Projections	Days	100
(Dollar amounts in thousands)		

	Month and Date																	
Month Count	-	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
	10/1/2012	11/1/2012	12/1/2012	1/1/2013	2/1/2013	3/1/2013	4/1/2013	5/1/2013	6/1/2013	7/1/2013	8/1/2013	9/1/2013	10/1/2013	11/1/2013	12/1/2013	1/1/2014	2/1/2014	3/1/2014
Assumptions (Linear Interpolation Utilized for Monthly Prices Based on Year End Futures)																		
Oil ($/bbl)	$95.00	$95.00	$95.00	$95.00	$95.00	$95.00	$95.00	$97.00	$97.00	$97.00	$97.00	$97.00	$97.00	$97.00	$97.00	$97.00	$97.00	$97.00
Gas ($/mcf)	$2.80	$2.80	$2.80	$2.80	$2.80	$2.80	$2.80	$3.60	$3.60	$3.60	$3.60	$3.60	$3.60	$3.60	$3.60	$3.60	$3.60	$3.60
NGL ($/gal)	$1.20	$1.20	$1.20	$1.20	$1.20	$1.20	$1.20	$1.30	$1.30	$1.30	$1.30	$1.30	$1.30	$1.30	$1.30	$1.30	$1.30	$1.30
Estimated Inflation Rate	1.60%	1.60%	1.60%	1.60%	1.60%	1.60%	1.70%	1.70%	1.70%	1.70%	1.70%	1.70%	1.70%	1.70%	1.70%	1.70%	1.70%	1.70%
Producing Well Count		**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**1**	**1**	**2**	**2**	**3**	**3**	**3**
Revenues (net of Royalty)																		
Existing net cash flow	$100	$100	$100	$100	$100	$100	$100	$100	$100	$100	$100	$100	$100	$100	$100	$100	$100	$100
Well 1												$809	$624	$536	$465	$420	$388	$357
Well 2														$809	$624	$536	$465	$420
Well 3																$809	$624	$536
Well 4																		
Well 5																		
Well 6																		
Well 7																		
Well 8																		
Well 9																		
Well 10																		
Well 11																		
Well 12																		
Well 13																		
Well 14																		
Well 15																		
Gross Revenues	$100.00	$100.00	$100.00	$100.00	$100.00	$100.00	$100.00	$100.00	$100.00	$100.00	$100.00	$909.22	$723.68	$1,445.14	$1,188.77	$1,864.79	$1,576.34	$1,412.84
Taxes																		
Production Tax	$4.60	$4.60	$4.60	$4.60	$4.60	$4.60	$4.60	$4.60	$4.60	$4.60	$4.60	$41.82	$33.29	$66.48	$54.68	$85.78	$72.51	$64.99
Ad Valorem Tax	$2.40	$2.40	$2.40	$2.40	$2.40	$2.40	$2.40	$2.40	$2.40	$2.40	$2.40	$21.82	$17.37	$34.68	$28.53	$44.75	$37.83	$33.91
Total Taxes	$7.00	$7.00	$7.00	$7.00	$7.00	$7.00	$7.00	$7.00	$7.00	$7.00	$7.00	$63.65	$50.66	$101.16	$83.21	$130.54	$110.34	$98.90
Revenues Net of Taxes	$93.00	$93.00	$93.00	$93.00	$93.00	$93.00	$93.00	$93.00	$93.00	$93.00	$93.00	$845.58	$673.02	$1,343.98	$1,105.55	$1,734.25	$1,465.99	$1,313.95
Operating Expenses																		
Lease Operating Expense	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$7.11	$7.12	$14.26	$14.28	$21.45	$21.48	$21.51
Net Operating Income	$93.00	$93.00	$93.00	$93.00	$93.00	$93.00	$93.00	$93.00	$93.00	$93.00	$93.00	$838.47	$665.90	$1,329.72	$1,091.27	$1,712.80	$1,444.51	$1,292.43
SG&A	$40.00	$40.00	$40.00	$40.00	$40.00	$40.00	$40.00	$100.00	$100.00	$100.00	$100.00	$105.08	$105.09	$110.19	$110.20	$115.32	$115.34	$115.37
Net Revenues from Operations	$53.00	$53.00	$53.00	$53.00	$53.00	$53.00	$53.00	($7.00)	($7.00)	($7.00)	($7.00)	$733.39	$560.82	$1,219.54	$981.07	$1,597.48	$1,329.17	$1,177.07
Plan Payments																		
Class 1 Secured Tax Claims	$22.50																	
Class 2.2 Secured Claims of BTMK		$70.00	$70.00	$70.00	$70.00	$70.00	$70.00	$70.00	$70.00	$70.00	$70.00	$70.00	$70.00	$70.00	$70.00	$70.00	$70.00	$70.00
Class 3 Secured Tax Claims	$1.78																	
Class 4 General Unsecured Claims		$32.08	$32.08	$32.08	$32.08	$32.08	$32.08	$32.08	$32.08	$32.08	$32.08	$32.08	$32.08	$32.08	$32.08	$32.08	$32.08	$32.08
Plan Payments	$24.28	$102.08	$102.08	$102.08	$102.08	$102.08	$102.08	$102.08	$102.08	$102.08	$102.08	$102.08	$102.08	$102.08	$102.08	$102.08	$102.08	$102.08
Net Revenues After Plan Payments	$28.72	($49.08)	($49.08)	($49.08)	($49.08)	($49.08)	($49.08)	($109.08)	($109.08)	($109.08)	($109.08)	$631.31	$458.73	$1,117.45	$878.99	$1,495.40	$1,227.09	$1,074.98
CAPEX																		
Drilling and Completion Costs	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$1,815.35	$1,969.42	$1,820.50	$1,975.00	$1,825.66	$1,980.60	$0.00	$0.00	$0.00	$1,838.63	$1,994.67	$1,843.84
Well Abandonment	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Total CAPEX	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$1,815.35	$1,969.42	$1,820.50	$1,975.00	$1,825.66	$1,980.60	$0.00	$0.00	$0.00	$1,838.63	$1,994.67	$1,843.84
Net Revenues After CAPEX	$28.72	($49.08)	($49.08)	($49.08)	($49.08)	($49.08)	($1,864.44)	($2,078.50)	($1,929.58)	($2,084.09)	($1,934.75)	($1,349.30)	$458.73	$1,117.45	$878.99	($343.23)	($767.59)	($768.86)

