Hearing Date: April 28, 2016 at 10:00 a.m. (prevailing Eastern Time)

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Counsel to the Debtors and Debtors in Possession

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re:	)	Chapter 11
SABINE OIL & GAS CORPORATION, *et al.*,[1]	)	Case No. 15-11835 (SCC)
Debtors.	)	(Jointly Administered)

NOTICE OF FILING OF DISCLOSURE STATEMENT FOR SECOND AMENDED JOINT CHAPTER 11 PLAN OF REORGANIZATION OF SABINE OIL & GAS CORPORATION AND ITS DEBTOR AFFILIATES

PLEASE TAKE NOTICE that on January 26, 2016 the Debtors filed the *Disclosure Statement for Amended Joint Chapter 11 Plan of Reorganization of Sabine Oil & Gas Corporation and its Debtor Affiliates* [Docket No. 749]

PLEASE TAKE FURTHER NOTICE that on March 31, 2016 the Debtors filed the *Disclosure Statement for Amended Joint Chapter 11 Plan of Reorganization of Sabine Oil & Gas Corporation and its Debtor Affiliates* [Docket No. 927] (the "Disclosure Statement").

[1] The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's federal tax identification number, include: Sabine Oil & Gas Corporation (4900); Giant Gas Gathering LLC (3438); Sabine Bear Paw Basin LLC (2656); Sabine East Texas Basin LLC (8931); Sabine Mid-Continent Gathering LLC (6085); Sabine Mid-Continent LLC (6939); Sabine Oil & Gas Finance Corporation (2567); Sabine South Texas Gathering LLC (1749); Sabine South Texas LLC (5616); and Sabine Williston Basin LLC (4440). The location of Debtor Sabine Oil & Gas Corporation's corporate headquarters and the Debtors' service address is: 1415 Louisiana, Suite 1600, Houston, Texas 77002.

PLEASE TAKE FURTHER NOTICE that the Debtors hereby file the D*isclosure Statement for Second Amended Joint Chapter 11 Plan of Reorganization of Sabine Oil & Gas Corporation and Its Debtor Affiliates* attached hereto as **Exhibit A**.

PLEASE TAKE FURTHER NOTICE that a redline reflecting the changes from the Disclosure Statement filed on March 31, 2016 is attached hereto as **Exhibit B**.

PLEASE TAKE FURTHER NOTICE that the hearing to consider approval of the Disclosure Statement will be held before the Honorable Shelley S. Chapman, United States Bankruptcy Judge, in Courtroom 623, One Bowling Green, New York, New York on **April 28, 2016 at 10:00 a.m.** (prevailing Eastern Time) or as soon thereafter as counsel may be heard.

Dated: April 27, 2016
New York, New York

/s/ Jonathan S. Henes

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EXHIBIT A

Disclosure Statement

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UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re:	)	Chapter 11
SABINE OIL & GAS CORPORATION, *et al.*,[1]	)	Case No. 15-11835 (SCC)
Debtors.	)	(Jointly Administered)

DISCLOSURE STATEMENT FOR SECOND AMENDED JOINT CHAPTER 11 PLAN OF REORGANIZATION OF SABINE OIL & GAS CORPORATION AND ITS DEBTOR AFFILIATES

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

Dated: April 27, 2016

[1] The debtors in these chapter 11 cases (the "Debtors"), along with the last four digits of each Debtor's federal tax identification number, include: Sabine Oil & Gas Corporation (4900); Giant Gas Gathering LLC (3438); Sabine Bear Paw Basin LLC (2656); Sabine East Texas Basin LLC (8931); Sabine Mid-Continent Gathering LLC (6085); Sabine Mid-Continent LLC (6939); Sabine Oil & Gas Finance Corporation (2567); Sabine South Texas Gathering LLC (1749); Sabine South Texas LLC (5616); and Sabine Williston Basin LLC (4440). The location of Debtor Sabine Oil & Gas Corporation's corporate headquarters and the Debtors' service address is: 1415 Louisiana, Suite 1600, Houston, Texas 77002.

SOLICITATION OF VOTES ON THE SECOND AMENDED JOINT CHAPTER 11 PLAN OF REORGANIZATION OF SABINE OIL & GAS CORPORATION AND ITS DEBTOR AFFILIATES PURSUANT TO CHAPTER 11 OF THE BANKRUPTCY CODE FROM THE HOLDERS OF OUTSTANDING:

Voting Class	Name of Class Under the Plan
Class 3	RBL Secured Claims
Class 4a	Second Lien Adequate Protection Claims
Class 4b	Second Lien Deficiency Claims
Class 5a	2017 Senior Notes Claims
Class 5b	2019 Senior Notes Claims
Class 5c	2020 Senior Notes Claims
Class 6	General Unsecured Claims
Class 7	Convenience Claims

IF YOU ARE IN ONE OF THESE CLASSES, YOU ARE RECEIVING THIS DOCUMENT AND THE ACCOMPANYING MATERIALS BECAUSE YOU ARE ENTITLED TO VOTE ON THE PLAN.

THE DEADLINE TO VOTE ON THE PLAN IS JUNE [3], 2016 AT [5:00 P.M.] (PREVAILING EASTERN TIME). FOR YOUR VOTE TO BE COUNTED, YOUR BALLOT MUST BE ACTUALLY RECEIVED BY THE NOTICE AND CLAIMS AGENT BEFORE THE VOTING DEADLINE AS DESCRIBED HEREIN.

THE DEBTORS ARE PROVIDING THE INFORMATION IN THIS DISCLOSURE STATEMENT FOR THE PURPOSE OF SOLICITING VOTES TO ACCEPT THE *SECOND AMENDED JOINT CHAPTER 11 PLAN OF REORGANIZATION OF SABINE OIL & GAS CORPORATION AND ITS DEBTOR AFFILIATES*. NOTHING IN THIS DISCLOSURE STATEMENT MAY BE RELIED UPON OR USED BY ANY ENTITY FOR ANY OTHER PURPOSE. BEFORE DECIDING WHETHER TO VOTE FOR OR AGAINST THE PLAN, EACH HOLDER ENTITLED TO VOTE SHOULD CAREFULLY CONSIDER ALL OF THE INFORMATION IN THIS DISCLOSURE STATEMENT, INCLUDING THE RISK FACTORS DESCRIBED IN ARTICLE IX HEREIN.

THE PLAN IS SUPPORTED BY THE DEBTORS, THE RBL AGENT, AND THE SECOND LIEN AGENT, EACH OF WHOM URGES HOLDERS OF CLAIMS WHOSE VOTES ARE BEING SOLICITED TO ACCEPT THE PLAN. THE DEBTORS FURTHER URGE EACH HOLDER OF A CLAIM TO CONSULT WITH ITS OWN ADVISORS WITH RESPECT TO ANY LEGAL, FINANCIAL, SECURITIES, TAX, OR BUSINESS ADVICE IN REVIEWING THIS DISCLOSURE STATEMENT, THE PLAN, AND EACH OF THE PROPOSED TRANSACTIONS CONTEMPLATED THEREBY BEFORE CASTING A VOTE WITH RESPECT TO THE PLAN. THE BANKRUPTCY COURT'S APPROVAL OF THE ADEQUACY OF THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT DOES NOT CONSTITUTE THE BANKRUPTCY COURT'S APPROVAL OF THE PLAN.

THIS DISCLOSURE STATEMENT CONTAINS, AMONG OTHER THINGS, SUMMARIES OF THE PLAN, CERTAIN STATUTORY PROVISIONS, AND CERTAIN EVENTS IN THE DEBTORS' CHAPTER 11 CASES. ALTHOUGH THE DEBTORS BELIEVE THAT THESE SUMMARIES ARE FAIR AND ACCURATE, THESE SUMMARIES ARE QUALIFIED IN THEIR ENTIRETY TO THE EXTENT THAT THEY DO NOT SET FORTH THE ENTIRE TEXT OF SUCH DOCUMENTS OR STATUTORY PROVISIONS OR EVERY DETAIL OF SUCH EVENTS. IN THE EVENT OF ANY INCONSISTENCY OR DISCREPANCY BETWEEN A DESCRIPTION IN THIS DISCLOSURE STATEMENT AND THE TERMS AND PROVISIONS OF THE PLAN OR ANY OTHER DOCUMENTS INCORPORATED HEREIN BY REFERENCE, THE PLAN OR SUCH OTHER DOCUMENTS WILL GOVERN FOR ALL PURPOSES. FACTUAL INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT HAS BEEN PROVIDED BY THE DEBTORS' MANAGEMENT EXCEPT WHERE OTHERWISE SPECIFICALLY NOTED. THE DEBTORS DO NOT REPRESENT OR WARRANT THAT THE INFORMATION CONTAINED HEREIN OR ATTACHED HERETO IS WITHOUT ANY MATERIAL INACCURACY OR OMISSION.

THIS DISCLOSURE STATEMENT HAS BEEN PREPARED IN ACCORDANCE WITH SECTION 1125 OF THE BANKRUPTCY CODE AND BANKRUPTCY RULE 3016(B) AND IS NOT NECESSARILY PREPARED IN ACCORDANCE WITH FEDERAL OR STATE SECURITIES LAWS OR OTHER SIMILAR LAWS.

THIS DISCLOSURE STATEMENT WAS NOT FILED WITH THE SECURITIES AND EXCHANGE COMMISSION (THE "SEC") OR ANY STATE AUTHORITY AND NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE AUTHORITY HAVE PASSED UPON THE ACCURACY OR ADEQUACY OF THIS DISCLOSURE STATEMENT OR UPON THE MERITS OF THE PLAN.

THE SECURITIES TO BE ISSUED PURSUANT TO THE PLAN HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 (THE "SECURITIES ACT") OR SIMILAR STATE SECURITIES OR "BLUE SKY" LAWS. THE SECURITIES TO BE ISSUED IN CONNECTION WITH THE PLAN HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SEC OR BY ANY STATE SECURITIES COMMISSION OR SIMILAR PUBLIC, GOVERNMENTAL, OR REGULATORY AUTHORITY, AND NEITHER THE SEC NOR ANY SUCH AUTHORITY HAS PASSED UPON THE ACCURACY OR ADEQUACY OF THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT OR UPON THE MERITS OF THE PLAN. SEE ARTICLE XII OF THIS DISCLOSURE STATEMENT FOR IMPORTANT SECURITIES LAW DISCLOSURES.

IN PREPARING THIS DISCLOSURE STATEMENT, THE DEBTORS RELIED ON FINANCIAL DATA DERIVED FROM THE DEBTORS' BOOKS AND RECORDS AND ON VARIOUS ASSUMPTIONS REGARDING THE DEBTORS' BUSINESSES. WHILE THE DEBTORS BELIEVE THAT SUCH FINANCIAL INFORMATION FAIRLY REFLECTS THE FINANCIAL CONDITION OF THE DEBTORS AS OF THE DATE HEREOF, OR SUCH OTHER DATES AS ARE SPECIFICALLY NOTED HEREIN, AND THAT THE ASSUMPTIONS REGARDING FUTURE EVENTS REFLECT REASONABLE BUSINESS JUDGMENTS, NO REPRESENTATIONS OR WARRANTIES ARE MADE AS TO THE ACCURACY OF THE FINANCIAL INFORMATION CONTAINED HEREIN OR ASSUMPTIONS REGARDING THE DEBTORS' BUSINESSES AND THEIR FUTURE RESULTS AND OPERATIONS. THE DEBTORS EXPRESSLY CAUTION READERS NOT TO PLACE UNDUE RELIANCE ON ANY FORWARD-LOOKING STATEMENTS CONTAINED HEREIN.

CERTAIN STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT, INCLUDING PROJECTED FINANCIAL INFORMATION AND OTHER FORWARD-LOOKING STATEMENTS, ARE BASED ON ESTIMATES AND ASSUMPTIONS. THERE CAN BE NO ASSURANCE THAT SUCH STATEMENTS WILL BE REFLECTIVE OF ACTUAL OUTCOMES. FORWARD-LOOKING STATEMENTS ARE PROVIDED IN THIS DISCLOSURE STATEMENT PURSUANT TO THE SAFE HARBOR ESTABLISHED UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995 AND SHOULD BE EVALUATED IN THE CONTEXT OF THE ESTIMATES, ASSUMPTIONS, UNCERTAINTIES, AND RISKS DESCRIBED IN THIS DISCLOSURE STATEMENT.

THIS DISCLOSURE STATEMENT DOES NOT CONSTITUTE, AND MAY NOT BE CONSTRUED AS, AN ADMISSION OF FACT, LIABILITY, STIPULATION, OR WAIVER. THE DEBTORS MAY SEEK TO INVESTIGATE, FILE, AND PROSECUTE CLAIMS AND MAY OBJECT TO CLAIMS AFTER THE CONFIRMATION OR EFFECTIVE DATE OF THE PLAN IRRESPECTIVE OF WHETHER THIS DISCLOSURE STATEMENT IDENTIFIES ANY SUCH CLAIMS OR OBJECTIONS TO CLAIMS.

THE DEBTORS ARE MAKING THE STATEMENTS AND PROVIDING THE FINANCIAL INFORMATION CONTAINED IN THE DISCLOSURE STATEMENT AS OF THE DATE HEREOF, UNLESS OTHERWISE SPECIFICALLY NOTED. ALTHOUGH THE DEBTORS MAY SUBSEQUENTLY UPDATE THE INFORMATION IN THIS DISCLOSURE STATEMENT, THE DEBTORS HAVE NO AFFIRMATIVE DUTY TO DO SO, AND EXPRESSLY DISCLAIM ANY DUTY TO PUBLICLY UPDATE ANY FORWARD-LOOKING STATEMENTS, WHETHER AS A RESULT OF NEW INFORMATION, FUTURE EVENTS, OR OTHERWISE. HOLDERS OF CLAIMS REVIEWING THIS DISCLOSURE STATEMENT SHOULD NOT INFER THAT, AT THE TIME OF THEIR REVIEW, THE FACTS SET FORTH HEREIN HAVE NOT BEEN CHANGED SINCE THE DISCLOSURE STATEMENT WAS FILED. INFORMATION CONTAINED HEREIN IS SUBJECT TO COMPLETION, MODIFICATION, OR AMENDMENT. THE DEBTORS RESERVE THE RIGHT TO FILE AN AMENDED OR MODIFIED PLAN AND RELATED DISCLOSURE STATEMENT FROM TIME TO TIME, SUBJECT TO THE TERMS OF THE PLAN.

THE DEBTORS HAVE NOT AUTHORIZED ANY ENTITY TO GIVE ANY INFORMATION ABOUT OR CONCERNING THE PLAN OTHER THAN THAT WHICH IS CONTAINED IN THIS DISCLOSURE STATEMENT. THE DEBTORS HAVE NOT AUTHORIZED ANY REPRESENTATIONS CONCERNING THE DEBTORS OR THE VALUE OF THEIR PROPERTY OTHER THAN AS SET FORTH IN THIS DISCLOSURE STATEMENT.

IF THE PLAN IS CONFIRMED BY THE BANKRUPTCY COURT AND THE EFFECTIVE DATE OCCURS, ALL HOLDERS OF CLAIMS AND INTERESTS (INCLUDING THOSE HOLDERS OF CLAIMS WHO DO NOT SUBMIT BALLOTS TO ACCEPT OR REJECT THE PLAN, OR WHO ARE NOT ENTITLED TO VOTE ON THE PLAN) WILL BE BOUND BY THE TERMS OF THE PLAN AND THE RESTRUCTURING TRANSACTIONS CONTEMPLATED THEREBY.

ALL EXHIBITS TO THE DISCLOSURE STATEMENT, ALONG WITH ALL DOCUMENTS FILED WITH THE SEC BY THE DEBTORS AND THEIR AFFILIATES, ARE INCORPORATED INTO AND ARE A PART OF THIS DISCLOSURE STATEMENT AS IF SET FORTH IN FULL IN THIS DISCLOSURE STATEMENT. THE DOCUMENTS FILED WITH THE SEC BY THE DEBTORS AND THEIR AFFILIATES ARE AVAILABLE FREE OF CHARGE ONLINE AT HTTP://WWW.SEC.GOV/EDGAR/SEARCHEDGAR/COMPANYSEARCH.HTML. THE DEBTORS ARE PROVIDING THE INFORMATION IN THIS DISCLOSURE STATEMENT TO HOLDERS OF CLAIMS AND INTERESTS FOR PURPOSES OF SOLICITING VOTES TO ACCEPT OR REJECT THE DEBTORS' JOINT PLAN OF REORGANIZATION PURSUANT TO CHAPTER 11 OF THE BANKRUPTCY CODE. NOTHING IN THIS DISCLOSURE STATEMENT MAY BE RELIED UPON OR USED BY ANY ENTITY FOR ANY OTHER PURPOSE. BEFORE DECIDING WHETHER TO VOTE FOR OR AGAINST THE PLAN, EACH HOLDER ENTITLED TO VOTE SHOULD CAREFULLY CONSIDER ALL OF THE INFORMATION IN THIS DISCLOSURE STATEMENT, INCLUDING THE RISK FACTORS DESCRIBED IN ARTICLE IX HEREIN.

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EXHIBITS

I. INTRODUCTION

Sabine Oil & Gas Corporation ("Sabine") and its Debtor affiliates, as debtors and debtors in possession, submit this disclosure statement (this "Disclosure Statement") pursuant to section 1125 of title 11 of the United States Code (the "Bankruptcy Code") to Holders of Claims against the Debtors in connection with the solicitation of acceptances of the *Second Amended Joint Chapter 11 Plan of Reorganization of Sabine Oil & Gas Corporation and Its Debtor Affiliates* (as may be amended, supplemented, and modified from time to time, the "Plan"),[2] dated March 30, 2016. The Plan provides for the reorganization of the Debtors as a going concern and the resolution of all Claims against and Interests in each of the 10 Debtors in these chapter 11 cases, and constitutes a separate chapter 11 plan of reorganization for each Debtor. The classifications set forth in Classes 1 through 10 shall be deemed to apply to each Debtor. Class 11 shall only apply to Sabine. Each Class of Claims against or Interests in the Debtors shall be deemed to constitute separate sub-Classes of Claims against and Interests in each of the Debtors, as applicable, and each such sub-Class shall vote as a single separate Class for each of the Debtors, as applicable, and the confirmation requirements of section 1129 of the Bankruptcy Code must be satisfied separately with respect to each of the Debtors.

THE DEBTORS, THE RBL AGENT, AND THE SECOND LIEN AGENT EACH BELIEVE THAT THE COMPROMISE AND SETTLEMENT CONTEMPLATED UNDER THE PLAN IS FAIR AND EQUITABLE, MAXIMIZES THE VALUE OF THE DEBTORS' ESTATES, AND PROVIDES THE BEST RECOVERY TO CLAIM HOLDERS.

THE BOARD OF MANAGERS OR DIRECTORS (AS APPLICABLE) OR THE SOLE MEMBER OF EACH OF THE DEBTORS HAS APPROVED THE TRANSACTIONS CONTEMPLATED BY THE PLAN AND DESCRIBED IN THIS DISCLOSURE STATEMENT AND THE DEBTORS, THE RBL AGENT, AND THE SECOND LIEN AGENT EACH RECOMMEND THAT ALL HOLDERS OF CLAIMS OR INTERESTS WHOSE VOTES ARE BEING SOLICITED SUBMIT BALLOTS TO ACCEPT THE PLAN.

[2] The Plan is attached hereto as **Exhibit A** and incorporated into this Disclosure Statement by reference. Capitalized terms used but not otherwise defined in this Disclosure Statement shall have the meanings ascribed to such terms in the Plan.

II. PRELIMINARY STATEMENT

The Debtors are an independent energy company engaged in the acquisition, production, exploration, and development of onshore oil and natural gas properties in the United States. The Debtors constitute the surviving business from the business combination (the "Combination") of Forest Oil Corporation ("Forest Oil") and Sabine Oil & Gas LLC ("Old Sabine" or "Legacy Sabine") first announced in May 2014 and consummated in December 2014.

A number of unexpected and unprecedented challenges crippled the Debtors' ability to both sustain their leveraged capital structure and commit the capital necessary for exploration and production prior to the Petition Date. The consummation of the Combination coincided with the beginning of a steep and prolonged decline in the price of oil. Since the announcement of the Combination in May 2014, the average monthly price of oil has fallen from $105 per barrel in May 2014 to $38 per barrel in March 2016. This decline, along with the continuation of dramatically low natural gas prices and general market uncertainty, has created a challenging operational environment for all exploration and production companies. In addition, several events in early 2015 constrained the Debtors' access to capital, including the commencement of litigation related to the Combination, a going concern qualification in the Debtors' annual audit, and a reduction of the borrowing base under the Debtors' senior credit facility.

This perfect storm of intrinsic and extrinsic events demanded swift and deliberate action from the Debtors to attempt to restore their financial health, and the Debtors aggressively attacked these challenges through a series of measures designed to increase available capital. Specifically, the Debtors drew all of the remaining availability on their senior credit facility to fund operations and keep their options open in a restructuring. They also divested unprofitable assets, reduced capital expenditures associated with drilling and completion costs for new wells, froze salaries, and decreased their workforce. In addition, the Debtors negotiated with all organized creditor groups to secure breathing room with respect to their financial obligations, and were able to obtain forbearance agreements from both groups of secured lenders. Despite these efforts, however, the persistence of negative market conditions and the resulting revenue decline rendered the Debtors unable to right-size their balance sheets through cost-cutting and self-help measures alone prior to the Petition Date. Unable to reach a sustainable agreement with their creditor constituencies, the Debtors chose to file for bankruptcy protection to reorganize their businesses and develop a new path forward.

On July 15, 2015 (the "Petition Date"), the Debtors filed voluntary petitions for relief under chapter 11 of the Bankruptcy Code in the Bankruptcy Court for the Southern District of New York (the "Bankruptcy Court"). Bankruptcy Judge Shelley C. Chapman was appointed as the presiding judge in the Debtors' chapter 11 cases.

The chapter 11 process provided the Debtors with breathing room from creditor demands and the opportunity to bring all parties to the table. At the outset of these chapter 11 cases, the Debtors sought and received approval from the Bankruptcy Court to continue their operations in the ordinary course of business, allowing them to continue to generate revenues and maintain relationships with customers and suppliers. Additionally, the Debtors retained a chief restructuring officer to oversee their restructuring efforts and allow the Debtors' officers to maintain their focus on the Debtors' businesses.

Over the past several months, the potential obstacles to achieving a consensual and comprehensive restructuring of the Debtors' capital structure and business operations crystallized. Many of the Debtors' stakeholders adopted opposing stances as to the merits and values of certain potential claims and causes of action that the Debtors' estates might possess. The Debtors worked tirelessly as an honest broker and arbiter between various parties on complex issues including, but not limited to, the use of cash collateral, the structure of an appropriate discovery process, the value and merits of numerous claims and causes of action, and the contours of a plan of reorganization. Following substantial negotiations on these and myriad other issues, the Debtors and several parties agreed, at the Bankruptcy Court's request, to enter into mediation while continuing to develop a plan of reorganization to ensure a timely and efficient resolution to these chapter 11 cases.

On January 29, 2016, after several days of mediation, the RBL Agent, the Second Lien Agent, and the Debtors agreed on the terms of the proposed restructuring transaction contemplated in the Plan, as more fully described below. The Plan, like the standalone plan filed by the Debtors on January 26, 2016, incorporates a release

and settlement of certain disputed claims or causes of action in exchange for a greater recovery to unsecured creditors.

III. OVERVIEW OF THE PLAN

On January 26, 2016, the Debtors filed their initial, standalone plan of reorganization [Docket No. 748] (the "Standalone Plan"). The Standalone Plan reflected what the Debtors believed was a fair allocation of value among creditors after taking into account: (a) the estimated value of the Debtors; (b) the decline in value of the Debtors' assets since the Petition Date, including the decrease in value of the Prepetition Collateral that results in a large adequate protection claim for the RBL Lenders; (c) the Debtors' view, after extensive analysis by the Independent Directors' Committee, that the Bucket I and Bucket III Claims did not have merit (other than with respect to the Adversary Proceeding commenced on the Petition Date); and (d) the Debtors' view, after extensive analysis, that even assuming a recovery to unsecured creditors on the Bucket II Claims, pursuit of such claims is not worth the cost associated with litigating those claims in light of the secured lenders' adequate protection claims, and thus should be settled in a plan of reorganization to preserve value for all of the Debtors' creditors. The Standalone Plan accordingly provided for a release of each of the Bucket I and Bucket III Claims, and for a settlement of each of the Bucket II Claims.

Although the Debtors filed the Standalone Plan without the support of any of their creditor constituencies, the terms of the restructuring transaction contemplated thereby served as a starting point for discussions with creditors. After several days of negotiations with each such creditor constituency following the Debtors' filing of the Standalone Plan in an attempt to reach a consensual path forward, the Debtors, the RBL Agent, and the Second Lien Agent agreed on the terms of the restructuring transaction and settlement contemplated in the Plan. Like the Standalone Plan, the Plan provides for the reorganization of the Debtors as a going concern and will significantly reduce the Debtors' long-term debt and annual interest payments. In addition, the Plan will result in a stronger, de-levered balance sheet for the Debtors while allowing creditors to participate in future upside in the Reorganized Debtors through warrants that have a ten-year term. Specifically, the Plan contemplates a restructuring of the Debtors through a debt-for-debt exchange, a debt-to-equity conversion, and the issuance of warrants to purchase stock in the Reorganized Debtors. The Plan also incorporates a settlement of the Bucket II Claims, which claims the Debtors do not believe are in the best interests of the estates to pursue, and the adequate protection claims of the RBL Agent and Second Lien Agent. As part of that settlement, and as an additional source of value not contemplated in the Standalone Plan, the RBL Lenders have agreed to forgo their Pro Rata share of New Common Stock and Warrants in the Reorganized Debtors on account of their deficiency claim, thereby increasing the recovery for unsecured creditors. The Plan also doubles the length of the term of the warrants to ten years, increasing the likelihood of future recovery for the Debtors' unsecured creditors as commodities prices rebound. In addition, unlike the Standalone Plan, the Plan provides the Second Lien Agent with a recovery on account of its claim for adequate protection.

The key terms of the Plan are as follows:

A. Exit Revolver Credit Facility

On the Effective Date, the Reorganized Debtors will enter into the Exit Revolver Credit Facility. The Exit Revolver Credit Facility, which will be provided by each of the RBL Lenders on account of its Pro Rata share of the Allowed RBL Secured Claims, will consist of a new reserve-based revolving credit facility under the Exit Revolver Credit Facility Agreement (a substantially final form of which shall be included in the Plan Supplement) secured by first priority security interests in and liens on substantially all of the Reorganized Debtors' assets (including Cash, which Cash shall be held in an account subject to a deposit account control agreement in form and substance reasonably satisfactory to the Exit Revolver Agent), with (a) initial commitments equal to $200 million, (b) deemed borrowings equal to $100 million on the Effective Date, of which up to $100 million shall be repaid by the Reorganized Debtors in Cash on the Effective Date, (c) an initial borrowing base of approximately $150 million on the Effective Date, (d) an interest rate of LIBOR plus three to four percent (3% to 4%), as determined by a utilization grid agreed by the Debtors and the RBL Agent, (e) a maturity date of December 31, 2020, and (f) such other terms as provided in the Exit Revolver Credit Facility Documents, which shall be acceptable to the Debtors and the RBL Agent; *provided* that to the extent Cash on the Debtors' balance sheet on the Effective Date is insufficient to repay the deemed draw, then the shortfall shall result in a drawn amount that remains outstanding under the Exit Revolver Credit Facility on and after the Effective Date until the Debtors repay such amount in accordance with the Exit Revolver Credit Facility.