Closing Activity	
Receive Existing Cash	($145.00)
Pay Fees & Expenses	$1,500.00
Closing Activity Total Cost	$1,355.00

Net Revenues After Closing Activities	($1,326.28)	($49.08)	($49.08)	($49.08)	($49.08)	($49.08)	($1,864.44)	($2,078.50)	($1,929.58)	($2,084.09)	($1,934.75)	($1,349.30)	$458.73	$1,117.45	$878.99	($343.23)	($767.59)	($768.86)
Year End Net Revenues for Rough Tax Calculation (July Fiscal Year End)													($12,353.62)					
Rough Tax Liability/Credit													($3,706.09)					
Cumulative Tax Liability/Credit													($3,706.09)					
Tax to be Paid													$0.00					
Net Income After Tax	($1,326.28)												$458.73					
Financing Activities																		
BT Direct Equity Funding	$2,600.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Net Cash flow After Equity Funding	$1,273.72	($49.08)	($49.08)	($49.08)	($49.08)	($49.08)	($1,864.44)	($2,078.50)	($1,929.58)	($2,084.09)	($1,934.75)	($1,349.30)	$458.73	$1,117.45	$878.99	($343.23)	($767.59)	($768.86)
Cumulative Cash Reserves Before Financing Facility	$1,273.72	$1,224.64	$1,175.55	$1,126.47	$1,077.39	$1,028.30	($836.13)	($2,914.64)	($4,844.22)	($6,928.31)	($8,863.06)	($10,212.35)	($9,753.62)	($8,636.17)	($7,757.18)	($8,100.41)	($8,868.00)	($9,636.86)
Drawdown on Financing Facility	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$1,186.13	$2,078.50	$1,937.99	$2,107.21	$1,971.60	$1,401.08	$0.00	$0.00	$0.00	$0.00	$721.06	$832.42
Repayment of Financing Facility	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$1,709.11	$0.00	$0.00	$0.00
Outstanding Financing Facility	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$1,186.13	$3,264.64	$5,202.62	$7,309.84	$9,281.43	$10,682.51	$10,682.51	$10,682.51	$8,973.40	$8,973.40	$9,694.47	$10,526.89
Interest On Facility Financing		$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$8.40	$23.12	$36.85	$51.78	$65.74	$75.67	$75.67	$75.67	$63.56	$63.56	$68.67
Net Cash flow After Financing Facility	$1,273.72	($49.08)	($49.08)	($49.08)	($49.08)	($49.08)	($678.30)	($8.40)	($14.72)	($13.73)	($14.93)	($13.97)	$383.06	$1,041.79	($905.79)	($406.80)	($110.09)	($5.11)
Cumulative Company Cash After Financing Facility	$1,273.72	$1,224.64	$1,175.55	$1,126.47	$1,077.39	$1,028.30	$350.00	$341.60	$326.88	$313.15	$298.22	$284.26	$667.32	$1,709.11	$803.32	$396.52	$286.44	$281.33

Peak Financing Requirement	$16,035.97
Peak Equity Financing Requirement	$3,960.91
Peak Financing Line Utilization	$13,435.97
Peak External Financing	$12,075.06

BUSINESS PLAN 5 YEAR CALCULATIONS - REORGANIZ

Today
Reorganized ReoStar (BTMK Plan of Reorganization)
Plan Projections
(Dollar amounts in thousands)

Month Count	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40
	4/1/2014	5/1/2014	6/1/2014	7/1/2014	8/1/2014	9/1/2014	10/1/2014	11/1/2014	12/1/2014	1/1/2015	2/1/2015	3/1/2015	4/1/2015	5/1/2015	6/1/2015	7/1/2015	8/1/2015	9/1/2015	10/1/2015	11/1/2015	12/1/2015	1/1/2016	2/1/2016
Assumptions (Linear Interpolation Utilized for Monthly Prices Based																							
Oil ($/bbl)	$97.00	$97.00	$97.00	$97.00	$97.00	$97.00	$97.00	$97.00	$97.00	$97.00	$97.00	$97.00	$97.00	$97.00	$97.00	$97.00	$97.00	$97.00	$97.00	$97.00	$97.00	$97.00	$97.00
Gas ($/mcf)	$3.87	$3.87	$3.87	$3.87	$3.87	$3.87	$3.87	$3.87	$3.87	$3.87	$3.87	$3.87	$4.10	$4.10	$4.10	$4.10	$4.10	$4.10	$4.10	$4.10	$4.10	$4.10	$4.10
NGL ($/gal)	$1.40	$1.40	$1.40	$1.40	$1.40	$1.40	$1.40	$1.40	$1.40	$1.40	$1.40	$1.40	$1.50	$1.50	$1.50	$1.50	$1.50	$1.50	$1.50	$1.50	$1.50	$1.50	$1.50
Estimated Inflation Rate	1.80%	1.80%	1.80%	1.80%	1.80%	1.80%	1.80%	1.80%	1.80%	1.80%	1.80%	1.80%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Producing Well Count	**3**	**3**	**4**	**4**	**5**	**5**	**6**	**6**	**6**	**6**	**6**	**6**	**6**	**6**	**7**	**7**	**8**	**8**	**9**	**9**	**9**	**9**	**9**
Revenues (net of Royalty)																							
Existing net cash flow	$100	$0																					
Well 1	$337	$317	$288	$276	$266	$237	$232	$227	$222	$217	$212	$190	$186	$181	$177	$173	$170	$175	$172	$170	$168	$165	$163
Well 2	$388	$357	$337	$317	$288	$276	$266	$237	$232	$227	$222	$217	$212	$190	$186	$181	$177	$173	$170	$175	$172	$170	$168
Well 3	$465	$420	$388	$357	$337	$317	$288	$276	$266	$237	$232	$227	$222	$217	$212	$190	$186	$181	$177	$173	$170	$175	$172
Well 4			$809	$624	$536	$465	$420	$388	$357	$337	$317	$288	$276	$266	$237	$232	$227	$222	$217	$212	$190	$186	$181
Well 5					$809	$624	$536	$465	$420	$388	$357	$337	$317	$288	$276	$266	$237	$232	$227	$222	$217	$212	$190
Well 6							$809	$624	$536	$465	$420	$388	$357	$337	$317	$288	$276	$266	$237	$232	$227	$222	$217
Well 7															$809	$624	$536	$465	$420	$388	$357	$337	$317
Well 8																	$809	$624	$536	$465	$420	$388	$357
Well 9																			$809	$624	$536	$465	$420
Well 10																							
Well 11																							
Well 12																							
Well 13																							
Well 14																							
Well 15																							
Gross Revenues	$1,289.67	$1,093.67	$1,822.03	$1,574.12	$2,236.78	$1,919.30	$2,551.45	$2,216.94	$2,032.98	$1,870.57	$1,759.25	$1,646.29	$1,569.67	$1,479.80	$2,214.69	$1,955.20	$2,618.35	$2,338.40	$2,964.88	$2,659.88	$2,455.78	$2,318.89	$2,185.02
Taxes																							
Production Tax	$59.32	$50.31	$83.81	$72.41	$102.89	$88.29	$117.37	$101.98	$93.52	$86.05	$80.93	$75.73	$72.20	$68.07	$101.88	$89.94	$120.44	$107.57	$136.38	$122.35	$112.97	$106.67	$100.51
Ad Valorem Tax	$30.95	$26.25	$43.73	$37.78	$53.68	$46.06	$61.23	$53.21	$48.79	$44.89	$42.22	$39.51	$37.67	$35.52	$53.15	$46.92	$62.84	$56.12	$71.16	$63.84	$58.94	$55.65	$52.44