B. New Second Lien Credit Facility

On the Effective Date, the Reorganized Debtors will enter into the New Second Lien Credit Facility. The New Second Lien Credit Facility will consist of a term loan under the New Second Lien Credit Facility Agreement (a substantially final form of which shall be included in the Plan Supplement) secured by second priority security interests in and liens on substantially all of the Reorganized Debtors' assets (including Cash, which Cash shall be held in an account subject to a deposit account control agreement in form and substance satisfactory to the New Second Lien Agent) with (a) a principal amount of $150 million, (b) an interest rate of LIBOR plus ten percent (10%), subject to a one percent (1%) floor, (c) annual amortization of one percent (1%), (d) a maturity date of December 31, 2021, and (e) such other terms as provided in the New Second Lien Credit Facility Documents which shall be acceptable to the Debtors and the RBL Agent; *provided* that if Cash on the Debtors' balance sheet exceeds $100 million on the Effective Date, then the first $100 million shall be used to repay the deemed draw and any excess amount thereafter shall be used to reduce the principal amount of the New Second Lien Credit Facility on the Effective Date (with such payment to be distributed Pro Rata to each of the RBL Lenders); *provided further* that no interest, fees or other amounts shall accrue or be charged with respect to the principal amounts deemed borrowed and repaid on the Effective Date using the Debtors' Cash on its balance sheet as set forth herein.

C. Issuance of New Common Stock and Warrants

The Holders of Allowed RBL Secured Claims will receive ninety-three percent (93%)[3] of the New Common Stock in the Reorganized Debtors (the "RBL Equity Pool"). The Holders of Allowed Second Lien Adequate Protection Claims will receive (a) five percent (5%) of the New Common Stock, and (b) one hundred percent (100%) of the Tranche 1 Warrants to be issued and outstanding as of the Effective Date (the "Second Lien Equity Pool"). All Holders of Allowed Second Lien Deficiency Claims, 2017 Senior Notes Claims, Allowed 2019 Senior Notes Claims, Allowed 2020 Senior Notes Claims, and Allowed General Unsecured Claims will share Pro Rata in (a) the remaining two percent (2%) of the New Common Stock and (b) one hundred percent (100%) of the Tranche 2 Warrants to be issued and outstanding as of the Effective Date (the "Unsecured Equity Pool"). If Class 3, Holders of Allowed RBL Secured Claims, votes to accept the Plan by the Voting Deadline, all Holders of Allowed RBL Deficiency Claims shall be conclusively deemed to have waived recoveries (but not the right to vote) under the Plan on account of the RBL Deficiency Claims or any portion thereof.

D. Settlement of Claims

The Plan incorporates a release and settlement (the "Settlement") of certain claims and causes of action that were asserted or could have been asserted by or against the Debtors. The Debtors or Reorganized Debtors (as the case may be) shall use the applicable proceeds of the Settlement to fund distributions under the Plan as part of the Second Lien Equity Pool and the Unsecured Equity Pool in accordance with Article III of the Plan. A more fulsome discussion of the Settlement is provided in Article IV.P of this Disclosure Statement.

E. Releases

The Plan contains certain releases (as described more fully in Article IV.Q hereof), including: (1) releases by the Debtors of (a) the RBL Agent, (b) the RBL Lenders, (c) the other RBL Released Parties, (d) the Second Lien Agent, (e) the Second Lien Lenders, (f) the Official Committee of Unsecured Creditors in these Chapter 11 Cases (the "Committee") and the Committee Members (as defined herein), (g) current direct and indirect Interest Holders in Sabine, (h) any Holder of a Claim or Interest, (i) the DTC, and (j) with respect to each of the Debtors, the Reorganized Debtors, and each of the foregoing Entities in clause (a) through (h), such Entity and its affiliates, and such Entity and its affiliates' current and former equity Holders (regardless of whether such interests are held directly or indirectly), predecessors, successors, and assigns, subsidiaries, and their current and former officers, directors, managers, principals, members, employees, agents, advisory board members, financial advisors, partners, attorneys, accountants, investment bankers, consultants, representatives, and other professionals, each in their capacity as such (the forgoing parties, but only if such party does not elect on its Ballot or Court-approved election form to opt out of the third party release contained in Article VIII.G of the Plan, the "Released Parties");

[3] All percentages of New Common Stock and Warrants described in this paragraph shall be subject to dilution by the Warrants and shares issued in connection with the Management Incentive Plan, as described in the Plan.

(2) releases, only by those holders of Claims or Interests that do not elect to opt out of the third party release provision contained in Article VIII.G of the Plan, of (a) the Debtors, (b) the Reorganized Debtors, and (c) the Released Parties; and (3) a mandatory release of (i) the RBL Agent, (ii) each of the RBL Lenders, (iii) each of the RBL Agent's and RBL Lender's respective affiliates and (iv) each of their and their respective affiliates' current and former equity Holders (regardless of whether such interests are held directly or indirectly), predecessors, successors, and assigns, subsidiaries, and their current and former officers, directors, managers, principals, members, employees, agents, advisory board members, financial advisors, partners, attorneys, accountants, investment bankers, consultants, representatives, and other professionals, each in their capacity as such.

Each Holder of a Claim or Interest that does not elect to opt out of the third party release provision contained in Article VIII.G of the Plan will be deemed to have expressly, unconditionally, generally, individually, and collectively released and discharged and released all Claims and Causes of Action against the Debtors, the Reorganized Debtors, and the Released Parties.

The Committee contends that the foregoing "opt out" mechanism for the third party release provision contained in Article VIII.G of the Plan is improper and that no optional releases are appropriate; alternatively, the Committee contends that such mechanism must at least be replaced with an "opt in" mechanism. An "opt in" mechanism would require that a Holder of a Claim or Interest grant the release contained in Article VIII.G of the Plan only if such Holder checks a box to affirmatively indicate that it elects to grant the release contained in Article VIII.G of the Plan. The Committee contends that such an "opt in" mechanism is the only means other than removing the release entirely of protecting Holders of Claims or Interests from inadvertently or involuntarily granting the release contained in Article VIII.G of the Plan. The Committee intends to object to these releases. The Debtors disagree with this analysis and intend to support the inclusion of all releases at the hearing on confirmation of the Plan (the "Confirmation Hearing").

The "opt out" mechanism described above applies only to the third party release provision contained in Article VIII.G of the Plan. Holders of a Claim or Interest have no ability to opt out of the release in favor of the RBL Agent, RBL Lenders, and other RBL Released Parties contained in Article VIII.B of the Plan, which provides, among other things, for a mandatory release of the RBL Agent, RBL Lenders, and other RBL Released Parties, by all Holders of a Claim or Interest in exchange for their substantial contribution to the Plan. The Committee intends to object to the mandatory releases.

F. Dissolution of the Committee

The Plan provides that on the Effective Date, the Committee shall dissolve and all members, advisors, employees, or agents thereof shall be released and discharged from all rights and duties arising from or related to the Chapter 11 Cases. As a result, the Plan further provides that the Reorganized Debtors shall not be responsible for paying any fees or expenses incurred by the members of or advisors to the Committee after the Effective Date.

The Committee contends that it should not be dissolved on the Effective Date of the Plan because such dissolution will cut off its ability to prosecute its pending appeal of the Court's STN Ruling and any other appeal(s) that the Committee may determine to bring, including, without limitation, with respect to this Disclosure Statement or the Plan. The Committee contends that each of such appeals has been validly brought in accordance with the statutory mandate and fiduciary duties of the Committee. Accordingly, the Committee contends that it should remain in existence until all appeals to which it is a party that are pending as of the Effective Date are resolved (whether by final non-appealable order or by final binding settlement). The Committee further contends that the Reorganized Debtors should continue to be responsible for paying the reasonable fees and/or expenses incurred by the members of, attorneys, and advisors to the Committee after the Effective Date until the Committee is dissolved as set forth in the immediately preceding sentence.

The Debtors, on the other hand, believe that the dissolution of the Committee as contemplated by the Plan is customary and proper and that they should not be required to continue to pay the fees and expenses incurred by the Committee's professionals in connection with the appeal or otherwise.

G. D&O and Lender Indemnification Obligations

Article V.E of the Plan provides that the Debtors' obligations to indemnify any individual who is serving or served as one of such Debtor's directors, officers or employees on or after the Petition Date will survive and be unaffected by entry of the Confirmation Order, irrespective of whether such indemnification is owed for an act or event occurring before or after the Petition Date. The survival of such indemnification obligations is covered by a "tail" policy, and as a result directors, officers, and employees are entitled to the full benefits of such tail coverage liability insurance regardless of whether they remain in such positions after the Effective Date of the Plan. In addition, Article IV.E of the Plan provides that the Debtors' indemnification obligations under the RBL Credit Facility Documents and the Second Lien Credit Facility Documents remain in full force and effect and will be enforceable against the Reorganized Debtors on and after the Effective Date. As part of the Settlement, the Debtors have agreed to let the indemnification obligations under the Prepetition Secured Credit Facilities survive the Effective Date. The Debtors have determined that the assumption and survival, respectively, of such indemnification provisions is in the best interests of the estates.

The Committee contends that (i) these indemnification obligations are prepetition, unsecured obligations, and may be otherwise subject to valid defenses, and (ii) the Bankruptcy Code requires, and it would be in the best interest of the estates to treat these obligations under the Plan such, that they terminate as of the Effective Date. For the reasons set forth above, the Debtors disagree.

H. Lender Fees

Article IV.Q of the Plan provides that on the Effective Date, the Reorganized Debtors shall pay in Cash the reasonable fees and expenses (to the extent not already paid and without duplication of payments) of the RBL Agent under the RBL Credit Facility and the Second Lien Agent under the Second Lien Credit Facility. Further, Article IV.E of the Plan provides that the Debtors' expense reimbursement obligations under the RBL Credit Facility and the Second Lien Credit Facility will remain in full force and effect following the Effective Date.

The Committee intends to object to the Plan on the basis of the foregoing proposed payments of postpetition and post-Effective Date fees and expenses of the Prepetition Secured Parties. The Committee notes that the Debtors have adduced evidence that the RBL Credit Facility is presently undersecured and the Second Lien Credit Facility is presently unsecured.

Nevertheless, the Debtors maintain that such payments are appropriate under the Cash Collateral Order, which provides for the payment of such fees and expenses to the RBL Agent and the Second Lien Agent. The Committee objected to the continued payment of adequate protection payments when the Debtors sought to extend the Expiration Date under the Cash Collateral Order. On April 7, 2016, the Bankruptcy Court ruled that the Debtors were permitted to continue to make adequate protection payments (including the reimbursement of fees and expenses) to the RBL Lenders and the Second Lien Lenders as provided under the Cash Collateral Order.

IV. QUESTIONS AND ANSWERS REGARDING THIS DISCLOSURE STATEMENT AND THE PLAN

A. What is Chapter 11?

Chapter 11 is the principal business reorganization chapter of the Bankruptcy Code. In addition to permitting debtor rehabilitation, chapter 11 promotes equality of treatment for similarly situated creditors and equity interest holders, subject to the priority of distributions prescribed by the Bankruptcy Code.

The commencement of a chapter 11 case creates an estate that comprises all of the legal and equitable interests of the debtor as of the date the chapter 11 case is commenced. The Bankruptcy Code provides that the debtor may continue to operate its business and remain in possession of its property as a "debtor in possession."

Consummating a plan is the principal objective of a chapter 11 case. A bankruptcy court's confirmation of a plan binds the debtor, any person acquiring property under the plan, any creditor or equity interest holder of the debtor, and any other entity as may be ordered by the bankruptcy court. Subject to certain limited exceptions, the

order issued by a bankruptcy court confirming a plan provides for the treatment of the debtor's liabilities in accordance with the terms of the confirmed plan.

B. Why are the Debtors sending me this Disclosure Statement?

The Debtors are seeking to obtain Bankruptcy Court approval of the Plan. Before soliciting acceptances of the Plan, section 1125 of the Bankruptcy Code requires the Debtors to prepare a disclosure statement containing adequate information of a kind, and in sufficient detail, to enable a hypothetical reasonable investor to make an informed judgment regarding acceptance of the Plan. This Disclosure Statement is being submitted in accordance with these requirements.

C. Am I Entitled to Vote on the Plan?

Your ability to vote on, and your distribution under, the Plan, if any, depends on what type of Claim or Interest you hold. Each category of Holders of Claims or Interests, as set forth in Article III of the Plan pursuant to section 1122(a) of the Bankruptcy Code, is referred to as a "Class." Each Class's respective voting status is set forth below.

Class	Claims and Interests	Status	Voting Rights
1	Other Priority Claims	Unimpaired	Not Entitled to Vote (Presumed to Accept)
2	Other Secured Claims	Unimpaired	Not Entitled to Vote (Presumed to Accept)
3	RBL Secured Claims	Impaired	Entitled to Vote
4a	Second Lien Adequate Protection Claims	Impaired	Not Entitled to Vote
4b	Second Lien Deficiency Claims	Impaired	Entitled to Vote
5a	2017 Senior Notes Claims	Impaired	Entitled to Vote
5b	2019 Senior Notes Claims	Impaired	Entitled to Vote
5c	2020 Senior Notes Claims	Impaired	Entitled to Vote
6	General Unsecured Claims	Impaired	Entitled to Vote
7	Convenience Claims	Impaired	Entitled to Vote
8	Section 510(b) Claims	Impaired	Not Entitled to Vote (Deemed to Reject)
9	Intercompany Claims	Impaired/Unimpaired	Not Entitled to Vote (Presumed to Accept/Deemed to Reject)
10	Intercompany Interests	Impaired/Unimpaired	Not Entitled to Vote (Presumed to Accept/Deemed to Reject)
11	Sabine Equity Interests	Impaired	Not Entitled to Vote (Deemed to Reject)

D. What will I receive from the Debtors if the Plan is consummated?

The following table provides a summary of the anticipated recovery to Holders of Claims and Interests under the Plan. Any estimates of Claims and Interests in this Disclosure Statement may vary from the final amounts allowed by the Bankruptcy Court. Your ability to receive distributions under the Plan depends upon the ability of the Debtors to obtain Confirmation and meet the conditions necessary to consummate the Plan.

THE PROJECTED RECOVERIES SET FORTH IN THE TABLE BELOW ARE ESTIMATES ONLY AND THEREFORE ARE SUBJECT TO CHANGE.[4] FOR A COMPLETE DESCRIPTION OF THE DEBTORS' CLASSIFICATION AND TREATMENT OF CLAIMS AND EQUITY INTERESTS, REFERENCE SHOULD BE MADE TO THE ENTIRE PLAN.

Class	Description of Class	Treatment of Claim/Equity Interest	Projected Amount of Claims[5]	Projected Recovery Under the Plan[6]
1	Other Priority Claims	Each Holder shall receive payment in full in cash, of the unpaid portion of its Allowed Other Priority Claim on the Effective Date or as soon thereafter as reasonably practicable (or, if payment is not then due, shall be paid in accordance with its terms) or pursuant to such other terms as may be agreed to by the Holder of an Allowed Other Priority Claim and the Debtors.	$162,175	100%
2	Other Secured Claims	Each Holder shall receive either (i) payment in full in cash of the unpaid portion of its Allowed Other Secured Claim on the Effective Date or as soon thereafter as reasonably practicable (or if payment is not then due, shall be paid in accordance with its terms), (ii) Reinstatement of its Claims, or (iii) such other recovery necessary to satisfy section 1129 of the Bankruptcy Code.	$0	100%
3	RBL Secured Claims	Each Holder shall receive its Pro Rata share of (i) the Segregated Cash Collateral (as defined in the Cash Collateral Order) and any other Cash of of the Debtors' balance sheet as of the Effective Date, (ii) the Exit Revolver Credit Facility as set forth in Article IV.B.2 of the Plan, (iii) the New Second Lien Credit Facility as set forth in Article IV.B.3 of the Plan, and (iv) the RBL Equity Pool. By operation of the Plan and acceptance of the Plan by Holders of RBL Secured Claims in Class 3, the RBL Lenders shall be deemed to have waived as of the Effective Date any distributions from Class 6 on account of the Allowed RBL Secured Claims (and any deficiency claim) in order to facilitate the Settlement and Confirmation of the Plan on a consensual basis.	$926,779,412.40 plus postpetition interest, fees, costs and charges in an amount to be determined	52.6%-69.1%
4a	Second Lien Adequate Protection Claims	Each Holder of an Allowed Second Lien Adequate Protection Claim shall receive its Pro Rata share of	$50 million	100%

4 The projected recoveries set forth herein and elsewhere in this disclosure statement are based on an analysis of the value of consideration to be distributed to Holders of Allowed Claims pursuant to the Plan. Such analysis relies on (and is highly sensitive to) various assumptions. Moreover, the estimated value of certain forms of consideration is theoretical in nature. For further detail, see the Debtors' Valuation Analysis, which is attached hereto as **Exhibit D**.

5 The projected amount of each Claim is an estimate only, and actual amounts may be more or less than those set forth herein based on, among other things, Allowed Claims arising from the rejection of Executory Contracts or Unexpired Leases and the resolution of disputed Claims.

6 The projected recovery is an estimate only, and actual amounts may be more or less than those set forth herein based on, among other things, Allowed Claims arising from the rejection of Executory Contracts or Unexpired Leases and the resolution of disputed Claims.

Class	Description of Class	Treatment of Claim/Equity Interest	Projected Amount of Claims[5]	Projected Recovery Under the Plan[6]
		the Second Lien Equity Pool.		
4b	Second Lien Deficiency Claims	Each Holder of an Allowed Second Lien Deficiency Claim shall receive, subject to applicable law, its Pro Rata share of the Unsecured Equity Pool. The New Common Stock and Tranche 2 Warrants in the Unsecured Equity Pool shall be distributed Pro Rata to Holders of Claims in Classes 4b, 5a, 5b, 5c and 6.	$668,193,301.70[7]	.9%-1.7%
5a	2017 Senior Notes Claims	Each Holder shall receive its Pro Rata share of the Unsecured Equity Pool. The New Common Stock and Tranche 2 Warrants in the Unsecured Equity Pool shall be distributed Pro Rata to Holders of Claims in Classes 4b, 5a, 5b, 5c and 6.	$364,123,958.33	.9%-1.7%
5b	2019 Senior Notes Claims	Each Holder shall receive its Pro Rata share of the Unsecured Equity Pool. The New Common Stock and Tranche 2 Warrants in the Unsecured Equity Pool shall be distributed Pro Rata to Holders of Claims in Classes 4b, 5a, 5b, 5c and 6.	$602,238,560.79	.9%-1.7%
5c	2020 Senior Notes Claims	Each Holder shall receive its Pro Rata share of the Unsecured Equity Pool. The New Common Stock and Tranche 2 Warrants in the Unsecured Equity Pool shall be distributed Pro Rata to Holders of Claims in Classes 4b, 5a, 5b, 5c and 6.	$227,592,906.88	.9%-1.7%
6	General Unsecured Claims[8]	Except to the extent that a Holder of an Allowed General Unsecured Claim agrees to less favorable treatment, each Holder of an Allowed General Unsecured Claim shall receive, subject to applicable law, its Pro Rata share of the Unsecured Equity Pool. The New Common Stock and Tranche 2 Warrants in the Unsecured Equity Pool shall be distributed Pro Rata to Holders of Claims in Classes 4b, 5a, 5b, 5c and 6.	$241,179,921.00	.9%-1.7%
7	Convenience Claims	Each Holder shall receive, subject to applicable law, Cash in an amount equal to three percent (3%) of such Holder's Allowed Claim.	$6,472,136	3%
8	Section 510(b) Claims	Each Section 510(b) Claim shall be discharged, cancelled, released, and extinguished without any distribution and Holders of Section 510(b) Claims will receive no recovery.	N/A[9]	0%
9	Intercompany Claims	At the Debtors' option, but in each case subject to the consent of the RBL Agent, which consent shall not be unreasonably withheld, each Intercompany	$2,380,688,956[10]	0%/100%

7 This number encompasses an estimate of projected adequate protection payments made through the Effective Date in accordance with the Cash Collateral Order. The actual amount of the Second Lien Deficiency Claims for purposes of Plan distributions will be adjusted on the Effective Date.

8 The projected amounts of General Unsecured Claims set forth herein assume no recovery on account of any deficiency with respect to the RBL Secured Claim. Actual Allowed amounts for General Unsecured Claims will depend upon, among other things, final reconciliation and resolution of all Claims, negotiation of cure amounts and the election of certain Holders to have their Claims treated as Convenience Claims. Consequently, the actual Allowed amounts may vary from the approximate amounts set forth herein.

9 The amount of such Claims does not impact any recovery or distribution because such Claims will be cancelled, released, and extinguished.

10 The amount of such Claims does not impact any recovery or distribution because such Claims will either be cancelled or Reinstated.

Class	Description of Class	Treatment of Claim/Equity Interest	Projected Amount of Claims[5]	Projected Recovery Under the Plan[6]
		Claim shall either be (i) cancelled (or otherwise eliminated) and receive no distribution under the Plan or (ii) Reinstated.		
10	Intercompany Interests	At the Debtors' option, but in each case subject to the consent of the RBL Agent, which consent shall not be unreasonably withheld, each Intercompany Interest shall either be (i) cancelled (or otherwise eliminated) and receive no distribution under the Plan or (ii) Reinstated.	N/A[11]	0%/100%
11	Sabine Equity Interests	Sabine Equity Interests shall be deemed canceled and extinguished, and shall be of no further force and effect, whether surrendered for cancelation or otherwise, and there shall be no distribution to Holders of Sabine Equity Interests on account of such Interests.	N/A[12]	0%

E. What will I receive from the Debtors if I hold an Allowed Administrative Claim or a Priority Tax Claim?

In accordance with section 1123(a)(1) of the Bankruptcy Code, Administrative Claims (including accrued Professional Compensation) and Priority Tax Claims have not been classified and, thus, are excluded from the Classes of Claims and Interests set forth in Article III of the Plan. Administrative Claims will be satisfied as set forth in Article II.A of the Plan, and Priority Tax Claims will be satisfied as set forth in Article II.C of the Plan.

The expenses of Wilmington Savings Fund Society, FSB, as indenture trustee for the Forest Oil 7.25% Unsecured Notes due 2019, and Delaware Trust Company, as indenture trustee for the Forest Oil 7.5% Unsecured Notes due 2020 (together, the "Forest Notes Trustees"), are not considered administrative expenses under the Plan. The Forest Notes Trustees believe that they (i) are entitled to an administrative expense claim, (ii) have a charging lien on all money or property held or collected by the Forest Notes Trustees to secure payment of their fees and expenses, and (iii) should continue in existence after the Effective Date of the Plan to execute certain rights an obligations relating to the interests of Holders of the Senior Notes under the Senior Notes Indentures.

F. Are any regulatory approvals required to consummate the Plan?

No. There are no known regulatory approvals that are required to consummate the Plan.

G. What happens to my recovery if the Plan is not confirmed or does not go effective?

In the event that the Plan is not confirmed or does not go effective, there is no assurance that the Debtors will be able to reorganize their businesses. It is possible that any alternative may provide Holders of Claims and Interests with less than they would have received pursuant to the Plan. For a more detailed description of the consequences of an extended chapter 11 case, or of a liquidation scenario, *see* the Liquidation Analysis attached hereto as **Exhibit E**.

H. If the Plan provides that I get a distribution, do I get it upon Confirmation or when the Plan goes effective, and what is meant by "Confirmation," "Effective Date," and "Consummation?"

"Confirmation" of the Plan refers to approval of the Plan by the Bankruptcy Court. Confirmation of the Plan does not guarantee that you will receive the distribution indicated under the Plan. After Confirmation of the

11 The amount of such Interests does not impact any recovery or distribution because such Claims will either be cancelled or Reinstated.

12 The amount of such interests does not impact any recovery or distribution because such Claims will be cancelled and extinguished.

Plan by the Bankruptcy Court, there are conditions that need to be satisfied or waived so that the Plan can become effective. Initial distributions to Holders of Allowed Claims will only be made on the date the Plan becomes effective—the "Effective Date"—or as soon as practicable thereafter, as specified in the Plan. *See* Article XI.A which begins on page 80 of this Disclosure Statement, for a discussion of the conditions precedent to consummation of the Plan.

I. What are the sources of Cash and other consideration required to fund the Plan?

The Plan will be funded by Cash on hand and a new exit revolver financing facility with an initial borrowing base equal to $150 million.

J. Will the Reorganized Debtors be obligated to continue to pay statutory fees after the Effective Date?

Yes. On the Effective Date, the Debtors will be required to pay in Cash any fees due and owing to the United States Trustee for Region 2 (the "U.S. Trustee") at the time of Confirmation. Additionally, on and after the Confirmation Date, the Reorganized Debtors must pay all statutory fees due and payable under 28 U.S.C. § 1930(a)(6) plus accrued interest under 31 U.S.C. § 3717, on all disbursements, including plan payments and disbursements inside and outside of the ordinary course of business until the entry of a final decree, dismissal or conversion of the cases to chapter 7. The Reorganized Debtors will also be required to comply with reporting requirements, such as filing quarterly post-Confirmation reports and scheduling quarterly post-Confirmation status conferences until the entry of a final decree, dismissal or conversion of the cases to chapter 7.

K. Are there risks to owning the New Common Stock upon emergence from chapter 11?

Yes. For further discussion, see Article IX, which begins on page 69 of this Disclosure Statement.

L. Is there potential litigation related to the Plan?

Parties-in-interest may object to the approval of this Disclosure Statement and/or Confirmation of the Plan, either of which could potentially give rise to litigation. *See* Article IX.A.1, which begins on page 69 of this Disclosure Statement.

In the event that it becomes necessary to confirm the Plan over the objection of certain Classes, the Debtors may seek confirmation of the Plan notwithstanding the dissent of such objecting Classes. The Bankruptcy Court may confirm the Plan pursuant to the "cramdown" provisions of the Bankruptcy Code, which allow the Bankruptcy Court to confirm a plan that has been rejected by an impaired Class if the Bankruptcy Court determines that the Plan satisfies section 1129(b) of the Bankruptcy Code. *See* Article XI.E, which begins on page 81 of this Disclosure Statement, for additional information.

M. What is the Management Incentive Plan and how will it affect the distribution I receive under the Plan?

On the Effective Date, New Holdco[13] shall be authorized to adopt the Management Incentive Plan, substantially in the form of the Management Incentive Plan Documents. The Management Incentive Plan shall reserve for issuance equity grants equal to seven percent (7%) of the New Common Stock (the "MIP Pool") on a fully diluted and fully distributed basis, of which five percent (5%) will be granted in the form of restricted stock awards or restricted stock unit awards within sixty (60) days of the Effective Date and allocated to management and employees within pre-determined allocation ranges at the discretion of the New Board of New Holdco (or an authorized committee of such New Board). Members of management, employees and directors of Reorganized Sabine may receive the remaining two percent (2%) of the MIP Pool in the form of restricted stock, restricted stock units, stock options or a combination thereof under the Management Incentive Plan as is determined from time to time by the New Board of New Holdco (or an authorized committee of such New Board).

[13] The structure of New Holdco is under discussion.

N. Will the final amount of Allowed General Unsecured Claims affect my recovery under the Plan?

Approximately 1,500 claims, including approximately $3.15 billion in claims listed or scheduled as unsecured (including the Senior Notes Claims and General Unsecured Claims), have been filed and/or scheduled in these Chapter 11 Cases since the Petition Date. Each Holder of a General Unsecured Claim shall receive its Pro Rata share of the Unsecured Equity Pool. For the avoidance of doubt, Class 6 shall not include any Claim that would otherwise be a General Unsecured Claim if the Holder of such Claim has elected to have such Claim treated as a Convenience Claim. Although the Debtors' estimate of General Unsecured Claims is the result of the Debtors' and their advisors' current estimate of available information, General Unsecured Claims actually asserted against the Debtors may be higher or lower than the Debtors' estimate provided herein, which difference could be material. Further, the Debtors or the Committee may object to certain proofs of claim, and any such objections could ultimately cause the total amount of General Unsecured Claims to change. These changes could affect recoveries for Holders of Claims in Classes 4b, 5a, 5b, 5c, and 6, and such changes could be material.

O. How will Claims asserted with respect to rejection damages affect my recovery under the Plan?

The Debtors estimate that the General Unsecured Claims include approximately $205 million in estimated Claims arising from the Debtors' rejection of Executory Contracts and Unexpired Leases. The Debtors are rejecting and in the future may reject certain Executory Contracts and Unexpired Leases, which may result in additional rejection damages claims not accounted for in this estimate. To the extent that the actual amount of rejection damages claims changes, the value of recoveries to holders of Claims in Classes 4b, 5a, 5b, 5c, and 6 could change as well, and such changes could be material.

P. What is the Settlement and how will the release of Settled Claims affect my recovery under the Plan?

As described below, the Debtors, with the assistance of their advisors, continued to investigate and evaluate certain claims and the reasonableness of a settlement and release of certain of those claims with an eye towards emergence and development of a plan of reorganization. As a result of this investigation, the Debtors concluded that the costs of pursuing litigation with respect to certain claims strongly outweighed any benefits to the Debtors' estates that might be obtained from litigating such claims. After a fifteen (15) day trial, the Bankruptcy Court agreed and denied the Committee's motions to obtain standing to pursue those claims, as further set forth herein. As such, the Plan provides for the release of the following claims previously investigated by the Debtors and subject to standing motions by various creditor constituencies, as further discussed herein (such claims, the "Released Claims"):

1. Claims to avoid $1.32 billion of obligations, including (a) $620 million in respect of the Old Sabine RBL and (b) $700 million from the Second Lien Credit Facility or $650 million from the Old Sabine Second Lien Credit Facility and $50 million from the Second Lien Credit Facility (the "Section A Claims");

2. Claims to (a) avoid the liens transferred to secure the parent company's incurrence of Section A Claims, (b) preserve those liens for the benefit of Sabine, and (c) recover for the parent estate the diminution of the value of the liens due to a decline in the value of the collateral since the liens were transferred, to the extent such Claims and Causes of Action are not included in the Settled Claims;

3. Claims to avoid and recover, for the benefit of Sabine, over $200 million in payments made by Sabine from the date of closing the Combination to the Petition Date, to the RBL Agent and Second Lien Agent, and to or for the benefit of the RBL Lenders and the Second Lien Lenders on the basis that the underlying obligations are avoidable;

4. Claims to avoid and recover, for the benefit of Sabine, payments made by Sabine to the lenders under the Old Sabine RBL;

5. Claims to avoid, at each of Old Sabine's subsidiaries (the "Legacy Sabine Subsidiaries"), incremental secured obligations that were previously only obligations of Forest Oil (*i.e.*, $105 million in respect of the Old Forest RBL (as defined herein));

6. Claims to avoid at each of the Legacy Sabine Subsidiaries the further $356 million obligation incurred under the RBL Credit Facility as a result of the $356 million draw on February 25, 2015;

7. Claims to avoid at each of the Legacy Sabine Subsidiaries the $50 million of incremental obligations incurred under the Second Lien Credit Facility in excess of the Old Sabine Second Lien Credit Facility;

8. Claims to avoid liens transferred in connection with the Legacy Sabine Subsidiaries' incremental guarantees of obligations under the RBL Credit Facility and the Second Lien Credit Facility, preserve those liens for the benefit of the estates, and recover for the Legacy Sabine Subsidiaries' estates the diminution of the value of the liens due to a decline in the value of the collateral since the liens were transferred;

9. Claims to avoid, for the benefit of the parent estate, the liens on the Legacy Sabine Subsidiaries' assets that such Legacy Sabine Subsidiaries granted to the RBL Lenders, to the extent that Forest Oil value was dedicated to, and improved the value of, such assets, and the recovery of the value of those liens for the benefit of Sabine;

10. Claims to avoid, for the benefit of Sabine, the liens on the Legacy Sabine Subsidiaries granted to the Second Lien Lenders, to the extent that Forest Oil value was dedicated to, and improved the value of, such assets, and the recovery of the value of those liens for the benefit of Sabine;

11. Claims to avoid, as intentional fraudulent conveyances, the RBL Credit Facility obligations at Sabine;

12. Claims to avoid, as intentional fraudulent conveyances, the RBL Credit Facility obligations at each of the Legacy Sabine Subsidiaries;

13. Claims to avoid, as intentional fraudulent conveyances, the liens granted by the Legacy Sabine Subsidiaries to secure the RBL Credit Facility obligations;

14. Claims to avoid, as intentional fraudulent conveyances, the Second Lien Credit Facility obligations at Sabine;

15. Claims to avoid, as intentional fraudulent conveyances, the liens granted by Sabine to secure the Second Lien Credit Facility obligations;

16. Claims to avoid, as intentional fraudulent conveyances, the $50 million in incremental obligations incurred under the Second Lien Credit Facility by the Legacy Sabine Subsidiaries at the closing of the Combination;

17. Claims to avoid, as intentional fraudulent conveyances, the liens granted by the Legacy Sabine Subsidiaries to the extent that such liens secure the $50 million in incremental obligations under the Second Lien Credit Facility;

18. Claims to avoid, as intentional fraudulent conveyances, the approximately $620 million in payments made in respect of the RBL Credit Facility at the closing of the Combination;

19. Claims to avoid, as intentional fraudulent conveyances, all post-Combination payments of principal, interest and fees in respect of the RBL Credit Facility and the Second Lien Credit Facility, including the $185 million of proceeds of the sale of the Arkoma assets of Forest Oil that were used two days after the Combination to pay down the balance of the RBL Credit Facility;

20. Claims that a security interest was not given in the intercompany note to the RBL Lenders in connection with the RBL Credit Facility;[14]

21. Claims and Causes of Action identified in the Committee's Proposed Complaint for (I) Intentional Fraudulent Conveyance; (II) Breach of Fiduciary Duty; (III) Aiding and Abetting Breach of Fiduciary Duty; (IV) Equitable Subordination; (V) Debt Recharacterization; and (IV) Related Relief annexed to the Second Motion of the Official Committee of Unsecured Creditors for (I) Leave, Standing, and Authority to Commence and Prosecute Certain Claims and Causes of Action on Behalf of the Debtors' Estates and (II) Non-Exclusive Settlement Authority [Docket No. 609], and any joinders thereto, including breach of fiduciary duty, aiding and abetting breaches of fiduciary duty, equitable subordination, and recharacterization;

22. Claims and Causes of Action identified in the Motion of the Forest Notes Indenture v. Trustees for Entry of an Order Pursuant to § 1109(b) Granting Leave, Standing and Authority to Prosecute and, if Appropriate, Settle Certain Claims on behalf of the Estate of Sabine Oil & Gas Corporation (f/k/a Forest Oil, Inc.) [Docket No. 521], and any joinders thereto, to the extent such Claims and Causes of Action are not included in the Settled Claims; and

23. Any other Claims or Causes of Action considered pursuant to the Analysis of Potential Causes of Action: Constructive Fraudulent Transfer, dated as of October 26, 2015, and the Analysis of Potential Estate Causes of Action: Intentional Fraudulent Transfer, Breach of Fiduciary Duty, and Equitable Subordination, dated as of December 1, 2015 (and as revised December 21, 2015), each as prepared on behalf of the Independent Directors' Committee, other than those Claims and Causes of Action set forth in the Adversary Proceeding and included in the Settled Claims.

In addition, pursuant to section 1123 of the Bankruptcy Code and Bankruptcy Rule 9019, the Plan incorporates an integrated compromise and settlement of certain claims (collectively, the "Settled Claims") related to (i) the Bucket II Claims (as defined herein), (ii) Claims asserted or that could have been asserted under the Cash Collateral Order, including Claims for adequate protection, and (iii) Claims asserted in the Adversary Proceeding.

As the Bankruptcy Court noted at the STN hearing, "[t]here is broad agreement that the market value of the Debtors' assets, and thus the value of the New RBL Lenders' collateral, has declined substantially since the Petition Date." *Bench Decision on Motions for Leave, Standing, and Authority to Commence and Prosecute Certain Claims and Causes of Action on Behalf of the Debtors' Estates* (the "STN Ruling") Case No. 15-11835 (SCC) at p. 102 (Bankr. S.D.N.Y. Mar. 31, 2016). [Docket No. 923]. As described more fully herein, the Debtors believe that the value of the RBL Lenders' interest in the prepetition collateral has declined by at least $297 million and the value of the Second Lien Lenders' interest in the prepetition collateral has declined by $107 million. As a result of this substantial decline in value, the RBL Lenders and Second Lien Lenders are entitled, pursuant to the Cash Collateral Order, to assert adequate protection liens on all of the Debtors' property (including encumbered and unencumbered assets) to the extent set forth in the Cash Collateral Order. The RBL Lenders and Second Lien Lenders also have superpriority administrative claims against the Debtors that have recourse to the Debtors' prepetition and postpetition property to the extent set forth in the Cash Collateral Order.

[14] The RBL Credit Facility contemplated the execution of an intercompany note to evidence any intercompany indebtedness between and among any of the Debtors. While the Committee alleges that the RBL Lenders did not perfect their security interest in the intercompany note, the Debtors have confirmed that the intercompany note dated as of December 16, 2014 is in the possession of the RBL Lenders, which possession constitutes perfection under applicable state law. Accordingly, this Claim is treated as a Released Claim under the Plan.

The Debtors have undertaken a lengthy and thorough analysis of the potential value of their unencumbered assets. Even in the best possible scenario for the unsecured creditors (*i.e.*, a scenario that (i) ignores risk of loss and assumes a total victory on each and every item and (ii) ignores the substantial costs and delays noted below), the Collateral Diminution suffered by the RBL Lenders means that they are entitled to all of the value of the Debtors' unencumbered assets on account of their adequate protection liens and superpriority claims. Adjusting the value of the unencumbered assets for risks associated with litigation significantly reduces the total "best case scenario" unencumbered asset value. In addition, the Debtors estimate, conservatively, that total professional fees in connection with litigation surrounding whether the assets are unencumbered could exceed $15 million. This amount does not include, among other things, the substantial delay in emerging from chapter 11, continued uncertainty, opportunity costs, and human costs, which cannot be quantified but which the Debtors believe will be substantial if the Bucket II claims were pursued. These additional costs would further reduce any potential value for unsecured creditors from the unencumbered assets.

Nevertheless, in an effort to obtain a recovery for unsecured creditors, the Debtors engaged in arms'-length, good-faith negotiations with the RBL Lenders and successfully persuaded the RBL Lenders to settle all of the claims and causes of action that could be asserted with respect to the RBL Lenders' adequate protection claims and the unencumbered assets (including the Bucket II claims) in exchange for approximately $26.4 million in value for all general unsecured creditors. That value will be distributed to all unsecured creditors in the event the Debtors' Plan is confirmed and becomes effective.

The integrated settlement and compromise embodied in the Plan resolves the following claims, each of which is discussed in detail commencing on page 48.

1. **Disputed Cash.** Claims that the $252 million of cash on hand as of the Petition Date (the "Disputed Cash"), a portion of which has been used for the Debtors' operations and the administration of these chapter 11 estates, was allegedly not subject to any liens, security interests, constructive trusts, or equitable interests of the Debtors' secured lenders, and therefore the entirety of such Disputed Cash was unencumbered on the Petition Date.

2. **Unitized Leases.** Claims that the granting clauses in the mortgages held by the RBL Agent and the Second Lien Agent are allegedly not sufficiently broad to provide the RBL Agent or the Second Lien Agent, as applicable, liens on the "unitized" leases (that is, leases that are not expressly listed on a mortgage exhibit but that are unitized with other leases that are expressly listed on a mortgage exhibit).

3. **After-Acquired Leases.** Claims that the granting clauses in the mortgages held by the RBL Agent and the Second Lien Agent are allegedly not sufficiently broad to provide the RBL Agent or the Second Lien Agent, as applicable, liens on wells and leases acquired after the aforementioned "unitized" leases that were pooled or unitized with the hydrocarbon property.

4. **Book & Page Issue.** Claims that 199 of the Debtors' oil and gas leases were allegedly not properly recorded because the mortgages do not list recording information, such as book and page numbers, or that such mortgages allegedly contain other unspecified defects.

5. **County Issue.** Claims that each of the RBL Agent and the Second Lien Agent allegedly hold a valid mortgage on all 3,338 of the leases located in the counties in which several mortgage documents were filed.

6. **Preference Claims.** Claims that the mortgages on properties granted pursuant to the forbearance agreements with the RBL Agent and the Second Lien Agent should be avoided as purported preferential transfers under section 547 of the Bankruptcy Code.

7. **Personal Property Liens.** Claims that the RBL Agent and Second Lien Agent allegedly hold blanket liens on all of the Debtors' personal property including general intangibles unrelated to hydrocarbons.

8. **Swap Payments.** Claims that the Huntington Payment and the ML Commodities Payment made under and in accordance with the Cash Collateral Order allegedly "unduly disadvantaged" the Debtors and the unsecured creditors and should be unwound.

9. **Claims Under the Cash Collateral Order**. Claims alleged by any party under the Cash Collateral Order, including Claims alleged by the RBL Agent and Second Lien Agent for adequate protection thereunder. The Debtors calculated the claims for adequate protection using the methodology articulated by the Court in its STN Ruling; that is, "it should be calculated as the fair market or going concern value of the New RBL Lenders' interest in the prepetition collateral as of the petition date less the fair market or going concern value of the prepetition collateral as of the effective date of a confirmed plan of reorganization…." *STN Ruling* [Docket No. 923] at p. 97-99. On that basis, the Debtors have calculated that the total Collateral Diminution suffered by the RBL Lenders is $207.2 million to $339.1 million, with a midpoint of $273.2 million, and that the total Collateral Diminution suffered by the Second Lien Lenders is $8.8 million to $205.9 million, with a midpoint of $107.3 million. A discussion of the calculation of the adequate protection claims is set forth in section VIII.A.

10. **Adversary Proceeding Claims.** Lien avoidance claims asserted against the Second Lien Lenders under the Adversary Proceeding. The Court found in its STN Ruling that any value realized from the avoided liens would not result in incremental value to the estates. *STN Ruling* [Docket No. 923] at p. 97. Instead, they would result in a reallocation of value among creditor groups (from the Second Lien Lenders to the RBL Lenders). The Creditors' Committee has likewise acknowledged that the Debtors' Complaint "barely survives dismissal," and would only survive dismissal if the Debtors amended the Complaint to seek claim avoidance, which is a cause of action that the Court found was not colorable in its STN Ruling. Committee Objection at 2 [Adv. Proc. Docket No. 19].

Even assuming the Bucket II Claims are resolved in a manner most favorable to unsecured creditors—a result that the Debtors do not believe likely—the unencumbered value that would be brought into the estates from such claims (without even factoring in risk of loss or cost of litigation) amounts to only $192.7 million, which amount includes $18.4 million of value due assets located outside of Texas against which the RBL Lenders have not filed a mortgage. However, the Debtors believe this $192.7 amount, properly discounted and offset by certain litigation costs, is no more than $89.1 million.

This additional $89.1 million of value is less than the amount of Collateral Diminution suffered by the RBL Lenders. Accordingly, the adequate protection liens and superpriority administrative claims held by the RBL Lenders swamp the $192.7 million of value of the Bucket II Claims and the Debtors' other unencumbered assets. Nevertheless, the RBL Lenders have agreed to provide a recovery to other creditors in exchange for a release of the Bucket II Claims. Indeed, the Settlement provides value to the general unsecured creditors through (i) two percent (2%) of the reorganized equity and (ii) warrants to share in the upside of the reorganized enterprise, all without the costs and risks of litigation. The Settlement also provides a recovery to the Second Lien Lenders in the form of equity and warrants to which the RBL Lenders would otherwise be entitled.

Nevertheless, the Committee opposes the settlement. Specifically, the Committee disagrees with the above characterization of the amount of the Collateral Diminution. Rather, the Committee believes that the amount of Collateral Diminution—even if calculated in accordance with the methodology set forth in the Bankruptcy Court's STN Ruling—is far lower than the Debtors' calculation. Accordingly, the Committee disputes the Debtors' estimate of the First Lien Adequate Protection Claim and intends to object to the Plan on this basis. The Committee further asserts that all analysis of the RBL Agent's and Second Lien Agent's collateral should be done on a debtor-by-debtor basis, rather than on a consolidated basis.

The settlement and allowance of Settled Claims provided for herein and the distributions and other benefits provided for under the Plan, including the releases set forth in Article VIII.B and VIII.F, shall be in full satisfaction of any and all potential Claims that could have been asserted, regardless of whether any such Claim has been identified herein or could have been asserted. The RBL Agent and the RBL Lenders are permitting distributions of the New Common Stock and Warrants set aside in the Second Lien Equity Pool and the Unsecured Equity Pool to

be made to Holders of Allowed Second Lien Claims, Allowed Senior Notes Claims and Allowed General Unsecured Claims in order to settle the Settled Claims in exchange for the releases provided under the Plan. The allowance of Settled Claims provided for thereunder is solely for the purpose of determining the allocation and distribution of the Reorganized Sabine New Common Stock and Warrants to Holders of Allowed Claims.

The entry of the Confirmation Order shall constitute the Bankruptcy Court's approval, as of the Effective Date, of the compromise or settlement of all such Settled Claims and the Bankruptcy Court's determination that such compromises and settlements are in the best interests of the Debtors, their estates, the Reorganized Debtors, creditors and all other parties in interest, and are fair, equitable and within the range of reasonableness. In addition, upon entry of the Confirmation Order, the RBL Lenders shall be deemed to accept, and shall contribute a portion of their right to New Common Stock and Warrants to effectuate, the Settlement. The compromises, settlements, and releases described herein shall be deemed nonseverable from each other and from all other terms of the Plan.

Q. Will there be releases and exculpation granted to parties-in-interest as part of the Plan?

Yes, the Plan proposes to release the Debtors, the Reorganized Debtors, and the Released Parties and to exculpate the Exculpated Parties as set forth in the Plan. The Debtors' releases, third party releases, and exculpation provisions included in the Plan are an integral part of the Debtors' overall restructuring efforts. Specifically, the ability of the Reorganized Debtors to avoid protracted, post-Effective Date litigation among themselves and the Released and Exculpated Parties will be greatly reduced without the Releases and Exculpations contemplated in the Plan.

Each Holder of a Claim or Interest that does not elect on its Ballot or Bankruptcy Court-approved election form to opt out of the third party release provision contained in Article VIII.G of the Plan will be deemed to have expressly, unconditionally, generally, individually, and collectively released and discharged and released all Claims and Causes of Action against the Debtors, the Reorganized Debtors, and the Released Parties (other than the RBL Released Parties). In addition, as further discussed above, the Plan provides for a mandatory release in favor of the RBL Agent, RBL Lenders, and other RBL Released Parties in exchange for their substantial contribution to the Plan in the form of, among other things, the Settlement and new exit financing. The releases represent an integral element of the Plan. Based on the foregoing, the Debtors believe that the releases and exculpations in the Plan are necessary and appropriate and meet the requisite legal standard.

The Plan's third party releases include mandatory blanket releases in favor of the RBL Agent, RBL Lenders, and RBL Released Parties by all Holders of Claims and Interests, with no ability to opt out. The Committee contends that these releases do not meet the requisite legal standard, which the Committee believes requires truly unusual circumstances that would render the release terms critical to the success of the Plan. The Committee contends that no such "truly unusual circumstances" exist here justifying such a release. While the Disclosure Statement states that the releases are being provided to the RBL Released Parties in exchange for their substantial contribution to the Plan in the form of, among other things, the Settlement and new exit financing, which give value to other creditors in the form of a recovery to which the Debtors assert they would not otherwise be entitled, the Committee contends that the mandatory and involuntary release of the RBL Released Parties by Holders of Claims and Interests is improper and intends to object to the Plan on this basis.

The Plan also includes releases by the Debtors in favor of, among other parties, the Debtors' present and former officers, directors and equity sponsor. The Debtors released the aforementioned parties after conducting an extensive investigation and concluding that such claims were not colorable and/or not worth the cost or expense to pursue. Indeed, after the extensive STN litigation (described below) the Court also concluded that (i) the Committee had failed to satisfy its burden of showing such claims were colorable, or (ii) the claims were otherwise not in the best interests of the estates to pursue. Accordingly, their release protects the estates and third parties, many of whom provided significant benefits as directors and officers of the Company, from the time and cost of defending against any claims or causes of action that are meritless.

The Committee, however, contends that the Debtors' releases in favor of the Debtors' present and former officers, directors and equity sponsor are not justified, and the Committee intends to object to the Plan on this additional basis.

The Forest Notes Trustees are not entitled to indemnification or exculpation under the Plan. The Forest Notes Trustees are only entitled to releases in the event they do not opt out of the third party release contained in Article VIII.G of the Plan.

1. Release in Favor of RBL Released Parties

Except as otherwise provided in the Plan, as of the Effective Date and to the fullest extent authorized by applicable law, the Debtors, the Reorganized Debtors, the Estates, the Second Lien Agent, the Second Lien Lenders, the Senior Notes Indenture Trustees, the Senior Notes Holders, the Committee and Committee Members, current direct and indirect Interest Holders in Sabine, and any Holder of a Claim or Interest, expressly, unconditionally, generally and individually and collectively releases, acquits and discharges the RBL Released Parties, from any and all Claims, Settled Claims, Released Claims, obligations, rights, suits, damages, Causes of Action, remedies and liabilities whatsoever, including any derivative Claims asserted or assertable on behalf of the Debtors, any Claims asserted or assertable on behalf of any Holder of any Claim against or Interest in the Debtors and any Claims asserted or assertable on behalf of any other entity, whether known or unknown, foreseen or unforeseen, matured or unmatured, existing or hereinafter arising, in law, equity, contract, tort or otherwise, by statute or otherwise, that such party or parties (whether individually or collectively), ever had, now has or hereafter can, shall or may have, based on or relating to, or in any manner arising from, in whole or in part, the Debtors, the Debtors' restructuring efforts, the Debtors' intercompany transactions (including dividends paid), any preference or avoidance claim pursuant to sections 544, 547, 548, and 549 of the Bankruptcy Code, the purchase, sale or rescission of the purchase or sale of any security of the Debtors, or any other transaction relating to any security of the Debtors, or any other transaction or other arrangement with the Debtors whether before or during the Restructuring Transactions, the subject matter of, or the transactions or events giving rise to, any Claim or Interest that is affected by or classified in the Plan, the business or contractual arrangements between the Debtors, on the one hand, and any of such party or parties, on the other hand, the restructuring of Claims and Interests before or during the Restructuring Transactions implemented by the Plan, the negotiation, formulation or preparation of the Restructuring Transactions, the Plan, the Plan Supplement, the Disclosure Statement or any related agreements, any asset purchase agreement, instruments or other documents created or entered into in connection with the Disclosure Statement, the Plan, the Chapter 11 Cases, the Filing of the Chapter 11 Cases, the pursuit of Confirmation, the pursuit of Consummation, the administration and implementation of the Plan, including the issuance or distribution of Securities pursuant to the Plan, or the distribution of property under the Plan, or any other related agreement, or upon any other act or omission, transaction, agreement, event, or other occurrence taking place or arising on or before the Effective Date related or relating to any of the foregoing, except for any act or omission that constitutes fraud, gross negligence, or willful misconduct as determined by a Final Order of a court of competent jurisdiction (it being understood and agreed that to the extent any of the Released Claims involve allegations of fraud, gross negligence or willful misconduct by any of the RBL Released Parties, then the RBL Released Parties shall be forever released and discharged from such Released Claims notwithstanding anything to the contrary contained herein). Notwithstanding anything to the contrary in the foregoing, the releases set forth above do not release any post-Effective Date obligations of any party or Entity under the Plan, any of the Restructuring Transactions, or any document, instrument, or agreement (including those set forth in the Plan Supplement) executed to implement the Plan.

2. Release of Liens

Except as otherwise specifically provided in the Plan, the Exit Revolver Credit Facility Documents or the New Second Lien Credit Facility Documents (including in connection with any express written amendment of any mortgage, deed of trust, Lien, pledge, or other security interest under the Exit Revolver Credit Facility Documents and the New Second Lien Credit Facility Documents), or in any contract, instrument, release, or other agreement or document created pursuant to the Plan, on the Effective Date and concurrently with the applicable distributions made pursuant to the Plan and, in the case of a Secured Claim, satisfaction in full of the portion of the Secured Claim that is Allowed as of the Effective Date, all mortgages, deeds of trust, Liens, pledges, or other security interests against any property of the Estates shall be fully released and discharged, and all of the right, title, and interest of any Holder of such mortgages, deeds of trust, Liens, pledges, or other security interests shall revert to the Reorganized Debtors and their successors

and assigns, in each case, without any further approval or order of the Court and without any action or Filing being required to be made by the Debtors. In addition, at the sole cost of the Debtors or the Reorganized Debtors, the RBL Agent and the Second Lien Agent shall execute and deliver all documents reasonably requested by the Debtors, Reorganized Debtors, the Exit Revolver Agent, or the New Second Lien Agent to evidence the release of such mortgages, deeds of trust, Liens, pledges, and other security interests and shall authorize the Reorganized Debtors to file UCC-3 termination statements (to the extent applicable) with respect thereto.

3. Debtor Release

Pursuant to section 1123(b) of the Bankruptcy Code, and except as otherwise specifically provided in the Plan, on and after the Effective Date, the RBL Released Parties and the Released Parties are deemed expressly, unconditionally, generally, and individually and collectively, acquitted, released and discharged by the Debtors, the Reorganized Debtors, and the Estates, each on behalf of itself and its predecessors, successors, and assigns, subsidiaries, affiliates, current and former officers, directors, principals, shareholders, members, partners, employees, agents, advisory board members, financial advisors, attorneys, accountants, investment bankers, consultants, representatives, management companies, fund advisors and other professionals, from any and all Claims, Settled Claims, Released Claims, obligations, rights, suits, damages, Causes of Action, remedies and liabilities whatsoever, including any derivative Claims asserted or assertable on behalf of the Debtors, any Claims asserted or assertable on behalf of any Holder of any Claim against or Interest in the Debtors and any Claims asserted or assertable on behalf of any other entity, whether known or unknown, foreseen or unforeseen, matured or unmatured, existing or hereinafter arising, in law, equity, contract, tort or otherwise, by statute or otherwise, that such Releasing Party (whether individually or collectively), ever had, now has or hereafter can, shall or may have, based on or relating to, or in any manner arising from, in whole or in part, the Debtors, the Debtors' restructuring efforts, the Debtors' intercompany transactions (including dividends paid), any preference or avoidance claim pursuant to sections 544, 547, 548, 549, 550 and 551 of the Bankruptcy Code, the purchase, sale or rescission of the purchase or sale of, or any other transaction relating to any security of the Debtors, the subject matter of, or the transactions or events giving rise to, any Claim or Interest that is affected by or classified in the Plan, the business or contractual arrangements between the Debtors, on the one hand, and the Releasing Parties, on the other hand, the restructuring of Claims and Interests before or during the Restructuring Transactions implemented by the Plan or any other transaction or other arrangement with the Debtors whether before or during the Restructuring Transactions, the negotiation, formulation or preparation of the Restructuring Transactions, the Plan, the Plan Supplement, the Disclosure Statement or any related agreements, any asset purchase agreement, instruments or other documents (including, for the avoidance of doubt, providing any legal opinion requested by any entity regarding any transaction, contract, instrument, document, or other agreement contemplated by the Plan or the reliance by any RBL Released Party or any other Released Party on the Plan or the Confirmation Order in lieu of such legal opinion) created or entered into in connection with the Disclosure Statement, the Plan, the Chapter 11 Cases, the Filing of the Chapter 11 Cases, the pursuit of Confirmation, the pursuit of Consummation, the administration and implementation of the Plan, including the issuance or distribution of Securities pursuant to the Plan, or the distribution of property under the Plan, or any other related agreement, or upon any other act or omission, transaction, agreement, event, or other occurrence taking place or arising on or before the Effective Date related or relating to any of the foregoing, except for any act or omission that constitutes fraud, gross negligence or willful misconduct as determined by a Final Order of a court of competent jurisdiction (it being understood and agreed that to the extent any of the Released Claims involve allegations of fraud, gross negligence or willful misconduct by any of the RBL Released Parties, the RBL Released Parties shall be forever released and discharged from such Released Claims notwithstanding anything to the contrary contained herein); *provided* that nothing in the foregoing shall (x) result in any of the Debtors' officers and directors waiving any indemnification Claims against the Debtors or any of their insurance carriers or any rights as beneficiaries of any insurance policies, which indemnification obligations and insurance policies shall be assumed by the Reorganized Debtors; or (y) release any indemnities (or any liabilities or obligations thereunder) set forth in the RBL Credit Agreement or the Second Lien Credit Agreement that are intended to survive the termination thereof. Notwithstanding anything to the contrary in the foregoing, the releases set forth above do not release any post-Effective Date obligations of any party or Entity under the Plan, any of the Restructuring Transactions,

or any document, instrument, or agreement (including those set forth in the Plan Supplement) executed to implement the Plan.