Total Taxes	$90.28	$76.56	$127.54	$110.19	$156.57	$134.35	$178.60	$155.19	$142.31	$130.94	$123.15	$115.24	$109.88	$103.59	$155.03	$136.86	$183.28	$163.69	$207.54	$186.19	$171.90	$162.32	$152.95
Revenues Net of Taxes	$1,199.39	$1,017.11	$1,694.49	$1,463.93	$2,080.21	$1,784.95	$2,372.85	$2,061.76	$1,890.68	$1,739.63	$1,636.10	$1,531.05	$1,459.79	$1,376.21	$2,059.66	$1,818.34	$2,435.07	$2,174.71	$2,757.33	$2,473.69	$2,283.88	$2,156.56	$2,032.07
Operating Expenses																							
Lease Operating Expense	$21.57	$21.61	$28.85	$28.90	$36.17	$36.23	$43.54	$43.60	$43.67	$43.73	$43.80	$43.87	$44.15	$44.23	$51.68	$51.77	$59.26	$59.36	$66.89	$67.00	$67.12	$67.23	$67.34
Net Operating Income	$1,177.82	$995.50	$1,665.64	$1,435.04	$2,044.03	$1,748.72	$2,329.31	$2,018.16	$1,847.01	$1,695.90	$1,592.30	$1,487.18	$1,415.64	$1,331.99	$2,007.98	$1,766.57	$2,375.80	$2,115.35	$2,690.44	$2,406.68	$2,216.76	$2,089.34	$1,964.73
SG&A	$115.41	$115.43	$120.61	$120.64	$125.84	$125.88	$131.10	$131.15	$131.19	$131.24	$131.29	$131.33	$131.54	$131.59	$136.92	$136.98	$142.33	$142.40	$147.78	$147.86	$147.94	$148.02	$148.10
Net Revenues from Operations	$1,062.41	$880.07	$1,545.03	$1,314.40	$1,918.19	$1,622.85	$2,198.21	$1,887.01	$1,715.81	$1,564.66	$1,461.02	$1,355.85	$1,284.10	$1,200.40	$1,871.06	$1,629.59	$2,233.47	$1,972.95	$2,542.66	$2,258.82	$2,068.82	$1,941.32	$1,816.63
Plan Payments																							
Class 1 Secured Tax Claims																							
Class 2.2 Secured Claims of BTMK	$70.00	$70.00	$70.00	$70.00	$70.00	$70.00	$70.00	$70.00	$70.00	$70.00	$70.00	$70.00	$70.00	$70.00	$70.00	$70.00	$70.00	$70.00	$70.00	$70.00	$70.00	$70.00	$70.00
Class 3 Secured Tax Claims																							
Class 4 General Unsecured Claims	$32.08	$32.08	$32.08	$32.08	$32.08	$32.08	$32.08	$32.08	$32.08	$32.08	$32.08	$32.08	$32.08	$32.08	$32.08	$32.08	$32.08	$32.08	$32.08				
Plan Payments	$102.08	$102.08	$102.08	$102.08	$102.08	$102.08	$102.08	$102.08	$102.08	$102.08	$102.08	$102.08	$102.08	$102.08	$102.08	$102.08	$102.08	$102.08	$102.08				
Net Revenues After Plan Payments	$960.32	$777.99	$1,442.95	$1,212.31	$1,816.11	$1,520.76	$2,096.13	$1,784.93	$1,613.73	$1,462.57	$1,358.93	$1,253.77	$1,182.02	$1,098.31	$1,768.98	$1,527.51	$2,131.39	$1,870.87	$2,440.58	$2,258.82	$2,068.82	$1,941.32	$1,816.63
CAPEX																							
Drilling and Completion Costs	$2,003.33	$1,852.00	$2,009.34	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$1,874.34	$2,033.58	$1,879.97	$2,049.89	$1,895.36	$2,056.73	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$1,920.78	$2,084.32
Well Abandonment	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Total CAPEX	$2,003.33	$1,852.00	$2,009.34	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$1,874.34	$2,033.58	$1,879.97	$2,049.89	$1,895.36	$2,056.73	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$1,920.78	$2,084.32
Net Revenues After CAPEX	($1,043.00)	($1,074.01)	($566.39)	$1,212.31	$1,816.11	$1,520.76	$2,096.13	$1,784.93	$1,613.73	($411.76)	($674.65)	($626.20)	($867.88)	($797.05)	($287.75)	$1,527.51	$2,131.39	$1,870.87	$2,440.58	$2,258.82	$2,068.82	$20.53	($267.69)