4. Third Party Release

Except as otherwise provided in the Plan, as of the Effective Date and to the fullest extent authorized by applicable law, each Releasing Party expressly, unconditionally, generally and individually and collectively releases, acquits and discharges the Debtors, Reorganized Debtors, and Released Parties from any and all Claims, Settled Claims, Released Claims, obligations, rights, suits, damages, Causes of Action, remedies and liabilities whatsoever, including any derivative Claims asserted or assertable on behalf of the Debtors, any Claims asserted or assertable on behalf of any Holder of any Claim against or Interest in the Debtors and any Claims asserted or assertable on behalf of any other entity, whether known or unknown, foreseen or unforeseen, matured or unmatured, existing or hereinafter arising, in law, equity, contract, tort or otherwise, by statute or otherwise, that such Releasing Party (whether individually or collectively), ever had, now has or hereafter can, shall or may have, based on or relating to, or in any manner arising from, in whole or in part, the Debtors, the Debtors' restructuring efforts, the Debtors' intercompany transactions (including dividends paid), any preference or avoidance claim pursuant to sections 544, 547, 548, and 549 of the Bankruptcy Code, the purchase, sale or rescission of the purchase or sale of any security of the Debtors, or any other transaction relating to any security of the Debtors, or any other transaction or other arrangement with the Debtors whether before or during the Restructuring Transactions, the subject matter of, or the transactions or events giving rise to, any Claim or Interest that is affected by or classified in the Plan, the business or contractual arrangements between the Debtors, on the one hand, and any of the Releasing Parties, on the other hand, the restructuring of Claims and Interests before or during the Restructuring Transactions implemented by the Plan, the negotiation, formulation or preparation of the Restructuring Transactions, the Plan, the Plan Supplement, the Disclosure Statement or any related agreements, any asset purchase agreement, instruments or other documents (including, for the avoidance of doubt, providing any legal opinion requested by any entity regarding any transaction, contract, instrument, document, or other agreement contemplated by the Plan or the reliance by any Released Party on the Plan or the Confirmation Order in lieu of such legal opinion) created or entered into in connection with the Disclosure Statement, the Plan, the Chapter 11 Cases, the Filing of the Chapter 11 Cases, the pursuit of Confirmation, the pursuit of Consummation, the administration and implementation of the Plan, including the issuance or distribution of Securities pursuant to the Plan, or the distribution of property under the Plan, or any other related agreement, or upon any other act or omission, transaction, agreement, event, or other occurrence taking place or arising on or before the Effective Date related or relating to any of the foregoing, except for any act or omission that constitutes fraud, gross negligence, willful misconduct, or insider trading as determined by a Final Order of a court of competent jurisdiction; *provided* that nothing in the foregoing shall (x) result in any of the Debtors' officers and directors waiving any indemnification Claims against the Debtors or any of their insurance carriers or any rights as beneficiaries of any insurance policies, which indemnification obligations and insurance policies shall be assumed by the Reorganized Debtors; or (y) release any indemnities (or any liabilities or obligations thereunder) set forth in the Second Lien Credit Agreement that are intended to survive the termination thereof. Notwithstanding anything to the contrary in the foregoing, the releases set forth above do not release any post-Effective Date obligations of any party or Entity under the Plan, any of the Restructuring Transactions, or any document, instrument, or agreement (including those set forth in the Plan Supplement) executed to implement the Plan.

5. Exculpation

Except as otherwise specifically provided in the Plan, no Exculpated Party shall have or incur, and each Exculpated Party is hereby released and exculpated from, any Exculpated Claim; *provided* that the foregoing "Exculpation" shall have no effect on the liability of any entity that results from any such act or omission that is determined by a Final Order to have constituted fraud, gross negligence, willful misconduct, or insider trading; *provided further* that it is understood and agreed that to the extent any of the Exculpated Claims involve allegations of fraud, gross negligence, willful misconduct, or insider trading by any of the RBL Released Parties, the RBL Released Parties shall be forever released and exculpated from such Exculpated Claims notwithstanding anything to the contrary contained herein. The Exculpated Parties have participated

in any and all activities potentially underlying any Exculpated Claim in good faith and in compliance with the applicable laws.

6. Injunction

Except as otherwise expressly provided in the Plan or for obligations issued or required to be paid pursuant to the Plan or Confirmation Order, all Entities who have held, hold, or may hold Claims or Interests that have been settled pursuant to Article VIII.A of the Plan, released pursuant to Article VIII.B, Article VIII.F, or Article VIII.G of the Plan, discharged pursuant to Article VIII.C of the Plan, or are subject to exculpation pursuant to Article VIII.H of the Plan, are permanently enjoined, from and after the Effective Date, from taking any of the following actions against, as applicable, the Debtors, the Non-Debtor Subsidiaries, the Reorganized Debtors, the Released Parties, the RBL Released Parties, or the Exculpated Parties: (a) commencing or continuing in any manner any action or other proceeding of any kind on account of or in connection with or with respect to any such Claims or Interests; (b) enforcing, attaching, collecting, or recovering by any manner or means any judgment, award, decree, or order against such Entities on account of or in connection with or with respect to any such Claims or Interests; (c) creating, perfecting, or enforcing any lien or encumbrance of any kind against such Entities or the property or the estates of such Entities on account of or in connection with or with respect to any such Claims or Interests; (d) asserting any right of setoff, subrogation, or recoupment of any kind against any obligation due from such Entities or against the property of such Entities on account of or in connection with or with respect to any such Claims or Interests; and (e) commencing or continuing in any manner any action or other proceeding of any kind on account of or in connection with or with respect to any such Claims or Interests released or settled pursuant to the Plan. Notwithstanding anything to the contrary in the foregoing, the injunction does not enjoin any party under the Plan or under any document, instrument, or agreement (including those attached to the Disclosure Statement or set forth in the Plan Supplement) executed to implement the Plan from bringing an action to enforce the terms of the Plan or such document, instrument, or agreement (including those attached to the Disclosure Statement or set forth in the Plan Supplement) executed to implement the Plan.

7. Waiver of Statutory Limitations on Releases

Each Releasing Party in each of the releases contained in the Plan (including under Article VIII of the Plan) expressly acknowledges that although ordinarily a general release may not extend to Claims which the Releasing Party does not know or suspect to exist in his favor, which if known by it may have materially affected its settlement with the party released, each Releasing Party has carefully considered and taken into account in determining to enter into the above releases the possible existence of such unknown losses or Claims. Without limiting the generality of the foregoing, each Releasing Party expressly waives any and all rights conferred upon it by any statute or rule of law which provides that a release does not extend to Claims which the claimant does not know or suspect to exist in its favor at the time of executing the release, which if known by it may have materially affected its settlement with the Released Party, including the provisions of California Civil Code Section 1542. The releases contained in Article VIII of the Plan are effective regardless of whether those released matters are presently known, unknown, suspected or unsuspected, foreseen or unforeseen.

R. When will the Plan Supplement be filed and what will it include?

The Plan Supplement, the compilation of documents and forms of documents, schedules, and exhibits to the Plan, will be Filed and served consistent with the requirements under the order approving the Disclosure Statement no later than 10 days before the Voting Deadline (as defined herein), and will include, but is not limited to, the following, as applicable: (i) the New Organizational Documents of New Holdco; (ii) the Warrant Agreements; (iii) the Schedule of Rejected Executory Contracts and Unexpired Leases; (iv) a list of retained Causes of Action (if known by the date the Plan Supplement is filed); (v) the Management Incentive Plan Documents; (vi) the Exit Revolver Credit Facility Agreement; (vii) the New Second Lien Credit Facility Agreement; (viii) the Registration Rights Agreement, if applicable; (ix) a description of the Restructuring Transaction, if applicable; and (x) the Stockholders' Agreement. In addition, the Debtors will file a list of the members of the New Boards and other Person that will serve as an officer of each of the Reorganized Debtors in accordance with section 1129(a)(5) of the Bankruptcy Code prior to the Voting Deadline.

Such documents shall be consistent with the terms hereof and shall be in form and substance reasonably acceptable to the Debtors, the RBL Agent, and the Second Lien Agent (*provided* that, in the case of the Second Lien Agent, only the Warrant Agreements shall be in form and substance reasonably acceptable to the Second Lien Agent, and all other documents to be included in the Plan Supplement shall be deemed to be acceptable to the Second Lien Agent unless the terms thereof adversely affect the recoveries of Holders of Second Lien Claims in a manner that is disproportionate to other similarly situated minority holders of New Common Stock). The Debtors shall have the right to amend all of the documents contained in, and the exhibits to, the Plan Supplement through the Effective Date, with the consent of the RBL Agent, which consent shall not be unreasonably withheld; *provided however* that notwithstanding anything in the Plan to the contrary, the Second Lien Agent shall only be given a consent right with respect to (i) amendments to the terms of the Warrant Agreements and (ii) amendments to any other documents only to the extent that such amendment adversely affects the recoveries of Holders of Second Lien Claims in a manner that is disproportionate to other similarly situated minority holders of New Common Stock, in each case which consent shall not be unreasonably withheld.

S. What are the terms of the Exit Revolver Credit Facility and the New Second Lien Credit Facility?

The Exit Revolver Credit Facility will consist of a new reserve-based revolving credit facility under the Exit Revolver Credit Facility Agreement (a substantially final form of which shall be included in the Plan Supplement) secured by first priority security interests in and liens on substantially all of the Reorganized Debtors' assets (including Cash, which Cash shall be held in an account subject to a deposit account control agreement in form and substance reasonably satisfactory to the Exit Revolver Agent), with (a) initial commitments equal to $200 million, (b) borrowings equal to $100 million on the Effective Date, of which up to $100 million shall be repaid by the Reorganized Debtors in Cash on the Effective Date, (c) an initial borrowing base of approximately $150 million on the Effective Date, (d) an interest rate of LIBOR plus three to four percent (3% to 4%), as determined by a utilization grid agreed by the Debtors and the RBL Agent, (e) a maturity date of December 31, 2020, and (f) such other terms as provided in the Exit Revolver Credit Facility Documents, which shall be acceptable to the Debtors and the RBL Agent; *provided* that to the extent Cash on the Debtors' balance sheet on the Effective Date is insufficient to repay the deemed draw described, then the shortfall shall result in a drawn amount that remains outstanding under the Exit Revolver Credit Facility on and after the Effective Date until the Reorganized Debtors repay such amount in accordance with the Exit Revolver Credit Facility; *provided further* that if the Cash on the Debtors' balance sheet on the Effective Date exceeds the deemed draw, then such Cash shall be applied to reduce the principal amount of the New Second Lien Credit Facility on the Effective Date.

The New Second Lien Credit Facility will consist of a term loan under the New Second Lien Credit Facility Agreement (a substantially final form of which shall be included in the Plan Supplement) secured by second priority security interests in and liens on substantially all of the Reorganized Debtors' assets (including Cash, which Cash shall be held in an account subject to a deposit account control agreement) with (a) a principal amount of $150 million, (b) an interest rate of LIBOR plus ten percent (10%), subject to a one percent (1%) floor, (c) annual amortization of one percent (1%), (d) a maturity date of December 31, 2021, and (e) such other terms as provided in the New Second Lien Credit Facility Documents which shall be acceptable to the Debtors and the RBL Agent; *provided* that if Cash on the Debtors' balance sheet exceeds $100 million on the Effective Date, such excess amount shall be used to reduce the principal amount of the New Second Lien Credit Facility on the Effective Date (with such payment to be distributed Pro Rata to each of the RBL Lenders); *provided further* that no interest, fees, or other amounts shall accrue or be charged with respect to the principal amounts deemed borrowed and repaid on the Effective Date using the Debtors' Cash on its balance sheet as set forth herein.

T. What is the deadline to vote on the Plan?

The Voting Deadline is [June 3], 2016 at [5:00] p.m. (prevailing Eastern Time).

U. How do I vote for or against the Plan?

Detailed instructions regarding how to vote on the Plan are contained on the Ballots distributed to Holders of Claims that are entitled to vote on the Plan. For your vote to be counted, your Ballot must be properly completed and signed so that it is **actually received** by [June 3], 2016 at [5:00] p.m. (prevailing Eastern Time) at the following address: Sabine Ballot Processing, c/o Prime Clerk LLC, 830 Third Avenue, 3rd Floor, New York, NY 10022.

Ballots submitted other than as described herein (including any Ballots submitted by email or facsimile) will not be accepted or counted.

V. Why is the Bankruptcy Court holding a Confirmation Hearing?

Section 1128(a) of the Bankruptcy Code requires the Bankruptcy Court to hold a hearing on confirmation of the Plan and recognizes that any party in interest may object to Confirmation of the Plan.

W. When is the Confirmation Hearing set to occur?

The Bankruptcy Court has scheduled the Confirmation Hearing for [June 13], 2016 at [10:00 a.m.] (prevailing Eastern Time). The Confirmation Hearing may be adjourned from time to time without further notice.

Objections to Confirmation of the Plan must be filed and served on the Debtors and certain other parties by no later than [June 3], 2016 at [5:00] p.m. (prevailing Eastern Time) in accordance with the notice of the Confirmation Hearing that accompanies this Disclosure Statement and the *Debtors' Motion for Entry of an Order Approving (A) the Adequacy of the Disclosure Statement, (B) Solicitation and Notice Procedures with Respect to Confirmation of the Joint Chapter 11 Plan of Reorganization of Sabine Oil & Gas Corporation and Its Debtor Affiliates, (C) the Form of Ballots and Notices in Connection Therewith, and (D) the Scheduling of Certain Dates with Respect Thereto* (the "Disclosure Statement Order") attached hereto as **Exhibit B** and incorporated herein by reference.

The Debtors will publish the notice of the Confirmation Hearing, which will contain the deadline for objections to the Plan and the date and time of the Confirmation Hearing in the following publications and any other publication of their choosing to provide notification to those persons who may not receive notice by mail: USA Today (National Edition); Henderson Daily News (Rusk County, Texas); Jacksonville Daily Progress (Cherokee County, Texas); Panola Watchman (Panola County, Texas); Marshall News Messenger (Harrison County, Texas); Coushatta Citizen (Red River Parish, Louisiana); Gonzales Inquirer (Gonzales County, Texas); Cuero Record & Yorktown News View (DeWitt County, Texas); and Shiner Gazette (Lavaca County, Texas).

X. What is the purpose of the Confirmation Hearing?

The confirmation of a plan of reorganization by a bankruptcy court binds the debtor, any issuer of securities under a plan of reorganization, any person acquiring property under a plan of reorganization, any creditor or equity interest holder of a debtor, and any other person or entity as may be ordered by the Bankruptcy Court in accordance with the applicable provisions of the Bankruptcy Code. Subject to certain limited exceptions, the order issued by the bankruptcy court confirming a plan of reorganization discharges a debtor from any debt that arose before the confirmation of such plan of reorganization and provides for the treatment of such debt in accordance with the terms of the confirmed plan of reorganization.

Y. What is the effect of the Plan on the Debtors' ongoing business?

The Debtors are reorganizing under chapter 11 of the Bankruptcy Code. As a result, Confirmation means that the Debtors will not be liquidated or forced to go out of business. Following Confirmation, the Plan will be consummated on the Effective Date, which is a date selected by the Debtors on which on which: (i) no stay of the Confirmation Order is in effect; (ii) all conditions precedent specified in Article IX.A of the Plan have been satisfied or waived (in accordance with Article IX.B of the Plan); and (iii) the Plan is declared effective. On or after the Effective Date, and unless otherwise provided in the Plan, the Reorganized Debtors may operate their business and, except as otherwise provided by the Plan, may use, acquire, or dispose of property and compromise or settle any Claims, Interests, or Causes of Action without supervision or approval by the Bankruptcy Court and free of any restrictions of the Bankruptcy Code or Bankruptcy Rules. Additionally, upon the Effective Date, all actions contemplated by the Plan will be deemed authorized and approved.

Z. Will any party have significant influence over the corporate governance and operations of the Reorganized Debtors?

As of the Effective Date, the term of the current members of the board of directors of the Debtors shall expire, and the New Boards shall be appointed in accordance with the New Organizational Documents and other constituent documents of each Reorganized Debtor. The officers of each of the Debtors as of the Effective Date shall remain as officers of the Reorganized Debtors unless otherwise provided for in the New Organizational Documents or other constituent documents of the Reorganized Debtors.

Pursuant to section 1129(a)(5) of the Bankruptcy Code, the Debtors will disclose in advance of the Confirmation Hearing the identity and affiliations of the individuals selected to serve on the initial New Boards, as well as those Persons who will serve as an officer of Reorganized Sabine or any of the other Reorganized Debtors.

On the Effective Date, the New Board of New Holdco shall consist of five members as follows:

- one member appointed by Wells Fargo Bank, National Association (in its capacity as an RBL Lender, "Wells Fargo");
- one member appointed by Barclays Bank PLC ("Barclays");
- one member appointed by the RBL Lenders excluding Wells Fargo and Barclays; *provided* that such board member is reasonably acceptable to Wells Fargo and Barclays;
- one member appointed by the RBL Lenders excluding Wells Fargo and Barclays; *provided* that such board member is reasonably acceptable to Wells Fargo, Barclays, and a majority of Second Lien Lenders; and
- the chief executive officer of New Holdco.

Successors to the members appointed to the New Board of New Holdco shall be elected in accordance with the New Organizational Documents of New Holdco. To the extent any such director to be appointed to the New Board of New Holdco or an officer is an "insider" as defined under the Bankruptcy Code, the nature of any compensation to be paid to such director or officer from and after the Effective Date will also be disclosed. Each such director and officer shall serve from and after the Effective Date pursuant to the terms of the New Organizational Documents and other constituent documents of New Holdco and the Reorganized Debtors. Wells Fargo and Barclays shall each have board observer rights on and after the Effective Date in connection with the New Board of New Holdco.

AA. Whom do I contact if I have additional questions with respect to this Disclosure Statement or the Plan?

If you have any questions regarding this Disclosure Statement or the Plan, please contact the Debtors' Notice and Claims Agent, Prime Clerk, LLC:

By regular mail hand delivery or overnight mail at:

Sabine Ballot Processing
c/o Prime Clerk LLC
830 Third Avenue, 3rd Floor
New York, NY 10022

By electronic mail at:

sabineballots@primeclerk.com

By telephone at:

(866) 692-6696

Copies of the Plan, this Disclosure Statement, and any other publicly filed documents in these Chapter 11 Cases are available upon written request to the Debtors' Notice and Claims Agent at the address above or by downloading the exhibits and documents from the website of the Debtors' Notice and Claims Agent at http://cases.primeclerk.com/sabine (free of charge) or the Bankruptcy Court's website at www.nysb.uscourts.gov (for a fee).

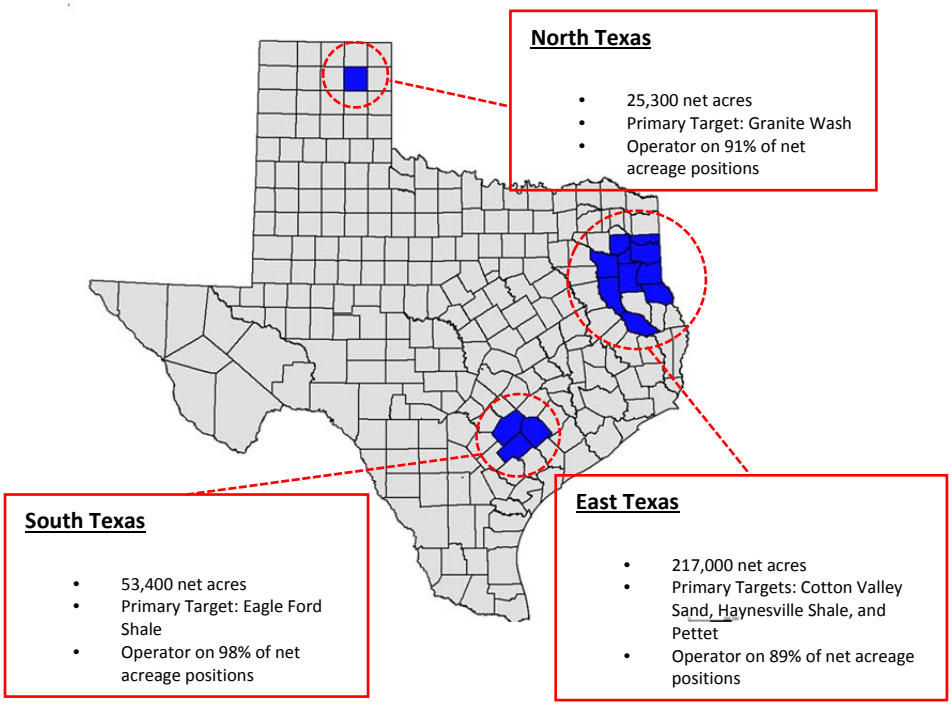
BB. Do the Debtors recommend voting in favor of the Plan?

Yes. The Debtors believe the Plan provides for a larger distribution to the Debtors' creditors than would otherwise result from any other available alternative, including a sale or liquidation. The Debtors believe the Plan, which contemplates a significant deleveraging, is in the best interest of all Holders of Claims, and that other alternatives fail to realize or recognize the value inherent under the Plan.

V. THE DEBTORS' BUSINESS OPERATIONS AND CAPITAL STRUCTURE

A. Overview of the Debtors' Business and Industry

The Debtors' current operations are principally located in the Cotton Valley Sand and Haynesville Shale in East Texas, the Eagle Ford Shale in South Texas, the Granite Wash in the Texas Panhandle, and the North Louisiana Haynesville.



As of the Petition Date, the Debtor operated, or had joint working interests in, approximately 2,100 oil and gas production sites (approximately 1,800 operating and approximately 315 non-operating) and had approximately 165 full-time employees.

1. History of the Oil and Gas Industry

The existence of oil in the U.S. has been documented since the 1600s. However, the American oil industry did not begin in earnest until 1859, when the first well was drilled specifically to produce oil. Within two years, oil production in the U.S. increased from approximately 15 barrels per day to over 3 million barrels per day. The explosion in production, coupled with increased demand and lack of structure surrounding the supply and refining of oil, created an economically volatile industry.

The quest to control the volatility of the oil market has been, and remains, a constant power struggle among oil producers. Stability was first achieved by Standard Oil, which, at its peak in 1890, controlled almost ninety percent (90%) of the refined oil flows in the U.S. Through its dominance of the market, Standard Oil was able to control the price at which oil was sold and the price that producers received for their oil. However, the Supreme Court ordered Standard Oil's dissolution in 1911 after declaring that it operated to monopolize and restrain trade.

Shortly thereafter and partially as a result thereof, the Texas Railroad Commission emerged as the regulatory authority for the oil industry, after being vested with the authority to regulate oil and gas by the Texas legislature. The stability created by the Texas Railroad Commission allowed American oil production to continue at high rates over the next several decades.

In the years leading up to World War II, as domestic reserves declined and worldwide consumption increased, American oil companies embarked on ambitious international exploration programs in order to keep up with increasing international and domestic demand. These programs resulted in the creation of powerful international oil companies ("IOCs"). IOCs expanded across the globe, including into oil-rich Middle Eastern countries such as Iran, Iraq, Kuwait, and Saudi Arabia.

As the strategic and political importance of oil supplies became clear, Middle Eastern governments began pressuring IOCs to enter into profit sharing arrangements. While many IOCs entered into such agreements, they largely retained ownership and control of reserves located in Middle Eastern nations. As a result, producing countries, including Iran, Iraq, Kuwait, Saudi Arabia, and Venezuela, created the Organization of Petroleum Exporting Countries ("OPEC") in 1960 in an effort to gain greater control and ownership over resources located within their own countries. As discussed in greater detail herein, the Debtors' operations have been significantly impacted by the recent and dramatic decline in oil prices, the continued low prices of natural gas, and general uncertainty in the energy market. These macro-economic factors, coupled with the Debtors' substantial debt obligations, have pushed the limits of the Debtors' ability to sustain the weight of their capital structure and devote capital needed to maintain and grow their business.

As a result of this confluence of factors, the Debtors—like many other similarly situated exploration and production companies ("E&P Companies")—had no choice but to commence these Chapter 11 Cases to implement court-supervised restructurings of their outsized debt obligations, thereby allowing them to move forward in a drastically changed economic landscape.

2. OPEC

OPEC's objective since its inception has been to coordinate and unify petroleum policies among member countries in order to secure fair and stable prices for petroleum producers and a fair return on capital for those investing in the industry. Initially of limited influence, OPEC's power increased in the 1970s after an embargo enacted on oil exports to the U.S. resulted in a sudden and devastating increase in oil prices. Understanding their power, oil producing nations nationalized their oil industries throughout the 1970s, displacing the IOCs.

OPEC continues to assert its influence over the price of oil, with the price of crude oil increasing steadily over time from OPEC's inception through 2011. Between 2003 and 2011, the price of crude oil rose from approximately $20 per barrel to over $100 per barrel. One unintended consequence of this price increase is that sustained higher oil and gas prices made previously uneconomic resource types, such as tight and shale oil and gas, financially viable.

Not all oil producing countries have been able to take advantage of this development equally. The U.S., in general, and smaller E&P Companies, in particular, have been at the forefront of exploration in unconventional resources. U.S. dominance in the tight and shale oil and gas industry is due, in part, to a well-developed oil field services industry, fewer environmental restrictions as compared to Europe, and a property rights regime incentivizing land owners to allow access to the land.

The recent ability of E&P Companies to access unconventional energy sources has reduced American dependence on foreign oil and, as a result, OPEC's power. As overall supply increased, the price of oil and gas decreased. Tight and shale oil and gas exploration and production is a capital intensive process that depends on substantial cash flows to fund exploration. In a move many believe was intended to put pressure on domestic E&P Companies and shift power back to OPEC, OPEC has not decreased production quotas for its member countries. The resulting continued low price of oil and gas and decreased cash flows have put a strain on E&P Companies', such as the Debtors, ability to operate in a capital intensive industry.

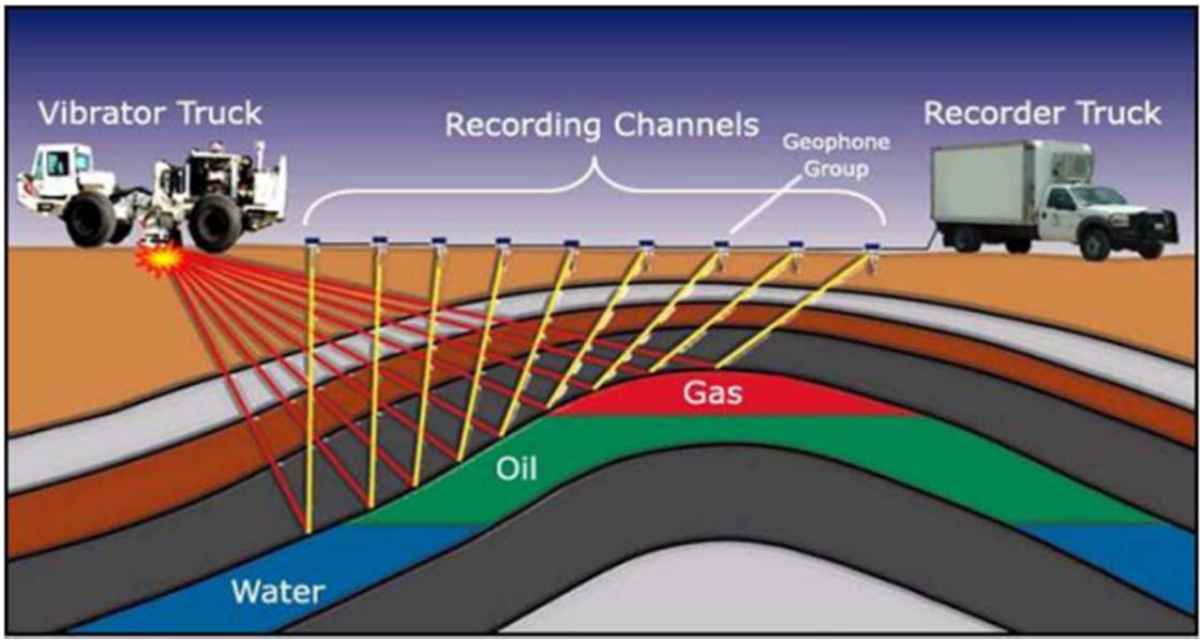
3. The Exploration and Production Process

In order to understand the Debtors' capital requirements, it is important to first understand the process by which E&P Companies produce oil. The life cycle of an oil field has five primary stages: (a) identifying the target; (b) drilling an exploration well; (c) drilling appraisal wells; (d) developing the field; and (e) extending the field life. Each step of the exploration and production process requires different personnel and equipment and carries a

different level of uncertainty and risk. The early stages of developing an oil field are often the most uncertain and the most expensive.

a. Identifying the Target

The first step of the exploration process is to identify the appropriate target for drilling. E&P Companies use several techniques to determine where oil and gas is located below the earth's surface, including seismic techniques. Seismic operations use sound waves to create an image of subsurface rock layers. During a seismic survey, sound waves are generated by either a vibrator truck or the explosion of dynamite within a hole dug in the ground.