Closing Activity
Receive Existing Cash
Pay Fees & Expenses
Closing Activity Total Cost

Net Revenues After Closing Activities	($1,043.00)	($1,074.01)	($566.39)	$1,212.31	$1,816.11	$1,520.76	$2,096.13	$1,784.93	$1,613.73	($411.76)	($674.65)	($626.20)	($867.88)	($797.05)	($287.75)	$1,527.51	$2,131.39	$1,870.87	$2,440.58	$2,258.82	$2,068.82	$20.53	($267.69)
Year End Net Revenues for Rough Tax Calculation (July Fiscal Year End)							$4,537.40												$9,799.84				
Rough Tax Liability/Credit							$1,361.22												$2,939.95				
Cumulative Tax Liability/Credit							($2,344.87)												$595.08				
Tax to be Paid							$0.00												$595.08				
Net Income After Tax							$2,096.13												$1,845.49				
Financing Activities																							
BT Direct Equity Funding	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Net Cash flow After Equity Funding	($1,043.00)	($1,074.01)	($566.39)	$1,212.31	$1,816.11	$1,520.76	$2,096.13	$1,784.93	$1,613.73	($411.76)	($674.65)	($626.20)	($867.88)	($797.05)	($287.75)	$1,527.51	$2,131.39	$1,870.87	$1,845.49	$2,258.82	$2,068.82	$20.53	($267.69)
Cumulative Cash Reserves Before Financing Facility	($10,679.86)	($11,753.88)	($12,320.27)	($11,107.96)	($9,291.85)	($7,771.08)	($5,674.96)	($3,890.03)	($2,276.30)	($2,688.06)	($3,362.71)	($3,988.91)	($4,856.79)	($5,653.84)	($5,941.59)	($4,414.08)	($2,282.69)	($411.83)	$1,433.67	$3,692.49	$5,761.32	$5,781.85	$5,514.17
Drawdown on Financing Facility	$1,111.67	$1,148.58	$648.83	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$1,472.95	$651.65	$903.76	$837.55	$334.66	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Repayment of Financing Facility	$0.00	$0.00	$0.00	$0.00	$1,376.57	$1,720.94	$1,435.34	$2,022.90	$1,721.86	$1,565.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$1,769.46	$2,076.18	$1,828.19	$1,817.53	$302.58	$0.00	$0.00
Outstanding Financing Facility	$11,638.56	$12,787.14	$13,435.97	$13,435.97	$12,059.40	$10,338.46	$8,903.12	$6,880.23	$5,158.36	$3,593.37	$5,066.32	$5,717.97	$6,621.74	$7,459.29	$7,793.94	$7,793.94	$6,024.48	$3,948.30	$2,120.10	$302.58	$0.00	$0.00	$0.00
Interest On Facility Financing	$74.57	$82.44	$90.58	$95.17	$95.17	$85.42	$73.23	$63.06	$48.73	$36.54	$25.45	$35.89	$40.50	$46.90	$52.84	$55.21	$55.21	$42.67	$27.97	$15.02	$2.14	$0.00	$0.00
Net Cash flow After Financing Facility	($5.90)	($7.87)	($8.14)	$1,117.14	$344.37	($285.60)	$587.56	($301.03)	($156.87)	($2,013.30)	$772.85	($10.43)	($4.62)	($6.40)	($5.93)	$1,472.30	$306.72	($247.99)	($10.67)	$426.28	$1,764.10	$20.53	($267.69)
Cumulative Company Cash After Financing Facility	$275.43	$267.56	$259.42	$1,376.57	$1,720.94	$1,435.34	$2,022.90	$1,721.86	$1,565.00	($448.30)	$324.55	$314.11	$309.50	$303.10	$297.16	$1,769.46	$2,076.18	$1,828.19	$1,817.53	$2,243.81	$4,007.91	$4,028.45	$3,760.76