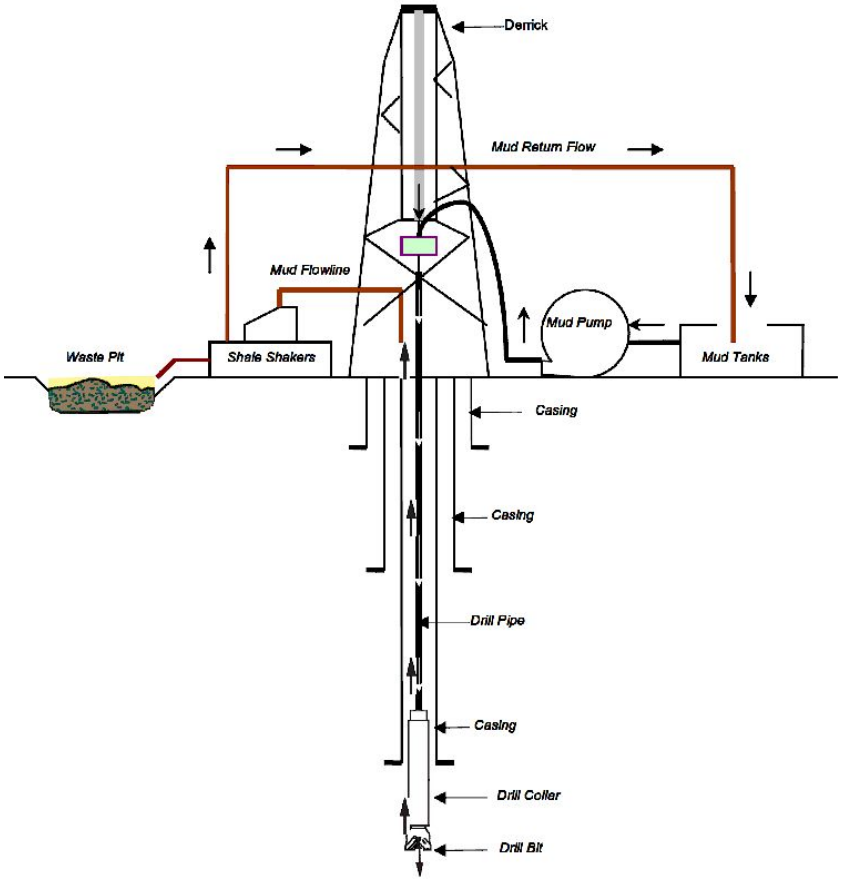
The sound waves move down through the earth and are then partially reflected back to the surface by each rock strata. Geophones placed at the surface record such reflections, which are then sorted and decoded. Sound waves reflect differently off of oil than off of water or gas, indicating where oil may be located. The decoding process is not perfect as there are multiple variables that contribute to the reflection of sound waves back to the surface. As a result, the assumptions used when decoding seismic data can have a significant impact on the resulting image.

b. Drilling an Exploration Well

Once a set of targets has been identified, the next step is to assess the likelihood of discovering an active hydrocarbon system at each target. This is accomplished through drilling or "spudding" an exploration well. The purpose of an exploration well is to accumulate additional information regarding the surrounding rock formation.

Wells usually are drilled by rotary drilling. Rotary drilling uses a hollow pipe with a drill bit on the end. To facilitate the drilling process, a mixture of chemicals, referred to as "mud," is pumped down the middle of the drill pipe. Mud then exits through the drill bit and circulates back up to the surface between the drill pipe and the walls of the well. The purpose of mud is to carry away cuttings from the drill bit, provide lubrication to prevent the drill pipe from getting stuck in the well bore, provide hydraulic pressure to prevent oil from "blowing out" of the well, and deposit a thin, impermeable layer of mud over reservoir zones to prevent further invasion and/or damage of the reservoir by drilling fluids.

Wells generally are drilled in stages. When the bottom of each stage is reached, the freshly drilled hole, known as an "open-hole," is cased off with steel pipe, converting the "open-hole" to a "cased-hole." Casing is used to prevent the hole from collapsing on top of the drill pipe. The below illustrates the various components of a well.



Simply drilling a hole into the ground rarely conclusively reveals whether the well has intersected an oil or gas reservoir. This is especially true with respect to shale or tight oil or gas wells, which often require additional operations, including fracking, to start the flow of oil and gas. As a result, once the exploration well is drilled, the E&P Company begins a set of operations designed to acquire additional information regarding the presence, quantity, and location of hydrocarbons in the surrounding area.

Such information can be acquired through a combination of mud analysis, coring, and wirelogging. Mud analysis consists of geologists analyzing the returned mud cuttings to identify what type of rock has been drilled through. However, mud analysis does not shed any light on the depth of each type of rock as cuttings do not necessarily rise to the surface in a uniform manner. Coring involves bringing physical samples from the well to the surface for analysis. Although coring is a more accurate way to assess the formation being drilled through, it is also more expensive.

Wirelogging involves lowering an electrode on the end of a long cable to the bottom of a well and continuously recording the voltage difference between the electrode and the surface while slowly pulling the electrode up to the surface. This process capitalizes on the fact that reservoirs bearing water or hydrocarbon react differently to the drilling mud, producing different voltage responses as the wire-line log moves through the well. Because wirelogging requires access to the well, no drilling may take place while wirelogging is ongoing.

The only way to definitively determine whether oil or gas exists in economic quantities is a well test. A well test involves setting up equipment so that reservoirs can flow oil and gas in a controlled manner. Measurement of flow rates, properties of the fluids or gas produced, and fluid surface pressures will provide an E&P Company with definitive information about the permeability, content, and potential flow rate of a reservoir.

c. Drilling Appraisal Wells

To get a more fulsome picture of the target area, E&P Companies often drill several appraisal wells following the completion of an exploration well, using the same techniques as described above. The purpose of appraisal wells is to delineate the physical size of the reservoir and to gather as much additional information as possible.

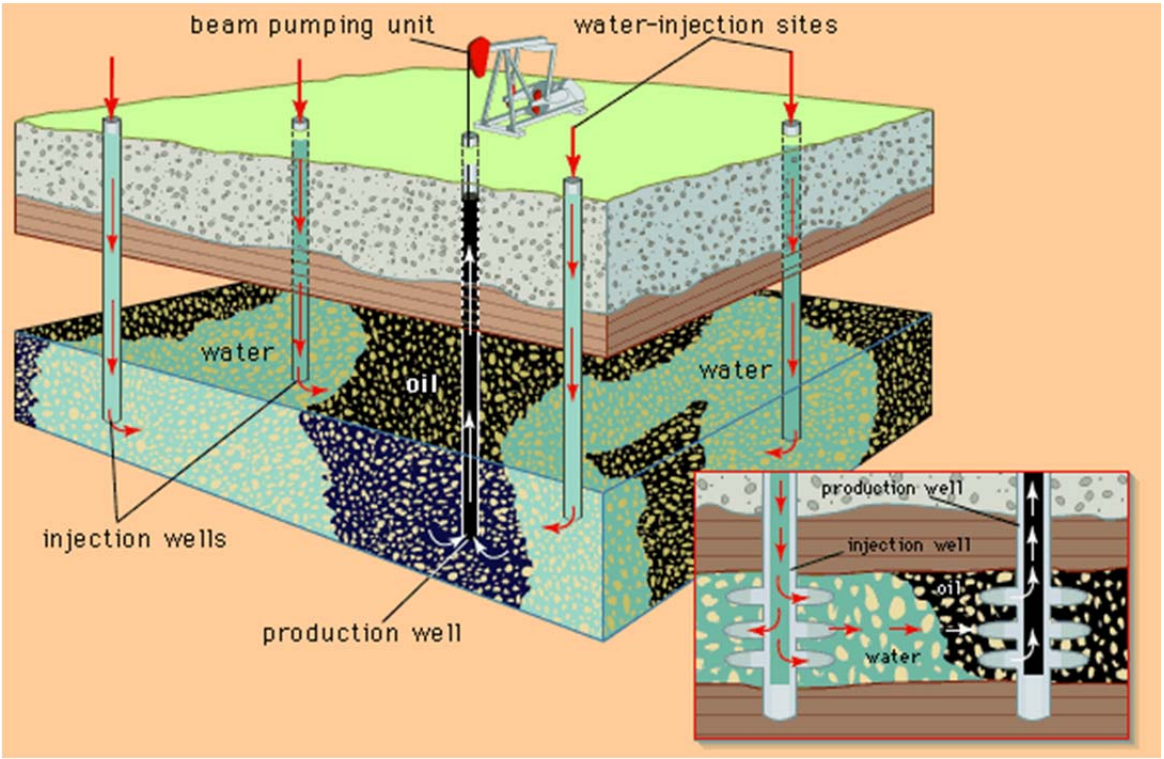
d. Developing the Field

Once an E&P Company has sufficient data to understand the field and determine locations of producing wells, it is time to begin producing oil and gas. For onshore oil, the architecture of an oil field is relatively straightforward. Development wells are drilled at specified locations based upon information gleaned from the exploration and appraisal wells. Oil is gathered by a network of pipes into a central treatment plant where any associated gas or water is removed. The crude oil is then either piped or trucked to a refinery or export terminal. The water or gas removed from the oil will either be reinjected into the field from which it came or be sent to the local gas market.

In the case of onshore gas, gas is piped back to a central processing station, where any water, sulphur, or other impurities are removed. If gas is destined for local market distribution, it is usually treated before being sent to the market. If there is not a sufficient local market for the gas, the gas may be transmitted to a plant for treatment and potentially cooled for export as a liquid.

e. Extending the Life of the Field.

As oil and gas is produced from a reservoir, pressure within the reservoir may drop. As pressure drops, flow rates also tend to drop. Additionally, as pressure decreases, the amount of water produced from the targeted zones increases, increasing the volume of water required to be treated. There are several techniques an E&P Company can employ to maintain higher flow rates after pressure begins to drop. One such method is waterflooding, a technique first introduced by Forest Oil in 1916.



As shown above, waterflooding involves the injection of water into one or more wells, arranged in a pattern around the production well. The injection of water in the area surrounding the well mimics the pressure created by the previously-extracted oil. Increased pressure in the reservoir allows oil to continue flow to the surface at higher rates than would otherwise be possible absent the injection of water.

B. The Debtors' Corporate History and Business Operations

1. The Debtors' Corporate History

The Debtors constitute the surviving business from the Combination of Forest Oil and Old Sabine first announced in May 2014 and consummated in December 2014. Forest Oil was founded in 1916 in Pennsylvania and was known for inventing the "waterflooding" technique described above to initiate secondary recovery of oil. In contrast, Old Sabine was founded in 2007 and primarily has been focused on shale oil and gas since its inception. Today, the Debtors generate the majority of their revenue through sales of oil and natural gas. The majority of the Debtors' oil and natural gas sales are made to midstream oil and natural gas companies throughout the U.S.

2. The Debtors' Business Operations

As of December 31, 2015, the Debtors held interests in approximately 272,100 gross (217,000 net) acres in East Texas, 82,900 gross (53,400 net) acres in South Texas, and 33,900 gross (25,300 net) acres in North Texas. The Debtors generally do not hold one hundred percent (100%) of the interests in any piece of land in which they have interests. Instead, the Debtors constitute one of several parties with an interest in the land. The Debtors and the other interest holders usually enter into joint operating agreements to govern the parties' responsibilities with respect to the land, including which party (the "Operator") will be responsible for the exploration and production of oil and gas thereon. As of December 31, 2015, the Debtors were the Operator for eighty-six percent (86%), ninety-eight percent (98%), and ninety-one percent (91%) of its gross producing wells in East Texas, South Texas, and North Texas, respectively.

a. East Texas

The East Texas properties are characterized by several productive horizons, such as the Cotton Valley Sand, Haynesville Shale, Haynesville Lime, Pettet, Bossier Shale, Travis Peak, and other formations. The Debtors' primary operational focus is directed at the Cotton Valley Sand and Haynesville Shale formations. The East Texas properties primarily are located in Harrison, Panola, and Rusk Counties in Texas and Red River Parish in Northern Louisiana. As of December 31, 2015, the East Texas properties were producing from 1,462 wells in East Texas, and the Debtors were the Operator for 1,251, or eighty-six percent (86%), of those wells.

In East Texas, as of December 31, 2015, the Debtors sell approximately eighty-five percent (85%) of their natural gas liquids under three to five-year gathering and processing contracts to a variety of midstream companies, with the remainder sold under gathering and processing contracts that are past their primary term and are subject to a 30-day evergreen provision. The Debtors sell approximately forty-five percent (45%) of their East Texas natural gas residue under North American Energy Standards Board contracts on a year to year term ending October 31, 2016 at competitive market prices. The remainder of the Debtors' East Texas residue is sold in conjunction with the Debtors' natural gas liquids sales to the midstream companies that process the Debtors' East Texas natural gas liquids. The Debtors' East Texas crude oil production is sold to one purchaser under a month-to-month contract at competitive market prices.

b. South Texas

The Debtors' South Texas properties are primarily prospective for the Eagle Ford Shale formation. The Debtors' primary operations in South Texas are in the Sugarkane Area, the Shiner Area, and the Eagleville Area. As of December 31, 2015, the Debtors' South Texas properties represented interests in approximately 82,900 gross (53,400 net) acres. As of December 31, 2015, the Debtors' properties were producing from 186 wells in South Texas, and the Debtors were the Operator for 183, or ninety-eight percent (98%), of those wells.

The Debtors' South Texas crude oil production is sold to two separate purchasers under short-term contracts that are month-to-month. The Debtors sell their Sugarkane natural gas liquids under two five-year

gathering and processing contracts. The Debtors' South Shiner natural gas liquids are also sold under two separate five-year contracts. The Debtors' North Shiner natural gas liquids are sold under a five-year gas services agreement. The Debtors sell all of their South Texas residue under North American Energy Standards Board contracts on a year-to-year term ending October 31, 2016.

c. North Texas

The North Texas properties are located in the Anadarko Basin, with the Granite Wash as the target horizon. As of December 31, 2015, the Debtors held rights to develop approximately 33,900 gross (25,300 net) acres in North Texas, primarily in Roberts County. The North Texas acreage includes approximately 18,850 net acres that are subject to a continuous drilling clause that requires the Debtors to drill one gross well every 180 days to hold the entire approximately 18,850 net acre position. As of December 31, 2015, the Debtors' properties were producing from 44 wells in North Texas. The Debtors are the Operator for ninety-one percent (91%) of such wells.

In North Texas, under the terms of a field acreage dedication agreement, the Debtors sell all of their natural gas and natural gas liquids production under a long-term contract to one midstream company. The Debtors' crude oil production is sold under a three-year contract that expires in 2016.

d. Other

As of December 31, 2015, the Debtors' position outside of their three core geographic areas included approximately 23,900 gross (11,200 net) acres primarily located in North Dakota, Mississippi, and Wyoming.

3. The Debtors' Employees

As of the Petition Date, the Debtors employed 165 employees, all of whom were employed on a full-time basis, and six of whom were paid on an hourly basis. The Debtors' workforce also includes contractors who are employed either directly or through temporary staffing agencies. The Company's highly-skilled employees occupy a variety of positions. The employees' skills, knowledge, and understanding of the Debtors' operations and infrastructure are essential to preserving operational stability and efficiency. None of the Debtors' workers are subject to a collective bargaining agreement.

4. The Company's Working Capital

The Debtors' working capital balance fluctuates as a result of timing and amount of borrowings or repayments under the Credit Documents (as defined herein), changes in the fair value of their outstanding Hedges (as defined herein), the timing of receiving reimbursement of amounts paid by the Debtors for the benefit of working interest owners, the timing of making payments to working interest and royalty owners on behalf of revenue received for the sale of their interests, the timing of accounts payable, as well as changes in revenue receivables as a result of price and volume fluctuations. Historically, if the Debtors' capital investment levels exceed their estimate of cash flows from operations, the Debtors generally would use available capacity under their Credit Documents.

C. The Debtors' Capital Structure and Prepetition Indebtedness

1. Old Sabine's Pre-Combination Capital Structure

a. The RBL Credit Facility

Prior to the Combination, Old Sabine was a borrower under an Amended and Restated Credit Agreement (as amended, restated, modified, waived, or supplemented from time to time and with all supplements and exhibits thereto, the "RBL Credit Agreement"), dated as of April 28, 2009, by and among a predecessor to Old Sabine, as borrower, Wells Fargo Bank, National Association, as successor administrative agent and collateral agent (in such capacity, and including its predecessors, successors, and assigns, the "RBL Agent"), and the lenders from time to time thereunder and other parties thereto (collectively, with their respective predecessors, successors, and assigns, the "RBL Lenders"). The RBL Credit Agreement provided Old Sabine with a revolving credit facility (the "RBL Credit Facility") with an initial borrowing base of $225 million, which was periodically raised as reserves increased. As of November 12, 2014, Old Sabine's borrowing base was $750 million. The RBL Credit Facility originally was

guaranteed by Old Sabine's direct and indirect subsidiaries (other than certain immaterial subsidiaries). To secure the RBL Credit Facility, Old Sabine and such subsidiaries granted a first priority lien on at least ninety percent (90%) of the PV-9 of their proved reserves, certain personal property, and the capital stock of substantially all of their direct and indirect subsidiaries, among other things.

b. The Second Lien Credit Agreement

On December 14, 2012, Old Sabine entered into a $500 million second lien credit facility agreement (as amended, modified, waived, or supplemented from time to time and with all supplements and exhibits thereto, the "Second Lien Credit Agreement"), by and among a predecessor to Old Sabine, as borrower, Bank of America, N.A., as administrative agent (in such capacity prior to May 2015, the "Second Lien Agent"),[15] and the lenders from time to time thereunder and other parties thereto (the "Second Lien Lenders"). On January 23, 2013, Old Sabine entered into the first amendment to the Second Lien Credit Agreement, which increased the principal amount of loans thereunder to $650 million.

c. The Intercreditor Agreement

Old Sabine and its subsidiaries, the RBL Agent, and the Second Lien Agent entered into an intercreditor agreement, dated as of December 14, 2012 (as amended from time to time and with all supplements and exhibits thereto, the "Intercreditor Agreement"). The Intercreditor Agreement governs certain of the respective rights and interests of lenders under the RBL Credit Agreement and the Second Lien Credit Agreement relating to, among other things, their rights with respect to the exercise of remedies in connection with any Event of Default (as defined in the Intercreditor Agreement). More specifically, the Intercreditor Agreement sets forth the rights and responsibilities of the parties thereto with respect to enforcement and turnover provisions in the event of a bankruptcy filing. Pursuant to Article III of the Plan, if Class 3 votes to accept the Plan, each Holder of an RBL Secured Claim and a First Lien Adequate Protection Claim (as defined in the Cash Collateral Order) shall have conclusively waived any right to enforce the lien subordination or other turnover rights under the Intercreditor Agreement and the Cash Collateral Order against any Holder of either a Second Lien Adequate Protection Claim or a Second Lien Deficiency Claim in respect of such Holder's recoveries under Class 4a or Class 4b of the Plan.

d. The 2017 Notes

On February 12, 2010, Sabine, formerly NFR Energy LLC, and Sabine Oil & Gas Finance Corporation, formerly NFR Energy Finance Corporation, co-issued $200 million in 9.75 percent senior unsecured notes due 2017 (the "2017 Notes"). On April 14, 2010, Sabine and Sabine Oil & Gas Finance Corporation issued an additional $150 million in 2017 Notes. The 2017 Notes bear interest at a rate of 9.75 percent per annum, payable semi-annually on February 15 and August 15 each year commencing August 15, 2010. The 2017 Notes were issued under and are governed by that certain indenture dated February 12, 2010, by and among Sabine, Sabine Oil & Gas Finance Corporation, The Bank of New York Mellon Trust Company, N.A., as trustee (in such capacity, "BNY"), and the guarantors party thereto (the "2017 Notes Indenture").

2. Forest Oil's Pre-Combination Capital Structure

a. First Lien Debt

Prior to the Combination, Forest Oil was the borrower under a revolving credit agreement (the "Old Forest RBL") that was secured by a first priority lien on property of the Debtors, including at least seventy-five percent (75%) of Forest Oil's proved oil and gas reserves together with certain personal property. Immediately prior to the Combination, there was approximately $105 million outstanding under the Old Forest RBL.

[15] All references to the "Second Lien Agent" in this Disclosure Statement prior to May 2015 refer to Bank of America, N.A., in its capacity as administrative Agent under the Second Lien Credit Agreement. All references to the "Second Lien Agent" including and subsequent to May 2015 refer to Wilmington Trust, N.A., as the successor to Bank of America, N.A. in such capacity.

b. The 2019 Notes

On June 6, 2007, Forest Oil issued approximately $750 million in 7.25 percent senior unsecured notes due 2019 (the "2019 Notes"). Forest Oil issued an additional $250 million in principal in 2019 Notes on May 22, 2008. Interest on the 2019 Notes is payable semi-annually on June 15 and December 15. The 2019 Notes were issued under and are governed by an indenture dated June 6, 2007, by and among Sabine, formerly known as Forest Oil, and U.S. Bank, N.A., as indenture trustee (the "2019 Notes Indenture"). Immediately prior to the Combination, there was approximately $577.9 million of 2019 Notes outstanding.

c. The 2020 Notes

Forest Oil issued approximately $500 million in 7.5 percent senior unsecured notes due 2020 (the "2020 Notes") on September 17, 2012. Interest on the 2020 Notes is payable semi-annually on March 15 and September 15. The 2020 Notes were issued under and are governed by that certain indenture dated September 17, 2012, by and among Sabine, formerly known as Forest Oil, and U.S. Bank, N.A., as indenture trustee (together with the RBL Credit Agreement, the Second Lien Credit Agreement, the Intercreditor Agreement, the 2017 Notes Indenture, and the 2019 Notes Indenture, the "Credit Documents"). Immediately prior to the Combination, there was approximately $222.1 million of 2020 Notes outstanding.

3. Prepetition Indebtedness

On December 16, 2014, Forest Oil and Old Sabine consummated the Combination, pursuant to which Old Sabine and certain of its affiliates were combined with and into Forest Oil. As a result of the Combination, the Debtors now are borrowers or issuers under all of the Credit Documents. As of May 31, 2015, the Debtors reported approximately $2.5 billion in total assets and approximately $2.9 billion in total liabilities. As described in greater detail below, as of the Petition Date, the principal amount of the Debtors' consolidated funded debt obligations (the "Prepetition Debt Obligations") totaled approximately $2.77 billion and was comprised of: (a) approximately $927 million of obligations under the RBL Credit Facility; (b) $700 million of obligations under the Second Lien Credit Facility; (c) $350 million of obligations under the 2017 Notes; (d) $578 million under the 2019 Notes; and (e) $222 million under the 2020 Notes. Approximately seventy-three-point-five percent (73.5%) of the economic interests and forty-nine-point-nine percent (49.9%) of the voting interest in Sabine are held by Sabine Investor Holdings LLC, with the remainder owned by public shareholders. The Prepetition Debt Obligations are described in greater detail herein.

a. The RBL Credit Facility

On December 16, 2014, the Debtors amended and restated the RBL Credit Facility to (i) increase that credit facility to $2 billion, with an initial borrowing base of $1 billion, with up to $100 million thereof available as letters of credit, (ii) jointly and severally guaranty the Debtors' obligations thereunder and (iii) secure the Debtors' obligations with (x) a lien on property of the Debtors, including at least eighty percent (80%) of the PV-9 of the borrowing base properties evaluated in the most recent reserve report and delivered to the administrative agent, and certain personal property and (y) a pledge of all the capital stock of the Debtors' restricted subsidiaries, subject to certain customary grace periods and exceptions (collectively, the "Collateral"). Immediately prior to the automatic acceleration of the RBL Credit Facility on the Petition Date, the maturity date with respect to the RBL Credit Facility was April 7, 2016.

The RBL Credit Facility borrowing base was subject to redeterminations by the RBL Lenders at least semi-annually, each April 1 and October 1. The borrowing base under the RBL Credit Facility could increase or decrease in connection with a redetermination, with increases being subject to the approval of all RBL Lenders and decreases (and redeterminations maintaining the borrowing base) being subject to the approval of two-thirds of the RBL Lenders, as measured by credit exposure. A reduction of the borrowing base requires the Debtors to repay outstanding loans under the RBL Credit Facility in excess of the new borrowing base in one payment or six equal monthly installments, and/or provide additional mortgages over oil and gas properties to support a larger borrowing base, at the Debtors' option.

On December 16, 2014, the Debtors borrowed $750.8 million under the RBL Credit Facility, which primarily was used to, among other things, refinance borrowings under the prior revolving credit agreements of

Forest Oil and Old Sabine and to fund costs and expenses incurred in connection with the Combination. On December 18, 2014, the Debtors repaid approximately $205.8 million of the outstanding borrowing under the RBL Credit Facility. Since that time, the Debtors drew an additional $426 million under the RBL Credit Facility, including $356 million on February 25, 2015. On July 3, 2015, a letter of credit outstanding under the RBL Credit Facility in the face amount of approximately $900,000 was drawn by the beneficiary thereof. After the Petition Date, the remaining letters of credit outstanding under the RBL Credit Facility were drawn by the beneficiaries thereof.

On April 27, 2015, the borrowing base was redetermined down to $750 million from $1 billion. Pursuant to the terms of the RBL Credit Agreement, repayment of the approximately $250 million deficiency was set to begin on May 27, 2015. However, pursuant to the forbearance agreement between the Debtors, the RBL Agent, and the RBL Lenders (the "RBL Forbearance Agreement"), the RBL Agent and RBL Lenders agreed to forbear from exercising remedies on account of any such missed payments that were due on May 27, 2015 or June 29, 2015. As of the Petition Date, approximately $927 million of the RBL Credit Facility was outstanding. Approximately $26 million of the RBL Credit Facility was outstanding in the form of undrawn letters of credit as of the Petition Date, all of which were drawn by the beneficiaries thereof after the Petition Date.

b. The Second Lien Credit Facility

Also in connection with the consummation of the Combination, on December 16, 2014, Old Sabine entered into a second amendment to the Second Lien Credit Agreement to provide for $50 million of incremental new term loans, which agreement as amended was then assumed by the Debtors. The Second Lien Credit Agreement is guaranteed by the Debtors and secured by second priority liens on the Collateral. On April 21, 2015, the Debtors elected not to make the $15.3 million interest payment due under the Second Lien Credit Facility.

c. The Notes

Following the Combination, all of the Debtors, with the exception of Sabine, are guarantors of the 2017 Notes, the 2019 Notes, and the 2020 Notes. Wilmington Savings Fund Society, FSB (in such capacity, "Wilmington") has succeeded U.S. Bank, N.A. as indenture trustee for the 2019 Notes and Delaware Trust Company (in such capacity, "Delaware Trust") has succeeded U.S. Bank, N.A., as indenture trustee as indenture trustee for the 2020 Notes. On June 15, 2015, the Debtors elected not to make the $20.95 million interest payment on the 2019 Notes.

d. Equity Interests

On December 16, 2014, in connection with the Combination, certain indirect equity holders of Old Sabine contributed their equity interests to Sabine in exchange for approximately 2.5 million Series A Preferred Shares (the "Series A Preferred Shares") and approximately 79.2 million shares of Sabine common stock (the "Common Shares"), collectively representing an approximately seventy-three-point-five percent (73.5%) economic interest in Sabine and forty percent (40%) of the total voting power. The Series A Preferred Shares are convertible and non-voting. As of the Petition Date, approximately 2.5 million Series A Preferred Shares are issued and outstanding of the 10 million authorized shares.

Holders of Forest Oil common stock immediately prior to the closing of the Combination continued to hold their common stock following the closing of the Combination, representing an approximately twenty-six-point-five percent (26.5%) economic interest in Sabine and sixty percent (60%) of the total voting power in Sabine. Holders of Forest Oil common stock hold 118.9 million Common Shares as of the Petition Date. As of the Petition Date, approximately 213.9 million Common Shares were issues and outstanding of the 650 million authorized shares.

e. The Debtors' Other Obligations

i. Hedging Arrangements

To provide partial protection against declines in oil and natural gas prices, the Debtors routinely enter into hedging arrangements ("Hedges") with certain counterparties (the "Hedge Counterparties"). The Debtors' decision on the quantity and price at which they choose to hedge their production is based upon their view of existing and forecasted production volumes, budgeted drilling projections, and current and future market conditions. Hedges typically take the form of oil and natural gas price collars and swap agreements.

The majority of the Hedge Counterparties are, or prior to the Combination were, parties to the RBL Credit Agreement. Pursuant to the RBL Credit Agreement, the Debtors could hedge up to one hundred percent (100%) of current production for 24 months, seventy-five percent (75%) of current production for months 25 through 36, and fifty percent (50%) of current production for months 37 through 60. As of the filing of this Disclosure Statement, the Debtors were not party to any Hedges.

ii. Other Secured Claims

In the ordinary course of business, the Debtors routinely transact business with a number of third-party contractors and vendors who may be able to assert liens against the Debtors and their property (such as equipment and, in certain circumstances, mineral interests) if the Debtors fail to pay for the goods delivered or services rendered. These parties perform various services for the Debtors, including manufacturing and repairing equipment and component parts necessary for the Debtors' oil field activities, contracting, drilling, hauling, and supplying oil and gas related services, as well as shipping the Debtors' products.

VI. EVENTS LEADING TO THE CHAPTER 11 FILINGS

A. Prepetition Events

As described above, as of June 30, 2015, the Debtors had outstanding Prepetition Debt Obligations of approximately $2.77 billion. During 2014 and continuing through the first quarter of 2015, the Debtors' revenues fell sharply as a result of the significant downturn in oil and natural gas prices, which were caused in part by a surplus of domestic crude production coupled with OPEC's decision not to reduce production quotas. Notwithstanding certain anticipated long-term cost savings and operational synergies resulting from the Combination, the significant decline in revenue strained the Debtors' resources and their ability to meet their anticipated working capital, debt service, and other liquidity needs.

1. Revolver Draw

Before the Petition Date, the Debtors took a series of operational and financial measures in an attempt to respond to these challenging market conditions. These included asset divestitures, reduction in capital expenditures associated with drilling and completion costs for new wells, salary freezes, and reductions in force. In addition, on February 25, 2015, Sabine drew down substantially all of the remaining availability under the RBL Credit Facility—approximately $356 million—to attempt to secure additional liquidity, fund ordinary course business operations, and preserve optionality in the event of a restructuring (the "Revolver Draw"). Nevertheless, given the severity of prepetition market conditions and the impact it had on the Debtors' cash flow situation, the Debtors were unable to right-size their balance sheets through cost-cutting and self-help measures alone.

2. Bondholder Litigation

On February 26, 2015, the Debtors were served with a complaint (the "Complaint") concerning the 2019 Notes Indenture. The Complaint generally alleges that certain events of default had occurred with respect to the 2019 Notes due to the Combination. More specifically, the Complaint alleged that the Combination constituted a change of control under the 2019 Notes Indenture which would have required the Debtors' to offer to purchase the 2019 Notes at one hundred and one percent (101%) of the outstanding principal, plus accrued and outstanding interest. The Complaint also alleges claims for breach of contract, breach of the implied covenant of good faith and fair dealing, and indemnification. The Debtors also received a notice of default and acceleration from the 2019 Notes trustee with respect to the 2019 Notes containing similar allegations.

3. Qualified Opinion and Borrowing Base Redetermination

On March 31, 2015, the Debtors announced the presence of a "going concern" qualification in their 2014 audited annual financial statements. Additionally, the Debtors provided requisite notice of such opinion to the RBL Agent and the Second Lien Agent.

On April 27, 2015, the borrowing base under the RBL Credit Facility was redetermined downwards from $1 billion to $750 million, resulting in a deficiency of approximately $250 million, with the first of six monthly repayment installments thereunder due on May 27, 2015.

4. Pending Payments and Forbearance

In addition to these obstacles, the Debtors had multiple interest payments due under their credit facilities in April 2015. Specifically, a $15.3 million interest payment under the Second Lien Credit Facility was due April 21, 2015, and a $2.4 million payment was due under the RBL Credit Facility on April 30, 2015. Failure to make either of these interest payments within the applicable 30-day grace periods under the respective Credit Documents would have triggered events of default under both credit facilities (due to certain cross-default provisions) absent a waiver or forbearance.

On May 4, 2015, the Debtors, the RBL Agent, and the RBL Lenders entered into the RBL Forbearance Agreement, pursuant to which the RBL Agent and the RBL Lenders agreed to forbear from exercising remedies until the earlier of (a) certain events of default under the RBL Forbearance Agreement or RBL Credit Agreement,

(b) the acceleration or exercise of remedies by any other lender or creditor, and (c) June 30, 2015 (collectively, the "RBL Forbearance Period").

On May 20, 2015, the Debtors, the Second Lien Agent, and the Second Lien Lenders entered into a forbearance agreement (the "Second Lien Forbearance Agreement" and together with the RBL Forbearance Agreement, the "Forbearance Agreements"), pursuant to which the Second Lien Agent and Second Lien Lenders agreed to forbear from exercising remedies during the RBL Forbearance Period (as such period relates to the Second Lien Forbearance Agreement, the "Second Lien Forbearance Period").

On June 30, 2015, the Debtors, the RBL Agent, and the RBL Lenders entered into the first amendment to the RBL Forbearance Agreement, pursuant to which the RBL Agent and RBL Lenders agreed to extend the RBL Forbearance Period to July 15, 2015. Additionally, on July 8, 2015, the Debtors, the Second Lien Agent, and the Second Lien Lenders entered into the first amendment to the Second Lien Forbearance Agreement, pursuant to which the Second Lien Agent and Second Lien Lenders agreed to extend the Second Lien Forbearance Period to July 15, 2015.

B. Pre-Filing Investigation of Potential Claims

In March 2015, Sabine learned that the holders of the 2017 Notes, 2019 Notes, and 2020 Notes might demand that Sabine pursue claims (or even seek standing to pursue the claims themselves) against other creditor groups in the event the Debtors filed for bankruptcy protection.

To evaluate those potential legal claims, and any other potential colorable claims, on May 15, 2015, Sabine's board of directors approved the formation of a special independent committee (the "Independent Directors' Committee") to conduct and oversee the investigation of potential claims and causes of action (collectively, the "Potential Estate Claims") that the Debtors or certain of their stakeholders might possess against creditors, legacy company board members, and equity holders (the "Investigation"). The Independent Directors' Committee was comprised of two independent directors, Thomas Chewning and Jonathan Foster, neither of whom was involved in the Combination and neither of whom served as directors of, or had any other involvement with decision making by pre-combination Old Sabine or Forest Oil. In connection with the Investigation, the Independent Directors' Committee analyzed more than 100,000 documents over the course of two months in an effort to identify meritorious Potential Estate Claims.

C. Creditor Negotiations and Chapter 11 Filing

Prior to the Petition Date, the Debtors engaged in discussions with various creditor constituencies. In connection with such discussions, the Debtors entered into the RBL Forbearance Agreement, the Second Lien Forbearance Agreement, and amendments thereto. Additionally, the Debtors engaged in discussions with advisors for various creditor constituencies regarding the parties' views with respect to valuation, debt capacity, potential pro forma capital structures, and the effect of potential litigation claims on potential creditor recoveries.

While productive, such discussions did not lead to a comprehensive out-of-court solution or prearranged chapter 11 plan for right-sizing the Debtors' balance sheet. In light of the Debtors' need for a comprehensive deleveraging and resolution of currently pending litigation and potential claims, the Debtors decided to file for bankruptcy protection.

VII. EVENTS DURING THE CHAPTER 11 CASES

Since the Petition Date, the Debtors have continued to operate their businesses and manage their properties as debtors in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code. The following is a general summary of these Chapter 11 Cases.

A. First Day Pleadings and Other Case Matters

1. First and Second Day Pleadings

To facilitate the commencement of these Chapter 11 Cases and minimize disruption to the Debtors' operations, the Debtors filed certain motions and applications with the Bankruptcy Court on the Petition Date or shortly thereafter seeking certain relief summarized below. The relief sought in the "first day" and "second day" pleadings facilitated the Debtors' seamless transition into chapter 11 and aided in the preservation of the Debtors' going-concern value. The first and second day pleadings filed by the Debtors and approved by the Bankruptcy Court include the following:

a. Cash Management Systems

To enable the Debtors to maintain to access their cash and continue in the ordinary course of business during these chapter 11 case, on the Petition Date the Debtors filed the *Debtors' Motion for Entry of Interim and Final Orders (I) Authorizing the Debtors to (A) Continue Using the Cash Management System, (B) Maintain Existing Bank Accounts and Business Forms, (C) Continue Intercompany Transactions, and (II) Granting Superpriority Administrative Expense Status to Postpetition Intercompany Payments*. On July 16, 2015, the Bankruptcy Court entered the *Interim Order (I) Authorizing the Debtors to (A) Continue Using the Cash Management System, (B) Maintain Existing Bank Accounts and Business Forms, (C) Continue Intercompany Transactions, and (II) Granting Superpriority Administrative Expense Status to Postpetition Intercompany Payments* [Docket No. 52]. On September 10, 2015, the Bankruptcy Court granted the relief requested on a final basis [Docket No. 315].

b. Employee Wages and Benefits

On the Petition Date, the Debtors filed the *Debtors' Motion for Entry of Interim and Final Orders Authorizing the Debtors to (I) Pay Prepetition Wages, Salaries, Other Compensation, and Reimbursable Expenses, and (II) Continue Employee Benefits Programs* [Docket No. 14] (the "Wages Motion"), seeking authority (a) to pay certain prepetition claims relating to, among other things, wages, salaries, ordinary-course raises and other pay increases, bonuses and other compensation, payroll services, federal and state withholding taxes and other amounts withheld (including garnishments, employees' share of insurance premiums, taxes and 401(k) contributions), health insurance, retirement health and related benefits, workers' compensation benefits, vacation time, leaves of absence, life insurance, short- and long-term disability coverage and all other benefits that the Debtors and their non-Debtor subsidiaries have historically provided (collectively, the "Employee Compensation and Benefits") and (b) to pay all costs incident to the foregoing, their employees might have suffered undue hardship and sought alternative employment opportunities, perhaps with the Debtors' competitors. The loss of valuable employees would have been distracting and detrimental to the Debtors at a critical time when the Debtors were focused on stabilizing their operations. Accordingly, the Debtors sought the relief requested in the Wages Motion. On July 16, 2015, the Bankruptcy Court entered an order granting the relief requested on an interim basis and subject to certain exceptions [Docket No. 56]. On August 4, 2015, the Debtors filed a supplemental motion requesting additional relief related to the payment of Employee Compensation and Benefits [Docket No. 117] (together with the Wages Motion, the "Wages Motions"). The Bankruptcy Court granted the certain of the relief requested in the Wages Motions on a final basis in separate orders entered on August 10, 2015 [Docket No. 148] and August 17, 2015 [Docket No. 182]. Certain of the relief requested in the Wages Motions is still under consideration by the Bankruptcy Court.

c. Royalty and Working Interests

Before the Petition Date and in the ordinary course of business, the Debtors held working interests in certain oil and gas leases that allow the Debtors to exploit the oil and gas on the lands associated with each particular working interest. In exchange, the Debtors are required to remit disbursements to the holders of non-operating

working interests in those oil and gas leases. In addition, each oil and gas lease in which the Debtors hold working interests is subject to royalty interests, which entitle the holders thereof to payments whenever an oil and gas lease produces oil and gas. Absent payment of these obligations, the Debtors' assets may be subject to perfection of liens by working interest holders and royalty interest holders, which would threaten the Debtors' business from operating as a going concern. Accordingly, on the Petition Date, the Debtors filed the *Debtors' Motion for Entry of Interim and Final Orders Authorizing Payment of (I) Working Interest Disbursements and (II) Royalty Payments in the Ordinary Course of Business* [Docket No. 11]. The Bankruptcy Court granted the relief requested on an interim basis on July 16, 2015 [Docket No. 43] and on a final basis on August 17, 2015 [Docket No. 178].

d. Lien Claimants

Before the Petition Date and in the ordinary course of business, the Debtors contracted with certain vendors to transport, deliver, and process gas (the "Shippers") for the Debtors to sell. Without the services provided by the Shippers, the Debtors' production would cease generating revenue. The Debtors also use certain vendors (the "Warehousemen") to store tubing, casing, drilling pipe, and wellhead equipment when not being used. If the Debtors were to default on any obligation to the Shippers or Warehousemen, the Shippers and Warehousemen could assert liens on the Debtors' assets, attempt to take possession of the Debtors' property, or bar the Debtors' from accessing such property. Additionally, the Debtors serve as operator under multiple joint operating agreements that govern oil and gas leases where third parties own non-operating working interests. As an operator, the Debtors are responsible for making operating expense payments and working interest disbursements. Additionally, where the Debtors hold non-operating working interests, they are responsible for paying the operators for joint interest billings in accordance with the applicable joint operating agreements. Failure to timely pay the operating expenses may provide grounds for removal of the Debtors as operators under such joint operating agreements and may result in perfection by mineral contractors of liens on the Debtors' working interests and proceeds of the oil and gas leases covered thereby. Accordingly, on the Petition Date, the Debtors filed the *Debtors' Motion for Entry of Interim and Final Orders Authorizing Payment of (I) Operating Expenses, (II) Joint Interest Billings, (III) Shipper and Warehousemen Claims, and (IV) Section 503(B)(9) Claims* [Docket No. 12]. On July 16, 2015, the Bankruptcy Court entered an interim order granting the relief requested [Docket No. 54], and on August 17, 2015, the Bankruptcy Court entered a final order authorizing the Debtors to pay such claims and expenses up to an aggregate cap of approximately $58.5 million, subject to more specific lower caps for certain types of payments [Docket No. 180]. On October 15, 2015, the Bankruptcy Court entered an order that reallocated the amounts available to make specific types of payments but did not alter the aggregate cap amount [Docket No. 419].

e. Taxes and Fees

The Debtors believed that, in some cases, certain taxing, regulatory, and governmental authorities had the ability to exercise rights and remedies if the Debtors failed to remit certain taxes and fees. Accordingly, on the Petition Date the Debtors filed the *Debtors' Motion for Entry of Interim and Final Orders Authorizing the Payment of Certain Prepetition Taxes and Fees* [Docket No. 13] (the "Taxes Motion"). The Bankruptcy Court granted the relief requested on an interim basis on July 16, 2015 [Docket No. 55] and on a final basis on August 10, 2015 [Docket No. 152]. On February 5, 2016, the Debtors filed a supplement to the Taxes Motion seeking to pay certain additional taxes in an amount not to exceed $500,000 in the aggregate [Docket No. 794]. The Bankruptcy Court entered an order granting the requested relief on February 22, 2016 [Docket No. 840].

f. Equity Trading

As of June 1, 2015, the Debtors had Net Operating Losses ("NOLs") in an amount of approximately $1 billion and believed that utilization of NOLs in future tax years could generate up to approximately $360 million in cash savings from reduced taxes. The Debtors designed certain procedures (the "Equity Trading Procedures") that would enable them to monitor and object to certain transfers of and declarations of worthlessness with respect to the Debtors' equity securities during these Chapter 11 Cases to ensure preservation of the NOLs. On the Petition Date, the Debtors filed the *Debtors' Motion for Entry of Interim and Final Orders Approving Notification and Hearing Procedures for Certain Transfers of and Declarations of Worthlessness with Respect to Common Stock and Preferred Stock* [Docket No. 6]. The Bankruptcy Court granted the relief requested on an interim basis on July 16, 2015 [Docket No. 58] and on a final basis on August 10, 2015 [Docket No. 153].

g. Utilities

Section 366 of the Bankruptcy Code protects debtors from utility service cutoffs upon a bankruptcy filing while providing utility companies with adequate assurance that the debtors will pay for postpetition services. To ensure uninterrupted utility service, on the Petition Date the Debtors filed the *Debtors' Motion for Entry of an Order Determining Adequate Assurance of Payment for Future Utility Services* [Docket No. 16], seeking the Bankruptcy Court's approval of procedures for, among other things, determining adequate assurance for utility providers and prohibiting utility providers from altering, refusing or discontinuing services without further order by the Bankruptcy Court. On August 10, 2015, the Bankruptcy Court granted the relief requested [Docket No. 144].

h. Insurance

In the ordinary course of business, the Debtors maintain various insurance policies (the "Insurance Policies") that are administered by multiple third-party insurance carriers. The Insurance Policies provide coverage for both general commercial business risks and risks specific to the oil and gas industry, such as well blowouts, inland marine property damage, and pollution. In addition, the Insurance Policies include several layers of excess liability coverage. Continuation and renewal of the Insurance Policies and entry into new insurance policies is essential to preserving the value of the Debtors' businesses, properties, and assets. Moreover, in many cases, the coverage provided by the Insurance Policies is required by the regulations, laws, and contracts that govern the Debtors' commercial activities, including the requirements of the U.S. Trustee. Accordingly, on the Petition Date the Debtors filed the *Debtors' Motion for Entry of an Order Authorizing the Debtors to (I) Continue Insurance Coverage Entered into Prepetition and Satisfy Prepetition Obligations Related Thereto and (II) Renew, Supplement, or Purchase Insurance Policies* [Docket No. 17]. On August 10, 2015, the Bankruptcy Court granted the relief requested [Docket No. 157].

i. Surety Bonds

To continue certain of their business operations during the reorganization process, the Debtors needed to continue to be able to provide financial assurances to local governments, regulatory agencies, and other third parties to which, in the ordinary course of business, they provided prepetition financial assurances. Before the Petition Date, the Debtors regularly accomplished this by posting surety bonds on account of: (a) obligations owed to municipalities; (b) obligations related to environmental regulatory agencies; and (c) obligations relating to obtaining permits or licenses (collectively, the "Surety Bond Program"). Additionally, statutes and ordinances often require the Debtors to post surety bonds to secure such obligations. Failure to provide, maintain, or timely replace these surety bonds would prevent the Debtors from undertaking essential functions related to their energy production operations and thus have a detrimental effect on the Debtors' businesses. Accordingly, on the Petition Date the Debtors filed the *Debtors' Motion for Entry of an Order Approving Continuation of Surety Bond Program* [Docket No. 18]. On August 10, 2015, the Bankruptcy Court granted the relief requested [Docket No. 154].

2. Procedural and Administrative Motions

To facilitate a smooth and efficient administration of these Chapter 11 Cases and reduce the administrative burdens associated therewith, on July 16, 2015 the Bankruptcy Court also entered procedural and administrative orders, including the: (a) *Order Directing Joint Administration of Chapter 11 Cases* [Docket No. 48]; (b) *Order (I) Authorizing the Debtors to (A) Prepare a List of Creditors in Lieu of Submitting a Formatted Mailing Matrix and (B) File a Consolidated List of the Debtors' 50 Largest Unsecured Creditors and (II) Approving the Form and Manner of Notifying Creditors of Commencement of these Chapter 11 Cases* [Docket No. 49]; (c) *Order Extending Time to File Schedules of Assets and Liabilities, Schedules of Current Income Expenditures, Schedules of Executory Contracts and Unexpired Leases, and Statements of Financial Affairs* [Docket No. 50]; and (d) *Order Establishing Certain Notice, Case Management, and Administrative Procedures* [Docket No. 51].

a. Contract Rejection

Before and after the Petition Date and in connection with their restructuring efforts, the Debtors evaluated the necessity and cost-efficiency of their executory contracts and unexpired leases.

As part of that process, the Debtors determined that certain contracts and related agreements were unnecessary and burdensome to the Debtors' estates and should be rejected as of the Petition Date. Accordingly, on the Petition Date the Debtors filed the *Debtors' Motion for Entry of an Order Authorizing Rejection of Certain Executory Contracts Effective as of the Petition Date* [Docket No. 19]. One contract counterparty, Nabors Industries, Inc. filed an objection to the motion on August 3, 2015 [Docket No. 108]. On August 7, 2015, the Debtors filed a response [Docket No. 134], and on August 10, 2015 the Bankruptcy Court overruled the objection and granted the relief requested by the Debtors in the motion [Docket No. 146].

Prepetition, the Debtors were party to certain agreements providing the Debtors with gathering and processing services for gas and gas liquids (the "Gathering Agreements"). The Debtors determined that these agreements were costly, unnecessary, and burdensome to the Debtors' estates and should be rejected. On September 30, 2015, the Debtors filed the *Debtors' Omnibus Motion for Entry of an Order Authorizing Rejection of Certain Executory Contracts* [Docket No. 371]. On October 8, 2015, each of the counterparties to the Gathering Agreements (collectively, the "Gatherers") filed objections to the motion [Docket Nos. 386, 387]. On October 14, 2015, the Debtors filed a reply to these objections [Docket No. 410]. On January 8, 2016, one of the Gatherers, Nordheim Eagle Ford Gathering LLC, filed a surreply to the Debtors' reply [Docket No. 676] (the "Surreply") and on January 22, 2016, the Debtors filed a response thereto [Docket No. 742]. A hearing on this motion was held on February 2, 2016. On March 8, 2016, the Bankruptcy Court found that the Debtors' decision to reject the Gathering Agreements was a reasonable exercise of the Debtors' business judgment. *See In re Sabine Oil & Gas Corp.*, --B.R.--, 2016 WL 890299, at *9 (Bankr. S.D.N.Y. Mar. 8, 2016). Although the Bankruptcy Court approved the Debtors' decision to reject the Gathering Agreements, the Bankruptcy Court did not make a final determination as to whether certain covenants in the respective Gathering Agreements "run with the land." As a result, on March 18, 2016, the Debtors commenced two adversary proceedings seeking findings that the Gathering Agreements do not contain covenants that "run with the land." *See* Adv. Proc. No. 16-01042 and 16-01043.

b. Contract Procedures

Because the Debtors' evaluation of their executory contracts and unexpired leases was ongoing as of the Petition Date, and because the Debtors believed that they would seek to assume or reject contracts and leases during the pendency of these Chapter 11 Cases, the Debtors determined that it would be beneficial to establish streamlined procedures (the "Contract Procedures") for assuming and rejecting such contracts and leases. Accordingly, on the Petition Date the Debtors filed the *Debtors' Motion for Entry of an Order Authorizing and Approving Expedited Procedures to Reject or Assume Executory Contracts and Unexpired Leases* [Docket No. 20]. On August 10, 2015, the Bankruptcy Court granted the relief requested [Docket No. 143]. Since the Petition Date, the Debtors have rejected or assumed approximately 28 contracts and/or leases pursuant to the Contract Procedures.

c. Ordinary Course Professionals

In the ordinary course of business, the Debtors retain various attorneys and other ordinary course professionals (collectively, "OCPs") who render a wide range of services to the Debtors in a variety of matters unrelated to these Chapter 11 Cases, including litigation, regulatory, labor and employment, intellectual property, general corporate, franchise, and other matters that have a direct impact on the Debtors' day-to-day operations. To prevent disruption to these services, on the Petition Date the Debtors filed the *Debtors' Motion for Entry of an Order Authorizing the Retention and Compensation of Certain Professionals Utilized in the Ordinary Course of Business* [Docket No. 21]. On August 10, 2015, the Bankruptcy Court granted the relief requested [Docket No. 155].

3. Retention of Restructuring Professionals

The Debtors also filed several applications and obtained authority to retain various professionals to assist the Debtors in carrying out their duties under the Bankruptcy Code as debtors-in-possession in these Chapter 11 Cases. The Bankruptcy Court approved the retention and employment of the following advisors:

(a) Prime Clerk LLC ("Prime Clerk"), as Notice and Claims Agent [Docket No. 57] and Administrative Advisor to the Debtors [Docket No. 147];

(b) Kirkland & Ellis LLP and Kirkland & Ellis International LLP (together, "Kirkland & Ellis") as Counsel to the Debtors [Docket No. 319];

(c) Zolfo Cooper Management, LLC ("Zolfo Cooper"), as Financial Advisors and Litigation Support Consultants to the Debtors [Docket No. 145];

(d) Lazard Frères & Co. LLC ("Lazard"), as Investment Banker to the Debtors [Docket No. 325];

(e) PricewaterhouseCoopers LLP as Tax Consultants to the Debtors [Docket No. 318]; and

(f) Deloitte & Touche LLP as Independent Auditor and Accounting Services Provider to the Debtors [Docket No. 425].

On August 10, 2015, the Bankruptcy Court entered the *Order Establishing Procedures for Interim Compensation and Reimbursement of Expenses for Retained Professionals* [Docket No. 156].

4. Cash to Fund Operations

Prior to the Petition Date, the RBL Lenders and the Second Lien Lenders (together with the RBL Lenders, the "Prepetition Secured Parties") and the Debtors disagreed as to whether and to what extent the Disputed Cash was subject to the liens and mortgages held by the Prepetition Secured Parties. Accordingly, before commencing these Chapter 11 Cases, the Debtors engaged in extensive negotiations with the Prepetition Secured Parties to obtain the use of cash collateral on a consensual basis while protecting the rights of unsecured creditors and other parties-in-interest with respect to the Disputed Cash. On the Petition Date, the Debtors filed the *Debtors' Motion for Entry of Interim and Final Orders Pursuant to 11 U.S.C. Sections 105, 361, 362, 363, and 507, Bankruptcy Rules 2002, 4001, and 9014, and Local Bankruptcy Rule 4001-2 (I) Authorizing Debtors' Limited Use of Cash Collateral, (II) Granting Adequate Protection to the Prepetition Secured Parties, (III) Modifying the Automatic Stay, and (IV) Scheduling a Final Hearing* [Docket No. 9] (the "Cash Collateral Motion"). On July 16, 2015, the Bankruptcy Court granted the relief requested on an interim basis [Docket No. 60] (the "Interim Cash Collateral Order").

Following entry of the Interim Cash Collateral Order, the Debtors engaged in substantial negotiations with the Prepetition Secured Parties, the Committee, and other parties-in-interest to reach a final, consensual agreement regarding the use of cash collateral. Nevertheless, several parties objected to the Cash Collateral Motion prior to the objection deadline, and the Debtors and certain other parties filed replies thereto.

Although the Cash Collateral Motion was hotly contested and subject to multiple objections, the Debtors facilitated an agreement with the various constituencies and eventually brokered a deal after of numerous discussions, several rounds of revisions to the proposed final order, and several hearings regarding the parties' various, differing proposed orders.

On September 16, 2015, the Bankruptcy Court entered an order approving the Debtors' use of cash collateral and overruling any remaining objections thereto [Docket No. 339] (as subsequently extended by notice on December 28, 2015 [Docket No. 658], the "Cash Collateral Order"). In addition to authorizing the Debtors' continued use of collateral, the Cash Collateral Order provided the Prepetition Secured Parties with adequate protection for the Debtors' use thereof, including superpriority administrative claims and senior liens, as well as the payments of amounts equal to fees, expenses, and interest, in each case as provided in the Cash Collateral Order.

On February 8, 2016, the Debtors filed a notice of the *Stipulation Between Debtors and First Lien Agent Extending the Expiration Date Under the Final Cash Collateral Order* [Docket. No. 803], by which the Debtors and the RBL Agent stipulated to an extension of the Expiration Date (as such term is defined in the Cash Collateral Order) contained in the Cash Collateral Order through May 15, 2016. Upon request of the Bankruptcy Court, the Debtors filed the *Motion for Entry of an Order Extending the "Expiration Date" Contained in the Final Cash Collateral Order* [Docket No. 858] (the "Cash Collateral Extension Motion").