Peak Financing Requirement
Peak Equity Financing Requirement
Peak Financing Line Utilization
Peak External Financing

BUSINESS PLAN 5 YEAR CALCULATIONS - REORGANIZ

Today
Reorganized ReoStar (BTMK Plan of Reorganization)
Plan Projections
(Dollar amounts in thousands)

Month Count	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64
	3/1/2016	4/1/2016	5/1/2016	6/1/2016	7/1/2016	8/1/2016	9/1/2016	10/1/2016	11/1/2016	12/1/2016	1/1/2017	2/1/2017	3/1/2017	4/1/2017	5/1/2017	6/1/2017	7/1/2017	8/1/2017	9/1/2017	10/1/2017	11/1/2017	12/1/2017	1/1/2018	2/1/2018
Assumptions (Linear Interpolation Utilized for Monthly Prices Based																								
Oil ($/bbl)	$97.00	$97.00	$97.00	$97.00	$97.00	$97.00	$97.00	$97.00	$97.00	$97.00	$97.00	$97.00	$97.00	$97.00	$97.00	$97.00	$97.00	$97.00	$97.00	$97.00	$97.00	$97.00	$97.00	
Gas ($/mcf)	$4.10	$4.40	$4.40	$4.40	$4.40	$4.40	$4.40	$4.40	$4.40	$4.40	$4.40	$4.40	$4.40	$4.50	$4.50	$4.50	$4.50	$4.50	$4.50	$4.50	$4.50	$4.50	$4.50	
NGL ($/gal)	$1.50	$1.60	$1.60	$1.60	$1.60	$1.60	$1.60	$1.60	$1.60	$1.60	$1.60	$1.60	$1.60	$1.70	$1.70	$1.70	$1.70	$1.70	$1.70	$1.70	$1.70	$1.70	$1.70	
Estimated Inflation Rate	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	
Producing Well Count	**9**	**9**	**9**	**10**	**10**	**11**	**11**	**12**	**12**	**12**	**12**	**12**	**12**	**12**	**12**	**13**	**13**	**14**	**14**	**15**	**15**	**15**	**15**	**TOTALS**
Revenues (net of Royalty)																								
Existing net cash flow																								$1,800
Well 1	$161	$159	$157	$155	$153	$151	$156	$155	$154	$152	$151	$150	$149	$147	$146	$145	$144	$142	$146	$145	$144	$142	$141	$140
Well 2	$165	$163	$161	$159	$157	$155	$153	$151	$156	$155	$154	$152	$151	$150	$149	$147	$146	$145	$144	$142	$146	$145	$144	$142
Well 3	$170	$168	$165	$163	$161	$159	$157	$155	$153	$151	$156	$155	$154	$152	$151	$150	$149	$147	$146	$145	$144	$142	$146	$145
Well 4	$177	$173	$170	$175	$172	$170	$168	$165	$163	$161	$159	$157	$155	$153	$151	$156	$155	$154	$152	$151	$150	$149	$147	$146
Well 5	$186	$181	$177	$173	$170	$175	$172	$170	$168	$165	$163	$161	$159	$157	$155	$153	$151	$156	$155	$154	$152	$151	$150	$149
Well 6	$212	$190	$186	$181	$177	$173	$170	$175	$172	$170	$168	$165	$163	$161	$159	$157	$155	$153	$151	$156	$155	$154	$152	$151
Well 7	$288	$276	$266	$237	$232	$227	$222	$217	$212	$190	$186	$181	$177	$173	$170	$175	$172	$170	$168	$165	$163	$161	$159	$157
Well 8	$337	$317	$288	$276	$266	$237	$232	$227	$222	$217	$212	$190	$186	$181	$177	$173	$170	$175	$172	$170	$168	$165	$163	$161
Well 9	$388	$357	$337	$317	$288	$276	$266	$237	$232	$227	$222	$217	$212	$190	$186	$181	$177	$173	$170	$175	$172	$170	$168	$165
Well 10				$809	$624	$536	$465	$420	$388	$357	$337	$317	$288	$276	$266	$237	$232	$227	$222	$217	$212	$190	$186	$181
Well 11						$809	$624	$536	$465	$420	$388	$357	$337	$317	$288	$276	$266	$237	$232	$227	$222	$217	$212	$190
Well 12								$809	$624	$536	$465	$420	$388	$357	$337	$317	$288	$276	$266	$237	$232	$227	$222	$217
Well 13																$809	$624	$536	$465	$420	$388	$357	$337	$317
Well 14																		$809	$624	$536	$465	$420	$388	$357
Well 15																				$809	$624	$536	$465	$420
Gross Revenues	$2,084.22	$1,985.17	$1,907.57	$2,646.15	$2,400.05	$3,067.97	$2,784.00	$3,415.89	$3,107.52	$2,900.60	$2,759.54	$2,622.11	$2,517.76	$2,415.20	$2,334.11	$3,076.79	$2,827.95	$3,500.68	$3,211.86	$3,848.54	$3,535.28	$3,325.56	$3,178.91	$122,347.82
Taxes																								
Production Tax	$95.87	$91.32	$87.75	$121.72	$110.40	$141.13	$128.06	$157.13	$142.95	$133.43	$126.94	$120.62	$115.82	$111.10	$107.37	$141.53	$130.09	$161.03	$147.75	$177.03	$162.62	$152.98	$146.23	$5,628.00
Ad Valorem Tax	$50.02	$47.64	$45.78	$63.51	$57.60	$73.63	$66.82	$81.98	$74.58	$69.61	$66.23	$62.93	$60.43	$57.96	$56.02	$73.84	$67.87	$84.02	$77.08	$92.37	$84.85	$79.81	$76.29	$2,936.35
Total Taxes	$145.90	$138.96	$133.53	$185.23	$168.00	$214.76	$194.88	$239.11	$217.53	$203.04	$193.17	$183.55	$176.24	$169.06	$163.39	$215.38	$197.96	$245.05	$224.83	$269.40	$247.47	$232.79	$222.52	
Revenues Net of Taxes	$1,938.33	$1,846.21	$1,774.04	$2,460.91	$2,232.05	$2,853.21	$2,589.12	$3,176.78	$2,890.00	$2,697.55	$2,566.38	$2,438.56	$2,341.52	$2,246.13	$2,170.73	$2,861.42	$2,629.99	$3,255.64	$2,987.03	$3,579.15	$3,287.82	$3,092.77	$2,956.38	$113,783.47
Operating Expenses																								
Lease Operating Expense	$67.45	$67.56	$67.68	$75.32	$75.45	$83.13	$83.27	$90.99	$91.14	$91.29	$91.45	$91.60	$91.75	$91.90	$92.06	$99.89	$100.06	$107.94	$108.12	$116.03	$116.23	$116.42	$116.61	$3,322.13
Net Operating Income	$1,870.88	$1,778.64	$1,706.37	$2,385.59	$2,156.60	$2,770.08	$2,505.85	$3,085.79	$2,798.85	$2,606.26	$2,474.93	$2,346.96	$2,249.77	$2,154.23	$2,078.67	$2,761.52	$2,529.93	$3,147.70	$2,878.91	$3,463.11	$3,171.59	$2,976.35	$2,839.77	$110,461.34
SG&A	$148.18	$148.26	$148.34	$153.80	$153.89	$159.38	$159.48	$164.99	$165.10	$165.21	$165.32	$165.43	$165.54	$165.65	$165.75	$171.35	$171.47	$177.10	$177.23	$182.88	$183.02	$183.16	$183.30	$8,312.95
Net Revenues from Operations	$1,722.70	$1,630.38	$1,558.03	$2,231.79	$2,002.71	$2,610.70	$2,346.37	$2,920.80	$2,633.75	$2,441.05	$2,309.61	$2,181.53	$2,084.23	$1,988.58	$1,912.91	$2,590.17	$2,358.46	$2,970.60	$2,701.68	$3,280.23	$2,988.57	$2,793.19	$2,656.47	$102,148.39
Plan Payments																								
Class 1 Secured Tax Claims																								
Class 2.2 Secured Claims of BTMK	$70.00	$70.00	$70.00	$70.00	$70.00	$70.00	$70.00	$70.00	$70.00	$70.00	$70.00	$70.00	$70.00	$70.00	$70.00	$70.00	$70.00	$70.00	$70.00	$456.17				$4,586.17
Class 3 Secured Tax Claims																								
Class 4 General Unsecured Claims																								$1,155.00
Plan Payments																								$3,675.00
Net Revenues After Plan Payments	$1,722.70	$1,630.38	$1,558.03	$2,231.79	$2,002.71	$2,610.70	$2,346.37	$2,920.80	$2,633.75	$2,441.05	$2,309.61	$2,181.53	$2,084.23	$1,988.58	$1,912.91	$2,590.17	$2,358.46	$2,970.60	$2,701.68	$3,280.23	$2,988.57	$2,793.19	$2,656.47	
CAPEX																								
Drilling and Completion Costs	$1,927.19	$2,091.27	$1,933.62	$2,098.25	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$1,959.55	$2,126.39	$1,966.09	$2,133.48	$1,972.65	$2,140.60								
Well Abandonment	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00		
Total CAPEX	$1,927.19	$2,091.27	$1,933.62	$2,098.25	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$1,959.55	$2,126.39	$1,966.09	$2,133.48	$1,972.65	$2,140.60	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$59,072.41
Net Revenues After CAPEX	($204.49)	($460.89)	($375.59)	$133.55	$2,002.71	$2,610.70	$2,346.37	$2,920.80	$2,633.75	$2,441.05	$350.06	$55.15	$118.14	($144.90)	($59.73)	$449.57	$2,358.46	$2,970.60	$2,701.68	$3,280.23	$2,988.57	$2,793.19	$2,656.47	