The Committee filed an objection to the Cash Collateral Extension Motion on March 29, 2016 [Docket No. 916]. On April 7, 2016, the Bankruptcy Court held a hearing on the Cash Collateral Extension Motion and entered an order granting the Cash Collateral Extension Motion [Docket No. 958] (the "Cash Collateral Extension Order") over the Committee's objection. The Committee believes that the Cash Collateral Extension Order erroneously continues adequate protection payments to the RBL Lenders and Second Lien Lenders notwithstanding that these

parties are presently undersecured and unsecured, respectively. On April 21, 2016, the Committee filed a notice of appeal in respect of the Cash Collateral Extension Order [Docket No. 1021].

5. Appointment of the Creditors' Committee and Its Advisors

On July 28, 2015, the U.S. Trustee appointed the Committee [Docket No. 90]. On November 10, 2015, the Committee was reconstituted by the U.S. Trustee [Docket No. 499]. The Committee is composed of the following members (collectively, the "Committee Members"):

(a) The Bank of New York Mellon, N.A.;

(b) Aurelius Capital Partners, LP;

(c) AQR Diversified Arbitrage Fund;

(d) Asset Risk Management, LLC; and

(e) Wilmington Savings Fund Society, FSB.

The Committee also filed several applications and obtained authority to retain various professionals to assist the Committee in carrying out its duties under the Bankruptcy Code, including:

(a) Ropes & Gray LLP, as Counsel to the Committee [Docket No. 322];

(b) Berkeley Research Group, LLC, as Financial Advisor to the Committee [Docket No. 323];

(c) Porter Hedges LLP, as Texas and Oil and Gas Counsel to the Committee[Docket No. 420];

(d) BB Genesis Land & Mineral Resources, L.P., as Land Due Diligence Contractor to the Committee [Docket No. 421]; and

(e) PJT Partners LP, as Investment Banker to the Committee [Docket No. 422].

To facilitate the Committee's representation of the interests of all creditors in these Chapter 11 Cases, the Committee filed the *Motion of the Official Committee of Unsecured Creditors for an Order Pursuant to 11 U.S.C. §§ 105(a), 107(b) and 1102(b)(3) Authorizing (I) a Protocol for Creditor Access to Information and (II) the Committee to Utilize Prime Clerk LLC as Information Agent in Connection Therewith* [Docket No. 214]. On September 10, 2015, the Bankruptcy Court granted the relief requested [Docket No. 321].

On January 5, 2016, the RBL Agent filed the *Limited Objection of Wells Fargo Bank, N.A., as First Lien Agent, to Fees Incurred by Committee Professionals in Connection with Its Investigation and Related Matters* [Docket No. 670], objecting to certain fees charged to the Debtors' estates in the Committee's professionals' fee applications. On January 11, 2016, the Committee filed a response to the RBL Agent's objection [Docket No. 688]. The hearing on the Committee's fee application has been adjourned to May 17, 2016 [Docket No. 887].

6. Claims Bar Date

On October 20, 2015, the Debtors filed the *Debtors' Motion for the Entry of an Order (I) Setting Bar Dates for Submitting Proofs of Claim, (II) Approving Procedures for Submitting Proofs of Claim, (III) Approving Notice Thereof, and (IV) Granting Related Relief* [Docket No. 439]. With this motion, the Debtors sought to fix a deadline for filing proofs of claim of December 22, 2015 (the "General Claims Bar Date") in these Chapter 11 Cases, as well as a separate deadline for governmental units to file proofs of claims of January 11, 2016 (the "Government Claims Bar Date" and, together with the General Claims Bar Date, the "Claims Bar Dates"), and to establish procedures for the filing of proofs of claim and the provision of appropriate notice of the Claims Bar Dates to potential claimants. On November 10, 2015, the Bankruptcy Court granted the relief requested [Docket No. 502].

7. Employee Incentive/Retention Plans

During the course of these Chapter 11 Cases, the Debtors secured court approval to continue two prepetition employee incentive programs: a program providing incentive awards to insider and other officer employees (the "Performance Award Program"); and a program providing fixed cash bonuses to the Debtors' remaining non-insider employees (the "Fixed Bonus Award Program"). The terms of these plans were approved by the compensation committee of Sabine's board of directors (the "Compensation Committee"). The Compensation Committee was assisted by its compensation consultant, Towers Watson Delaware Inc. ("Towers Watson"), and its financial advisor Zolfo Cooper. On August 21, 2015, the Debtors filed the *Debtors' Motion for Entry of an Order Approving and Authorizing the (A) Performance Award Program and (B) Fixed Bonus Award Program* [Docket No. 212] (the "Incentive Program Motion").

a. Fixed Bonus Award Program

The Fixed Bonus Award Program provides fixed quarterly cash bonuses to non-officer, non-insider employees of the Debtors. The total estimated cost of the Fixed Bonus Award Program is approximately $7 million. The Bankruptcy Court approved the Fixed Bonus Award Program without objection on September 10, 2015 [Docket No. 317].

b. Performance Award Program

The Performance Award Program provides the Debtors' core management team with the opportunity to earn cash-based incentive awards if certain financial and operational milestones are achieved. After filing the Incentive Program Motion, the Debtors worked diligently with creditors and the U.S. Trustee to attempt to reach a consensual resolution regarding the Performance Award Programs. On November 9, 2015, the Debtors filed the *Supplement to Debtors' Motion for Entry of an Order Approving and Authorizing the Performance Award Program* [Docket No. 497], which incorporated several modifications to the program based on feedback received from these parties. The Debtors continued negotiating with all parties and consensually resolved nearly all formal and informal objections to the Performance Award Program. On December 4, 2015, after hearing argument, the Bankruptcy Court overruled the remaining objection and entered an order approving the Performance Award Program as proposed by the Debtors [Docket No. 586].

A summary of the Performance Award Program, as approved by the Bankruptcy Court, is provided below:

i. Metrics and Targets

The Performance Award Program awards performance-based cash payments to nine officers of the Debtors on a semi-annual basis. These payments depend on the Debtors' achievement of certain threshold, target and maximum goals for five key performance metrics: EBITDA, total production, capital, operating expense, and capital efficiency. The total estimated cost of the Performance Award Program ranges from approximately $2.4 million (at threshold payout levels) to $9.0 million (at maximum payout levels). The Performance Award Program terminates on the earlier of June 30, 2016 or the effective date of an approved plan of reorganization in these Chapter 11 Cases.

ii. Emergence Incentivization

The Performance Award Program incorporates an adjustment factor (the "Emergence Adjustment Factor") applicable to the program payments for each of four insider participants (the CEO, COO, CFO, and SVP of Asset Development). The Emergence Adjustment Factor reduces the incentive award amounts available to these individuals if the Debtors do not meet certain emergence deadlines (such as dates for filing and securing approval of a disclosure statement and the start of the Confirmation Hearing). To the extent that Emergence Adjustment Factor milestones are not met, the payments to the four insider participants are subject to reduction.

B. The Adversary Proceeding

After consulting with its advisors, the Independent Directors' Committee concluded that it would be in the best interest of the Debtors and their stakeholders to file an adversary complaint (the "Adversary Complaint") and

pursue a constructive fraudulent transfer claim against the Second Lien Agent seeking to avoid certain liens granted for the benefit of the Second Lien Lenders after the Combination. The Debtors filed the Adversary Complaint on the Petition Date. The remainder of the Investigation continued (as discussed in further detail in Article D, which begins on page 48 of this Disclosure Statement).

On August 17, 2015, the Second Lien Agent filed a Motion to Dismiss the Debtors' Adversary Complaint [Adv. Proc. Docket No. 6] (the "Motion to Dismiss"). The Second Lien Agent moved to dismiss the Debtors' constructive fraudulent transfer claim primarily on two grounds—the antecedent debt rule and the safe harbor under Section 546(e) of the Bankruptcy Code. First, the Second Lien Agent argued that under the antecedent debt rule, an insolvent company's grant of a security interest in its assets to an existing creditor cannot be considered a fraudulent conveyance, even as to debt assumed in a business combination. In particular, it argued that because, on December 16, 2014, the post-combination company pledged its assets to secure its own antecedent debt, reasonably equivalent value was exchanged. Second, the Second Lien Agent argued that Section 546(e) of the Bankruptcy Code prohibits a plaintiff from invoking Section 544 or 548 of the Bankruptcy Code to avoid any transfer to, or for the benefit of, a financial institution made "in connection with" a securities contract. The Second Lien Agent then argued that the challenged liens and associated deeds of trust were transfers made in connection with a securities contract, and accordingly, the safe harbor applies.

On September 16, 2015, the Debtors filed their response to the Motion to Dismiss [Adv. Proc. Docket No. 12] (the "Response"). In short, the Debtors argued that the antecedent debt rule does not apply, because the appropriate time to evaluate the debt is pre-transaction, from the perspective of Forest Oil creditors. Viewed from the pre-combination perspective, the Combination effectuated a transfer of value from one insolvent company to the creditors of another, for less than equivalent value in return. Additionally, the Debtors argued that Section 546(e) of the Bankruptcy Code should not apply, because the pledge of securities was made pursuant to a credit facility agreement Old Sabine had entered into years earlier, which was not a "securities contract."

On October 7, 2015, the Second Lien Credit Agent filed the *Reply in Support of its Motion to Dismiss* [Adv. Proc. Docket No. 14], reiterating its antecedent debt and safe harbor arguments. The Bankruptcy Court held an initial hearing on the Motion to Dismiss on October 15, 2015.

The Forest Notes Trustee and the Committee moved to intervene in the Adversary Proceeding on December 30, 2015 [Adv. Proc. Docket No. 17] and January 5, 2016 [Adv. Proc. Docket No. 18], respectively. On January 11, 2016, the Bankruptcy Court entered an order authorizing the Committee and the Forest Notes Trustee to intervene in the Adversary Proceeding solely with respect to briefing, argument and determination of the Motion to Dismiss [Adv. Proc. Docket No. 23].

On January 5, 2016, the Committee filed the *Objection of the Official Committee of Unsecured Creditors to Defendant Wilmington Trust, N.A.'s Motion to Dismiss* [Adv. Proc. Docket No. 19], which argued, among other things, that the Motion to Dismiss should be denied because the claims of the Second Lien Lenders were avoidable, and that the Bankruptcy Court should delay ruling on the Motion to Dismiss until the Bankruptcy Court issues a decision on the First UCC Standing Motion and the Second UCC Standing Motion.

A subsequent hearing on the Motion to Dismiss was held on January 12, 2016. Although the Bankruptcy Court has not yet ruled on the Motion to Dismiss, the Adversary Proceeding is being settled under the Plan and will be deemed withdrawn on the Effective Date.

C. The Coordinated Discovery Protocol

Promptly after the Committee's formation and its selection of counsel, the Debtors conferred with that counsel to discuss the nature and extent of the document searches that the Independent Directors' Committee had conducted in connection with its Investigation. In early August 2015, the Debtors began voluntarily producing to the Committee the non-privileged documents relevant to the Independent Directors' Committee's Investigation.

Notwithstanding the Debtors' initial voluntary production of more than 260,000 pages of documents relevant to the Investigation, on August 25, 2015, the Committee filed the *Motion of the Official Committee of Unsecured Creditors for Leave Pursuant to Rule 2004 of the Federal Rules of Bankruptcy Procedure to Conduct Discovery of the Debtors and Third Parties, and to Establish Discovery Response and Dispute Procedures for Such*

Examination [Docket No. 220] (the "Rule 2004 Motion"). The Rule 2004 Motion sought discovery with respect to potential claims outside of the Combination. Several parties, including the Debtors and the RBL Lenders, filed objections to the scope of the Committee's 2004 Motion. Over the next several weeks, the Debtors, together with the Committee and other parties-in-interest, worked to design a protocol to coordinate the parties' discovery regarding potential claims. During this time, the Debtors continued to respond to the Committee's discovery requests and produce documents. On September 24, 2015, the Bankruptcy Court approved the discovery protocol [Docket No. 359] (the "Stipulated Discovery Protocol") agreed upon by the Debtors, the Committee, and several parties-in-interest, establishing (i) parameters for the document requests and voluntary production from third parties, and (ii) the time allocation and topics of voluntary depositions.

D. Debtors' Postpetition Investigation

1. The Bucket I Claims

The Investigation continued following the filing of the Adversary Complaint. On October 26, 2015, the Independent Directors' Professor Williams, on behalf of the Debtors, released the *Analysis of Potential Estate Causes of Action: Constructive Fraudulent Transfer* to the Committee (the "First Investigation Report") that Professor Jack Williams and Kirkland & Ellis LLP had authorized. The First Investigation Report concluded that, other than the claims for constructive fraudulent transfer to avoid certain liens asserted in the Adversary Complaint, the Debtors had no colorable claims for constructive fraudulent transfer against the RBL Lenders (as such claims relate to claims for constructive fraudulent transfer, and were not included the Adversary Complaint, the "Bucket I Claims").

The First Investigation Report concluded that under a market approach, income approach, and asset-based approach, Forest Oil, Old Sabine, and the combined company—including the former Old Sabine subsidiaries—were all insolvent as of the date of the Combination. Furthermore, while the financial analysis showed that Forest Oil's unsecured creditors did not receive reasonably equivalent value in the financing transactions that occurred simultaneously with the Combination, the Old Sabine unsecured creditors' position improved in the December 16, 2014 transactions. Accordingly, based on its consideration of the issue and supported by Professor Williams' extremely thorough analysis, the Independent Directors' Committee concluded that the only colorable claim and remedy for constructive fraudulent transfer available to the Debtors was the lien avoidance claim asserted in the Adversary Complaint against the Second Lien Agent and Second Lien Lenders. The Independent Directors' Committee concluded there was no basis to avoid the claims of the Second Lien Lenders.

The First Investigation Report also concluded that a constructive fraudulent transfer claim did not exist against the RBL Lenders because (a) both the Old Forest RBL and Old Sabine's RBL Credit Facility were fully secured through the date of the Combination, and (b) those same assets remained pledged as security on the refinanced RBL Credit Facility that closed on December 16, 2014. The substitution of one fully secured claim with another fully secured claim, particularly one that does not change the recovery of the junior claimants, cannot be a constructive fraudulent transfer. Accordingly, the Debtors decided not to initiate constructive fraudulent transfer litigation against the RBL Agent and the RBL Lenders.

2. The Bucket II Claims

In connection with prepetition and postpetition negotiations with respect to the Cash Collateral Order, the Debtors began investigating certain legal arguments regarding the scope and extent of the Prepetition Secured Parties' liens (the "Bucket II Claims") and the likelihood that various constituencies would have success with respect to such legal arguments. Each of the Bucket II Claims discussed below has been incorporated into the Settlement contemplated by the Plan.

The settlement of the Bucket II Claims provides significant value to unsecured creditors that would otherwise not be available to unsecured creditors because the RBL Agent and the RBL Lenders have Adequate Protection Liens and Adequate Protection Claims as a result of the substantial Collateral Diminution that has occurred during these Chapter 11 Cases. The Adequate Protection Liens and Adequate Protection Claims entitled the RBL Agent and the RBL Lenders to all of the value of the Debtors' unencumbered assets. Thus, the RBL Lenders are conceding a portion of their recovery in order to facilitate a settlement and confirmation of a chapter 11 plan.

The discussion below, and the resolution of the Bucket II Claims, avoids the significant cost and delay associated with litigating these issues with the RBL Agent, the RBL Lenders, the Second Lien Agent, and the Second Lien Lenders, each of whom would vigorously defend their positions in respect of the Bucket II Claims.

a. Disputed Cash Issue

As described in Article VI.A.1 above, on February 25, 2015, the Debtors made the Revolver Draw to fund ordinary course business operations and preserve optionality in the event of an in- or out-of-court restructuring. The Debtors placed the funds from the Revolver Draw into the Debtors' main operating account (the "Operating Account"). Between the time of the Revolver Draw and the Petition Date, the funds from the Revolver Draw, the Debtors' unencumbered cash from operations, and the Debtors' encumbered cash proceeds of Prepetition Collateral were commingled in the Operating Account. As of the Petition Date, the Operating Account had a balance of approximately $252 million, which amount the Debtors contend comprised the Disputed Cash.

The RBL Lenders, the Second Lien Lenders, and the Committee disagree as to the extent to which the Disputed Cash was encumbered as of the Petition Date (the "Disputed Cash Issue"); specifically, the RBL Lenders assert that all of the Disputed Cash constitutes Cash Collateral (as such term is defined in the Bankruptcy Code) or is subject to a constructive trust. The RBL Lenders argue that the broad language in the RBL Mortgages grants blanket liens on all of the Debtors' personal property, including the Debtors' right to draw under the RBL Credit Agreement, and therefore the cash is a proceed of such personal property to which the RBL Agent's perfected lien is attached. The RBL Lenders also assert that the Disputed Cash is subject to a constructive trust because the RBL Lenders relied on representations and warranties that the Debtors were solvent when they loaned the money.

As part of their investigation of the Bucket II Claims, the Debtors examined various equitable methods for tracing the commingled Disputed Cash in the Operating Account and the likelihood that each such method would be deemed equitable by the Bankruptcy Court. The Debtors believe that the most equitable tracing method in these Chapter 11 Cases is evidence-based tracing, which the Debtors have been using to trace cash postpetition in accordance with the Cash Collateral Order. After applying the evidence-based tracing method to prepetition cash flows into and out of the Operating Account, the Debtors concluded that this method of tracing was likely to result in all funds in the Operating Account being unencumbered as of the Petition Date. The RBL Lenders do not agree that this is an appropriate tracing method or that such tracing method would result in all funds in the Operating Account being unencumbered as of the Petition Date. In addition, the Debtors reviewed the legal basis for the RBL Lenders' constructive trust arguments and concluded that such arguments were not likely to succeed.

The Debtors have traced and segregated cash received after the Petition Date in a manner consistent with the methodology set forth in the Cash Collateral Order and agreed to by the Debtors, the RBL Lenders, the Second Lien Lenders, the Committee, the Forest Notes Indenture Trustees, and the Sabine Notes Indenture Trustee. In addition, the Debtors have been using Disputed Cash in accordance with the Cash Collateral Order. Based on such tracing and segregation, on the Effective Date, the Debtors forecast that there will remain approximately $8.4 million of Disputed Cash.

In addition, paragraph 11 of the Cash Collateral Order provides that the Debtors and the Committee reserved their respective rights to assert that a portion of the Unallocated G&A should be, or should have been, payable from the Segregated Cash Collateral, and the First Lien Secured Parties and the Second Lien Secured Parties reserved their rights to oppose such relief. At the STN hearing, the Committee asserted that 82% of the Debtors' unallocated general and administrative expenses (or $27 million), which amounts were paid from Disputed Cash during the chapter 11 cases, should be allocated to the encumbered wells. If the Committee is correct, there would be $27 million of Disputed Cash on the Effective Date in addition to the approximately $8.4 million of Disputed Cash that the Debtors forecast will be remaining. Neither the Debtors nor the RBL Lenders agree that 82% of unallocated general and administrative expenses can or should be allocated to the encumbered wells. Nevertheless, in the chart below the Debtors have used the Committee's assertion in calculating the total asserted amount of Disputed Cash of $35 million.

At the STN hearing, the Committee also asserted that 82% of the Debtors' professional fees ($44 million) and 82% of certain payments made pursuant to "first day" order ($36 million) should be allocated to the encumbered wells. The Debtors and the RBL Lenders disagree that any of such amounts can or should be allocated to encumbered wells as such allocation is inconsistent with, and not permitted pursuant to, the Cash Collateral

Order. Therefore, the Debtors believe that the maximum amount that can even be asserted to be Disputed Cash on the Effective Date is $35 million and that at least $55 million of cash projected on the Effective Date constitutes Segregated Cash Collateral.

b. Scope of Collateral Issues

The Scope of the Collateral Issues encompass the extent of the liens and security interests held by the RBL Agent and the Second Lien Agent in the Debtors' oil and gas leases and wells listed in the RBL Mortgages (defined below) as well as in the Debtors' personal property (the "Scope of the Collateral Issues").

i. The Unlisted Leases

Certain of the Debtors' predecessors-in-interest granted a security interest in favor of the RBL Agent in properties that now belong to the Debtors pursuant to several mortgage documents (collectively, the "RBL Mortgages")[16] and granted mortgages on substantially the same property to the Second Lien Agent (collectively, the "Second Lien Mortgages"). Each of the RBL Mortgages and Second Lien Mortgages at issue contains a clause that specifically grants a security interest in "all rights, titles, interests and estates now owned or hereafter acquired by [the Debtors] in and to the properties now owned or hereafter pooled or unitized with the Hydrocarbon Property" (each such clause a "Unitization Clause"). The Unitization Clause relates to certain "unitized" oil and gas leases (collectively, the "Unitized Leases"). The Unitization Clause also purports to grant a security interest on all after-acquired leases pooled or unitized with such Hydrocarbon Properties (collectively, the "After-acquired Unitized Leases" and together with the Unitized Leases, the "Unlisted Leases").

The Debtors believe that the RBL Agent and the Second Lien Agent likely have a valid and perfected lien in the Unitized Leases, even though they were not expressly listed on the exhibit to the mortgage, as long as they were subject to publicly filed unit declarations as of the date of the applicable mortgage. The Debtors, however, believe that the lien held by the RBL Agent and the Second Lien Agent may not extend to the After-acquired Unitized Leases, as such After-acquired Unitized Leases may not have been subject to a publicly filed unit declaration as of the date of the applicable mortgage, and, therefore, would not have been identifiable based on publicly available sources. The RBL Agent and the Second Lien Agent assert that they have valid, perfected mortgages on all of the Unlisted Leases under Texas law because the broadly-drafted granting clauses in each of the RBL Mortgages and Second Lien Mortgages provide the RBL Agent and Second Lien Agent with a perfected blanket lien that extends to all of the Debtors' real property interests located in the counties in Texas where an RBL Mortgage or a Second Lien Mortgage has been recorded, including the Unitzed Leases and the After-acquired Unitized Leases, regardless of whether each of those interests has been listed on an exhibit to the RBL Mortgage or Second Lien Mortgage. The Committee asserts that the liens held by the RBL Agent and the Second Lien Agent do not extend to any of the Unlisted Leases. The total value of the Unlisted Leases as of the Effective Date is $14.4 million.

The Debtors and their advisors have examined the various legal arguments raised by the RBL Agent, the Second Lien Agent, and the Committee with respect to the Unlisted Leases. The Debtors have estimated that there is an approximately 15% chance that the Debtors would be successful in showing that the RBL Agent's and Second Lien Agent's prepetition liens do not extend to the unlisted leases, and a 50% chance of showing that the RBL Agent's and Second Lien Agent's prepetition liens do not extend to the After-acquired Unitized Leases, for a blended rate of success of 32.5%.

ii. The Potentially Defective Recording Leases

As noted above, certain of the Debtors' predecessors-in-interest filed mortgages on their oil and gas leases and wells in favor of the RBL Agent and the Second Lien Agent. The Committee has identified 199 of those leases that it argues were or may have been included in the lease schedules attached to the RBL Mortgages or Second Lien Mortgages, but for which there are defects of description (the "Potentially Defective Recording Leases"). The Committee asserts that the Potentially Defective Recording Leases were not properly recorded or otherwise suffer from defects that render the leases unencumbered. Accordingly, the Committee argues that these Potentially

16 Specifically, such RBL Mortgages took the form of a *Deed of Trust, Fixture Filing, Assignment of As-Extracted Collateral, Security Agreement,* and *Financing Statement* in favor of the RBL Agent.

Defective Recording Leases do not meet the legal standard of notice required to perfect the liens thereon, with the result that such unperfected liens may be avoided pursuant to Bankruptcy Code section 544(a)(1) and (a)(3). The RBL Lenders and the Second Lien Lenders disagree and assert that the broadly-drafted granting clauses in each of the RBL Mortgages and Second Lien Mortgages provide the RBL Agent and the Second Lien Agent with perfected blanket liens on all of the Debtors' real property interests located in the counties in Texas where an RBL Mortgage or Second Lien Mortgage has been recorded, regardless of whether there are alleged defects in the recording of those interests. The RBL Agent and Second Lien Agent also note that the RBL Mortgages and Second Lien Mortgages contain specific language that states that the RBL Agent's and the Second Lien Agent's liens on the Debtors' property remain valid even though such property has been "incorrectly described." The total value of the Potentially Defective Recording Leases as of the Effective Date is $4,151,187.

As part of their investigation of the Bucket II Claims, the Debtors examined the various legal arguments raised by the RBL Agent, the Second Lien Agent and the Committee with respect to the Potentially Defective Recording Leases. The list of Potentially Defective Recording Leases in fact clearly identifies the state and county of the mortgaged property, the lessor, the lessee, the lease number, the lease type, and the lease date and expiration date (the "Available Information"). The Debtors conducted a review of public records using the Available Information and found that such information was sufficient to identify a majority of the leases at issue (the "Clearly Identifiable Leases").

Despite the fact that the book and page numbers are omitted or recorded in error, the Debtors' review of public records establishes that, with respect to the Clearly Identifiable Leases, such errors or omissions are minor and insufficient to render the mortgage ineffective as the collateral is still clearly identifiable. Accordingly, the Debtors estimate that they have as high as a 30% likelihood of success in avoiding the RBL Agent's and Second Lien Agent's Liens on the Potentially Defective Recording Leases.

iii. The County Leases

The RBL Lenders and Second Lien Lenders assert that they hold a valid mortgage on all 3,338 of the leases located in the counties in which the RBL Mortgages and Second Lien Mortgages were filed (the "County Leases"). The RBL Lenders and the Second Lien Lenders assert that the broadly-drafted granting clauses in each of the RBL Mortgages and Second Lien Mortgages provide the RBL Lenders and the Second Lien Lenders with perfected blanket liens on all of the Debtors' real property interests located in the counties in Texas where an RBL Mortgage or Second Lien Mortgage has been recorded and that the RBL Mortgages and Second Lien Mortgages satisfy the Texas statute of frauds. The value of the County Leases as of the Effective Date is estimated to be $70,528,699. The Debtors considered the legal arguments for and against this position in connection with their Bucket II Claims analysis and determined that such assertion may not satisfy Texas law, which requires that the description of the particular land to be conveyed be identified with reasonable certainty. The Debtors estimate that they have no more than a 50% chance of success on this issue. The RBL Lenders and Second Lien Lenders disagree.

iv. Personal Property Liens

The RBL Lenders and the Second Lien Lenders have also taken the position that they have blanket liens on all of the Debtors' personal property, including general intangibles, accounts, inventory, and as-extracted collateral, whether or not related to the hydrocarbons. The Committee disagrees, presenting the issue of whether the RBL Agent and Second Lien Agent have liens on all of the Debtors' personal property or only personal property related to the hydrocarbons. It is the Debtors' position that the unambiguous language of the RBL Mortgages and Second Lien Mortgages includes only personal property related to the hydrocarbons in the RBL Agent's and the Second Lien Agent's collateral package and, accordingly, the RBL Agent and the Second Lien Agent would likely not prevail in asserting liens over personal property unrelated to the hydrocarbons. The Debtors have estimated that there is a 90% chance of success to invalidate the RBL Agent's and Second Lien Agent's liens in the personal property. The personal property at issue consists of (i) unused pipe for transporting oil and gas, (ii) undeveloped leased and owned acreage, (iii) office equipment, (iv) various field locations and (v) 37 trucks used by field personnel. At the outset of the negotiations with the RBL Lenders, the Debtors had estimated that the total value of such assets could be as much as $15 million. The Debtors have since further analyzed the potential value of the personal property and believe the total value is likely closer to $6.8 million.

c. Preference Issue

The Debtors considered whether the liens on the 1,769 oil and gas leases granted to the RBL Lenders (the "RBL 90-Day Mortgages") and the 1,865 oil and gas leases granted to the Second Lien Lenders (the "Second Lien 90-Day Mortgages" and together with the RBL 90-Day Mortgages, the "90-Day Mortgages") transferred to the RBL Lenders and the Second Lien Lenders pursuant to their respective Forbearance Agreements could be avoided as preferential transfers under section 547(b) of the Bankruptcy Code (the "Preference Issue").