Closing Activity
Receive Existing Cash
Pay Fees & Expenses
Closing Activity Total Cost

Net Revenues After Closing Activities	($204.49)	($460.89)	($375.59)	$133.55	$2,002.71	$2,610.70	$2,346.37	$2,920.80	$2,633.75	$2,441.05	$350.06	$55.15	$118.14	($144.90)	($59.73)	$449.57	$2,358.46	$2,970.60	$2,701.68	$3,280.23	$2,988.57	$2,793.19	$2,656.47	
Year End Net Revenues for Rough Tax Calculation (July Fiscal Year End)								$15,494.22												$20,074.86				
Rough Tax Liability/Credit								$4,648.27												$6,022.46				
Cumulative Tax Liability/Credit								$4,648.27												$6,022.46				
Tax to be Paid								$4,648.27												$6,022.46				
Net Income After Tax								($1,727.47)												($2,742.23)				
Financing Activities																								
BT Direct Equity Funding	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	
Net Cash flow After Equity Funding	($204.49)	($460.89)	($375.59)	$133.55	$2,002.71	$2,610.70	$2,346.37	($1,727.47)	$2,633.75	$2,441.05	$350.06	$55.15	$118.14	($144.90)	($59.73)	$449.57	$2,358.46	$2,970.60	$2,701.68	($2,742.23)	$2,988.57	$2,793.19	$2,656.47	
Cumulative Cash Reserves Before Financing Facility	$5,309.67	$4,848.78	$4,473.19	$4,606.74	$6,609.45	$9,220.15	$11,566.52	$9,839.05	$12,472.80	$14,913.85	$15,263.91	$15,319.06	$15,437.20	$15,292.30	$15,232.57	$15,682.14	$18,040.60	$21,011.20	$23,712.88	$20,970.66	$23,959.23	$26,752.42	$29,408.89	
Drawdown on Financing Facility	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	
Repayment of Financing Facility	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	
Outstanding Financing Facility	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	
Interest On Facility Financing	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	
Net Cash flow After Financing Facility	($204.49)	($460.89)	($375.59)	$133.55	$2,002.71	$2,610.70	$2,346.37	($1,727.47)	$2,633.75	$2,441.05	$350.06	$55.15	$118.14	($144.90)	($59.73)	$449.57	$2,358.46	$2,970.60	$2,701.68	($2,742.23)	$2,988.57	$2,793.19	$2,656.47	
Cumulative Company Cash After Financing Facility	$3,556.26	$3,095.38	$2,719.78	$2,853.33	$4,856.04	$7,466.74	$9,813.11	$8,085.64	$10,719.39	$13,160.45	$13,510.50	$13,565.65	$13,683.80	$13,538.90	$13,479.16	$13,928.74	$16,287.19	$19,257.79	$21,959.48	$19,217.25	$22,205.82	$24,999.01	$27,655.48	

Peak Financing Requirement
Peak Equity Financing Requirement
Peak Financing Line Utilization
Peak External Financing