On May 4, 2015, the Debtors executed the RBL Forbearance Agreement. Under the terms of the RBL Forbearance Agreement, the RBL Lenders agreed to forbear from exercising remedies available to them under the RBL Credit Agreement until June 30, 2015 (subsequently extended to July 15, 2015) with respect to: (i) the going concern qualification; (ii) the failure to make any borrowing base deficiency payments arising from any borrowing base redetermination; and (iii) the failure to make the April 21, 2015 interest payment under the Second Lien Credit Agreement. In exchange, the Debtors agreed to, among other things, provide the RBL Lenders with mortgages on currently unencumbered properties.

At the time of the December 16, 2014 refinancing of the RBL Credit Agreement, the Debtors owned approximately 300 properties that the Debtors intended to sell. As an accommodation to the Debtors, to more efficiently complete such intended sale, the RBL Lenders did not require the pledge of the 90-Day Mortgages on the 300 properties in connection with the December refinancing. Ultimately, however, the Debtors did not close on the sale of the 300 properties, and in exchange for the first forbearance, the RBL lenders required the pledge of the RBL 90-Day Mortgages. On or around May 4, 2015, the RBL Lenders perfected liens on the RBL 90-Day Mortgages, which the Debtors estimate have an aggregate value as of the Effective Date of approximately $9.1 million.

On May 20, 2015, the Debtors executed the Second Lien Forbearance Agreement. The Debtors' obligations under the Second Lien Forbearance Agreement are substantially similar to those under the RBL Forbearance Agreement. On or around May 20, 2015, the Second Lien Lenders received liens on the Second Lien 90-Day Mortgages. The properties on which the Second Lien 90-Day Mortgages were granted included 85 leases that were not included the mortgages granted to the RBL Lenders on May 4, 2015.

As set forth in the Adequate Protection Calculation section, the Debtors believe the RBL Lenders were oversecured as of the Petition Date. Because oil and gas commodity prices were higher at the time the RBL Lenders were granted liens in the 90-Day Mortgages than at the Petition Date, the Debtors believe the RBL Lenders were also oversecured at the time RBL Lenders perfected their interests in the 90-Day Mortgages. The Debtors believe, based on applicable case law, that they would not be successful in pursuing a preference claim against the RBL Lenders. *See Official Comm. of Unsecured Creditors v. UMB Bank, N.A. (In re Residential Capital)*, 501 BR 549, 619 (Bankr. S.D.N.Y.) (explaining that a payment during the preference period to a creditor with a fully secured claim is not a preference) (citations omitted). In addition to the adverse case law, the RBL Lenders and Second Lien Lenders have asserted that the 90-Day Mortgages were already subject to properly perfected prepetition liens under the existing RBL Mortgages and Second Lien Mortgages (see scope of collateral issues above) and that they provided "new value" to the Debtors via the forbearance.

In addition, at the STN hearing, the Bankruptcy Court ruled that any value realized from the avoided liens would not result in incremental value to the estates. *STN Ruling* [Docket No. 923] at p. 97. Because the Second Lien Lenders' Lien against the RBL 90-Day Mortgages are not presently in-the-money, the Debtors believe a preference action against the Second Lien Lenders to avoid their liens in the RBL 90-Day mortgages cannot generate any value for unsecured creditors. However, with respect to the additional 85 leases included in the Second Lien 90-Day Mortgages that are not included in the RBL 90-Day Mortgages, the Settlement contemplates that the Second Lien Lenders will release their liens in such leases, resulting in an additional $1.1 million in Bucket II Claim value.

d. Swap Issue

Prior to the Petition Date, Sabine or one of its predecessors-in-interest entered into ISDA Master Agreements (collectively, and as amended, modified, or supplemented from time to time in accordance with the terms thereof, the "Swap Agreements") with seven financial institutions (collectively, the "Swap Counterparties") to hedge the pricing risk associated with floating commodity prices. Because commodity prices generally declined following entry into the Swap Agreements, the Swap Agreements resulted in net assets in favor of the Debtors.

Prior to or shortly after the Petition Date, each of the Swap Counterparties terminated their Swap Agreements with Sabine. Those Swap Counterparties who terminated *prior* to the Petition Date set off the amounts they owed to Sabine under the Swap Agreements against the amounts the Debtors owed to such counterparties or their affiliates under the RBL Credit Agreement. These prepetition setoffs have not, and cannot, be challenged by any party. Two Swap Counterparties—Huntington National Bank ("Huntington") and Merrill Lynch Commodities ("ML Commodities")—terminated their Swap Agreements on July 16, 2015 and July 15, 2015, respectively.

On or around July 21, 2015, Huntington sent $19,729,905—the cash proceeds (the "Huntington Proceeds") that resulted from the termination of the Huntington Swap Agreement—to the Debtors. On or around July 21, 2015, the Debtors sent the Huntington Proceeds to the RBL Agent, who then applied such proceeds to reduce the principal amount the Debtors owe under the RBL Credit Agreement (the "Huntington Payment") in accordance with the Cash Collateral Order.

On or around July 16, 2015, ML Commodities sent $4,594,250—the cash proceeds (the "ML Commodities Proceeds") that resulted from the termination of the ML Commodities Swap Agreement—to the Debtors. On or around July 17, 2015, the Debtors sent the ML Commodities Proceeds to the RBL Agent, who then applied such proceeds to reduce the principal amount the Debtors owe under the RBL Credit Agreement (the "ML Commodities Payment") in accordance with the Cash Collateral Order.

As set forth in the Cash Collateral Order, the postpetition payment of the swap amounts to the RBL Lenders, and concomitant reduction in the principal amount owed to the RBL Lenders under the RBL Credit Agreement, can only be unwound if such payments "unduly disadvantaged" the unsecured creditors (such issue, the "Swap Issue"). *See* Cash Collateral Order ¶ 3(g). The Debtors do not believe that the swap paydown unduly disadvantaged unsecured creditors in these cases. First, such payments were contemplated, and approved, as adequate protection payments to the RBL Lenders and were made consistent with the Cash Collateral Order. Second, as noted in the Adequate Protection Calculation section, the RBL Lenders' (and Second Lien Lenders') interests in the prepetition collateral have suffered from a substantial diminution in value over and above the amount of the swap paydown. Because the RBL Lenders were over-secured on the Petition Date, and the swap paydown reduced the principal amount of the RBL Lenders' claims, the swap paydown merely reduces dollar-for-dollar the RBL Lenders' total adequate protection claim. As a result, the paydown is net neutral to, rather than disadvantageous in any way to, unsecured creditors. Finally, due to the substantial adequate protection liens and claims of the RBL Lenders (and Second Lien Lenders), even if the swap paydown could be unwound, the RBL Lenders' adequate protection liens and claims would increase in an amount equal to the unwound amount and, thereafter, the RBL Lenders would reclaim such amounts with respect to their adequate protection liens and claims. The Debtors therefore have concluded that they will not succeed in unwinding the swap paydown, and that litigating the Swap Issue cannot produce any value for unsecured creditors.

Issue	Total Amount that Could be Asserted[17]	Debtors' Estimated Chance of Success	Discounted Amount After Accounting for Risk
1. Unencumbered Assets[18]	$18.4 million	N/A	$18.4 million
2. Disputed Cash	$8.4 million	90%	$7.6 million
3. Unallocated G&A	$27.4 million	50%	$13.7 million
4. Unitized Leases and After-acquired Unitized Leases	$14.4 million	32.5%	$4.7 million
5. Potentially Defective Recording Leases	$4.2 million	30%	$1.2 million
6. County Leases	$70.5 million	50%	$35.3 million
7. Personal Property Liens	$15.0 million	N/A	$6.8 million
8. RBL Preference Claims	$9.1 million	Less than 5%	$0.5 million
9. Second Lien Preference Claims	$1.1 million	N/A	$1.1 million
10. Swap Payments	$24.3 million	Less than 2%	$0.0 million
Total:	**$192.7 million**	**N/A**	**$89.1 million**

3. The Bucket III Claims

Following the issuance of the First Investigation Report, the Independent Directors' Committee continued to investigate and consider other Potential Estate Claims, including claims for intentional fraudulent transfer, breach of fiduciary duty, aiding and abetting breach of fiduciary duty, debt recharacterization, and equitable subordination (collectively, the "Bucket III Claims"). To investigate these claims, the Independent Directors' Committee's advisors reviewed nearly one million pages of documents from the Debtors and third parties, conducted witness interviews of all Old Sabine and Forest Oil board members, and took depositions of witnesses who had not been previously interviewed.

On December 1, 2015, counsel for the Debtors released to the Committee their *Analysis of Potential Estate Causes of Action: Intentional Fraudulent Transfer, Breach of Fiduciary Duty, and Equitable Subordination* (the "Second Investigation Report"), which was prepared for and adopted by the Independent Directors' Committee.

The Second Investigation Report concluded that there were no additional colorable claims that would benefit the Debtors' estates. Specifically, with respect to intentional fraudulent transfer, the Second Investigation Report concluded that the evidence did not support a claim that decision makers at either Forest Oil or Old Sabine acted with "actual intent" to hinder, delay, or defraud creditors. To the contrary, the evidence showed that the Forest Oil board of directors (the "Forest Oil Board") and the Old Sabine board of directors (the "Legacy Sabine Board") entered into and agreed to close the Combination under a revised transaction structure because each believed that doing so was preferable for that company and its constituent stakeholders as compared to the available alternatives.

17 Amounts estimated as of the Effective Date.

18 This relates to properties outside of Texas against which no mortgages have been filed.

The Independent Directors' Committee also concluded that there was no breach of fiduciary duty claim against the directors or officers of Forest Oil or Old Sabine. The boards of both Forest Oil and Old Sabine deliberated over what approach would be in the best interests of that company and its stakeholders, and consulted with expert advisors and/or financial management in connection with those deliberations. Separately and independently, the Independent Directors' Committee noted that fiduciary breach claims were barred by provisions in the Sabine Operating Agreement, and that duty of care claims were barred by exculpatory provisions in the Forest Oil Certificate of Incorporation and the Old Sabine Operating Agreement. Because there were no colorable breach of fiduciary duty claims, there were no colorable claims for aiding and abetting fiduciary breaches, either.

Likewise, the Second Investigation Report found that the evidence does not support a claim that the lenders engaged in fraud or other "egregious and severely unfair" conduct as is required for an equitable subordination claim. The RBL Agent and Barclays engaged in arm's-length negotiations in connection with both the initial financing commitment for the Combination and between September and December 2014 in response to Old Sabine's requests to modify the financing terms. Moreover, the Independent Directors' Committee found that there is no basis for asserting an equitable subordination claim against the lenders because their decision to adopt the alternative transaction structure materially benefitted the combined company as a whole, whereas proceeding under the previously agreed-to structure would have resulted in less favorable financing terms.

After the Independent Directors' Committee issued the Second Investigation Report, the Debtors, the Committee, and certain other parties conducted depositions of certain Old Sabine and Forest Oil directors and officers, all of whom the Independent Directors' Committee's advisors had interviewed prior to the issuance of the Second Investigation Report. The depositions confirmed the information provided to the Independent Directors' Committee advisors during the previous witness interviews. Accordingly, the substance of the Second Investigation Report was not modified. Additional citations to the depositions, however, were added to the footnotes of the Second Investigation Report to further support the findings of the Independent Directors' Committee. The revised Second Investigation Report was issued on December 21, 2015.

On December 21, 2015, counsel for the Debtors released a revised Second Investigation Report, which was revised to reflect testimony from depositions on/after December 1, 2015. On December 22, 2015, the Debtors filed their *Notice of Filing of Analysis of Potential Estate Causes of Action*, which attached the First Investigation Report and Second Investigation Report [Docket No. 650].

E. The Standing Motions

1. The First UCC Standing Motion

On November 17, 2015, counsel for the Committee filed the *Motion of the Official Committee of Unsecured Creditors for (I) Leave, Standing, and Authority to Commence and Prosecute Certain Claims and Causes of Action on Behalf of the Debtors' Estates and (II) Non-Exclusive Settlement Authority* (the "First UCC Standing Motion")[19] [Docket No. 518]. Attached to the First UCC Standing Motion, among other things, were three proposed complaints: (i) *Proposed Complaint for Constructive Fraudulent Conveyance and Related Relief* (the "Proposed CFC Complaint"); (ii) *Proposed Complaint for Declaratory Judgment that Disputed Cash Is Free of Liens and Other Interests* (the "Proposed Disputed Cash Complaint"); and (iii) *Proposed Complaint for (I) Declaratory Judgment to Determine Validity, Priority, and Extent of Liens in Oil and Gas Leases, (II) to Avoid Preferential Mortgages and Other Security Interests, and (III) To Avoid Postpetition Transfers of Derivative Termination Payments* (the "Proposed Lien Scope and Preference Complaint," and, together with the Proposed CFC Complaint and the Proposed Disputed Cash Complaint, the "Proposed Complaints").

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19 On November 17, 2015, counsel for the Forest Notes Indenture Trustees filed the *Forest Notes Trustees' Motion for Entry of an Order Pursuant to § 1109(b) Granting Leave, Standing and Authority to Prosecute and, if Appropriate, Settle Certain Claims on Behalf of the Estate of Sabine Oil & Gas Corporation (f/k/a Forest Oil, Inc.)* [Docket No. 521]. The Forest Standing Motion seeks standing to pursue certain Fraudulent Transfer claims but does not address other Avoidance Actions or the amount of any Collateral Diminution. Also on November 17, 2015, the Sabine Notes Indenture Trustees filed the *Joinder of the Bank of New York Mellon Trust Company, N.A. to Motion of the Official Committee of Unsecured Creditors for (I) Leave, Standing, and Authority to Commence and Prosecute Certain Claims and Causes of Action on Behalf of The Debtors' Estates; and (II) Related Relief* [Docket No. 520].

a. The Proposed CFC Complaint

The claims asserted in the Proposed CFC Complaint included claims to avoid obligations and liens at both the parent company level, and at the level of Sabine's subsidiaries. At the parent company level, these include claims to:

- avoid at least $1.32 billion of obligations, including (i) $620 million from the RBL Credit Facility associated with repayment of $620 million of Old Sabine's RBL Credit Facility and (ii) $700 million from the Second Lien Credit Facility or $650 million from the Old Sabine Second Lien Credit Facility and $50 million from the Second Lien Credit Facility;

- avoid the liens granted to secure Sabine's above-referenced $1.32 billion of obligations, preserve those liens for the benefit of the parent estate, and recover for the parent estate the diminution of the value of the liens due to a decline in the value of the collateral since the liens were transferred;

- avoid and recover, for the benefit of the parent estate, over $200 million in payments made by Sabine from the date of closing the Combination to the Petition Date, allegedly to the RBL Agent and Second Lien Agent, and to or for the benefit of the RBL Lenders and the Second Lien Lenders;

- avoid and recover, for the benefit of the parent estate, payments made by Sabine to the Lenders under Old Sabine's RBL Credit Facility.

The Committee also asserts in its complaint constructive fraudulent transfer claims for the benefit of the Legacy Sabine Subsidiaries. These include claims to:

- avoid, at each of the Legacy Sabine Subsidiaries, incremental secured obligations that the Committee contends were, before the Combination, obligations of Old Forest (*i.e.*, $105 million in respect of the Old Forest RBL);

- avoid, at each of the Legacy Sabine Subsidiaries, a $356 million obligation incurred under the RBL Credit Facility as a result of the $356 million draw in February 2015;

- avoid, at each of the Legacy Sabine Subsidiaries, the $50 million of incremental obligations incurred under the Second Lien Credit Facility in excess of Old Sabine's Second Lien Credit Facility; and

- avoid the liens transferred in connection with the Legacy Sabine Subsidiaries' incremental guarantees of obligations under the RBL Credit Facility and the Second Lien Credit Facility, preserve those liens for the benefit of the estates, and recover for the Legacy Sabine Subsidiaries' estates the diminution of the value of the liens due to a decline in the value of the collateral since the liens were transferred.

b. Proposed Disputed Cash Complaint

The Committee's Proposed Disputed Cash Complaint seeks a declaratory judgment that the Disputed Cash as of the Petition Date was not subject to any liens, security interests, or equitable interests of the Debtors' secured lenders and therefore, the entirety of the Disputed Cash was unencumbered on the Petition Date. As discussed herein, the Debtors have settled these claims in connection with the Settlement.

c. Proposed Lien Scope and Preference Complaint

The bases of the Proposed Lien Scope and Preference Complaint are the Scope of the Collateral Issue, the Preference Issue and the Swap Issue. Specifically, the Committee argues that: (i) because the Unlisted Leases are not specifically identified on any mortgage, such leases are entirely unencumbered and are therefore available to satisfy the claims of unsecured creditors; (ii) because the Potentially Defective Recording Leases do not meet the legal standard of notice required to perfect the liens thereon, and the RBL Lenders' liens thereon may be avoided

pursuant to Bankruptcy Code section 544(a)(1) and (a)(3); (iii) the liens granted pursuant to the 90-Day Mortgages may be avoided and preserved for the benefit of the Debtors' estates; and (iv) the Huntington Payment and the ML Commodities Payment (i) were unauthorized postpetition transfers and should be avoided pursuant to sections 549 and 550 the Bankruptcy Code and (ii) "unduly disadvantaged" the Debtors and the unsecured creditors and should be unwound. As discussed herein, the Debtors have settled these claims in connection with the Settlement.

2. The Second Standing Motion

On December 15, 2015, counsel for the Committee filed, under seal, the *Second Motion of the Official Committee of Unsecured Creditors for (I) Leave, Standing, and Authority to Commence And Prosecute Certain Claims and Causes of Action on Behalf of the Debtors' Estates and (II) Non-Exclusive Settlement Authority* [Docket No. 609] (the "Second UCC Standing Motion").[20] Attached to the Second UCC Standing Motion was, among other things, the *Proposed Complaint for (I) Intentional Fraudulent Conveyance; (II) Breach of Fiduciary Duty; (III) Aiding and Abetting Breach of Fiduciary Duty; (IV) Equitable Subordination; (V) Debt Recharacterization; (IV) and Related Relief* (the "Second UCC Standing Motion Complaint").

The Committee sought to avoid, as intentional fraudulent conveyances:

- the RBL Credit Facility obligations at Forest Oil;
- the liens granted by Forest Oil to secure the RBL Credit Facility obligations;
- the RBL Credit Facility obligations at each of the Legacy Sabine Subsidiaries;
- the liens granted by the Legacy Sabine Subsidiaries to secure the RBL Credit Facility obligations;
- the Old Sabine Second Lien Credit Facility obligations at Forest Oil;
- the liens granted by Forest Oil to secure the Second Lien Credit Facility obligations;
- $50 million in incremental obligations incurred under the Second Lien Credit Facility by the Legacy Sabine Subsidiaries at the closing of the Combination;
- the liens granted by the Legacy Sabine Subsidiaries to the extent that such liens secure the $50 million in avoidable obligations under the Second Lien Credit Facility;
- approximately $620 million in payments made in respect of the RBL Credit Facility at the closing of the Combination; and
- all post-Combination payments of principal, interest and fees in respect of the RBL Credit Facility and the Second Lien Credit Facility, including the $185 million of proceeds of the sale of the Arkoma assets of Forest Oil that were used two days after the Combination to pay down the balance of the RBL Credit Facility.

Additionally, the Committee sought to preserve the avoided liens for the benefit of the estate pursuant to section 551 of the Bankruptcy Code.

The Second UCC Standing Motion also sought standing to bring breach of fiduciary duty claims. Specifically, the Committee seeks to bring fiduciary-breach claims against (a) the Old Sabine and Forest Oil directors and officers in place until the day of the closing of the Combination; (b) a new board of directors that was formed on the day of the closing of the Combination (called the "Sabine Slate" directors by the Committee) that the

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20 On December 15, 2015, counsel for the Sabine Notes Indenture Trustees filed the *Joinder of the Bank of New York Mellon Trust Company, N.A. to Second Motion of the Official Committee of Unsecured Creditors for (I) Leave, Standing, and Authority to Commence and Prosecute Certain Claims and Causes of Action on Behalf of the Debtors' Estates and (II) Non-Exclusive Settlement Authority* [Docket No. 611]. Also on December 15, 2015, counsel for the Forest Notes Indenture Trustees filed the *Joinder of the Forest Notes Trustees to Second Motion of the Official Committee of Unsecured Creditors for (I) Leave, Standing, and Authority to Commence and Prosecute Certain Claims and Causes of Action on Behalf of the Debtors' Estates and (II) Non-Exclusive Settlement Authority* [Docket No. 612].

Committee alleges approved the financing arrangements in connection with the Combination; (c) alleged fiduciaries of the Legacy Sabine Subsidiaries with respect to the Combination, including Mr. Sambrooks; and (d) the sponsor of Old Sabine ("First Reserve") and certain of its related entities that owned majority stakes in the Debtors, as part of the so-called "Sabine Slate" board of directors and with respect to the Legacy Sabine Subsidiaries. The Committee also sought to bring aiding and abetting breach of fiduciary duty claims against (v) the Debtors' current and former secured lenders; (w) First Reserve; (x) the Forest Oil directors and officers; (y) the Old Sabine directors and officers; and (z) the fiduciary for the Legacy Sabine Subsidiaries. The Committee alleges that each of these groups aided and abetted the primary fiduciary breaches discussed herein.

With respect to equitable subordination, the Committee sought to bring causes of action under Section 510(c) of the Bankruptcy Code to equitably subordinate the following claims to the claims of all unsecured creditors:

- the claims of the refinanced RBL Agent and refinanced RBL Lenders at Sabine;
- the guaranty claims of the refinanced RBL Agent and refinanced RBL Lenders at the Legacy Sabine Subsidiaries;
- the $50 million in incremental obligations, funded by the refinanced RBL Lenders and incurred under the Second Lien Credit Facility by Sabine and the Legacy Sabine Subsidiaries at the closing of the Combination; and
- the entirety of the claims of the Second Lien Lenders and Second Lien Agent at Sabine.

In seeking to assert the equitable subordination claim, the Committee contends that the refinanced RBL Lenders were "statutory insiders" because they allegedly "exerted financial leverage" over the Debtors. In the alternative, the Committee claims that the RBL Lenders' conduct also reaches the equitable subordination standard for non-insiders.

Finally, the Committee alleges that pursuant to the Bankruptcy Court's equitable powers under Section 105(a) of the Bankruptcy Code, the incremental $50 million of the Second Lien Credit Facility should be recharacterized as equity. The Committee claims that such recharacterization is appropriate because (a) the Second Lien Lenders who made the incremental term loans were allegedly the same lenders who had committed to the unsecured bridge loan; (b) the incremental loans were allegedly seen as a settlement allowing the Second Lien Lenders out of the unsecured bridge loan; (c) the Second Lien Lenders and First Reserve allegedly agreed the money should be an equity infusion, but equity was not an option; and (d) the lenders were the same as those who had proposed a fourth lien tier to the revised bridge loan, which the Committee characterizes as having an exorbitant interest rate.

F. Objections to Standing Motions

1. The Debtors' Standing Objection

On January 20, 2016, the Debtors filed, partially under seal, an *Objection to the Motions of the Official Committee of Unsecured Creditors, Forest Notes Indenture Trustees, and Bank of New York Mellon Trust Company N.A. for (I) Leave, Standing, and Authority to Commence and Prosecute Certain Claims and Causes of Action on Behalf of the Debtors' Estates and (II) Non-Exclusive Settlement Authority* (the "Debtors' Standing Objection") [Docket No. 722]. The Debtors' Standing Objection argued that the proposed claims were neither colorable nor in the best interests of the Debtors' estates. The Debtors noted that the facts largely were not in dispute, and that the proposed claims were not only contrary to law but also were refuted by the undisputed facts.

Specifically, the Debtors' Standing Objection argued that the Committee's proposed constructive fraudulent transfer claims at the two levels at which the Committee sought to avoid obligations on secured debt and related liens—at the parent and subsidiary levels, respectively—both failed. Further, the Debtors argued that the Committee had failed to adequately allege colorable intentional fraudulent transfer claims, as, among other reasons, the Committee's claims were predicated on the notion that the board of directors that met for the first time at 3:30 p.m. Eastern Time on the day of closing should have halted the Combination midstream or refused to approve the

financing for Sabine, neither of which was a realistic option at that time. Further, the Debtors argued that none of the proffered theories satisfied the demanding legal standard for equitable subordination. With respect to the breach of fiduciary duty causes of action that the Committee sought to advance, the Debtors argued that the Committee had failed to state colorable claims for breaches of either the duty of loyalty or the duty of care against the boards of directors of Forest Oil, Old Sabine, the board that met for the first time at 3:30 p.m. Eastern Time on the closing date of the Combination, or First Reserve. Nor, the Debtors argued, did the Committee adequately plead colorable claims for aiding and abetting the alleged breaches of fiduciary duties, because the Committee failed to state claims for fiduciary breaches by either the Old Sabine board or the Forest Oil board, or to plead other required elements of those claims. In addition, the Debtors also argued that because it is well-settled that the extension of credit by existing lenders (or, here, previously committed lenders) to a distressed borrower is not a basis for recharacterization, the Committee's argument for recharacterization as equity of the $50 million upsized Second Lien Credit Agreement failed.

Moreover, the Debtors' Standing Objection explained that the Independent Directors' Committee had concluded that the proffered claims were not in the best interests of the estates to pursue. The Debtors argued that even if the proposed claims could survive a motion to dismiss, they would not survive summary judgment or prevail on the merits, and thus the claims would not justify the extreme litigation expense they would impose on the Debtors' estates. Further, the Debtors' Standing Objection stated that allowing the proposed litigation to proceed would prejudice the Debtors' efforts at negotiating and confirming a plan of reorganization.

In addition, the Debtors argued that they would settle several other claims—specifically, the Bucket II Claims—as part of the Debtors' joint plan of reorganization. Thus, the Debtors argued, they had not refused to pursue the Bucket II Claims, and the motions for standing with respect to those claims should likewise be denied.

2. The Forest D&Os' Standing Objection

Also on January 20, 2016, counsel for several directors and officers of Forest Oil—Richard J. Carty, Loren Carroll, Dod Fraser, James Lee, James Lightner, Patrick R. McDonald, Raymond Wilcox, and Victor Wind (collectively, the "Forest D&Os")—filed the *Omnibus Objection to Motions Seeking Derivative Standing* [Docket No. 721] (the "Forest D&Os' Standing Objection"). The Forest D&Os' Standing Objection challenged several of the proposed claims of the Committee set forth in the Second UCC Standing Motion, and the joinders thereto.

Specifically, the Forest D&Os argued that the Committee's proposed claims for breach of fiduciary duty were not colorable for a number of independent reasons, including that the Forest D&Os' decision to enter into and not terminate the Combination and their conduct during that decision-making process was protected by the business judgment rule, that the exculpatory provision in the Forest Oil incorporation documents precluded a duty of care violation, and that non-Director Victor Wind (Forest Oil's former Chief Financial Officer) could not be held liable under New York law for board decisions for which he was not responsible. Further, Forest D&Os' Standing Objection argued that the proposed claims for breach of loyalty against the Forest D&Os were likewise not colorable as such claims conflated the duty of care with the duty of loyalty, and the Committee did not allege that the Forest D&Os (with one exception) lacked the requisite disinterestedness. In addition, the Forest D&Os argued that the Committee lacked standing to assert aiding and abetting breach of fiduciary duty claims against the Forest D&Os, and that, in any event, the Committee failed to plead necessary elements of such causes of action.

Finally, the Forest D&Os' Standing Objection stated that the claims against Patrick McDonald and Dod Fraser for their role on the newly formed board that met for the first time at 3:30 p.m. Eastern Time on the closing date of the Combination were not colorable, because (even assuming the Committee's alleged facts were correct) neither Partick McDonald nor Dod Fraser were self-interested at the time of that board meeting, thus precluding a duty of loyalty claim, and because the exculpatory provision in Forest Oil's incorporation documents precluded liability for any duty of care claim.

3. The Sabine Directors' Standing Objection

On January, 20, 2016, certain Sabine directors filed the *Limited Objection of Sabine Directors Duane Radtke, David Sambrooks, and John Yearwood to the Second Motion of the Official Committee of Unsecured Creditors for (I) Leave, Standing, and Authority to Commence and Prosecute Certain Claims and Causes of Action on Behalf of the Debtors' Estates and (II) Non-Exclusive Settlement Authority* [Docket No. 715] ("Sabine Directors'

Standing Objection"). The Sabine Directors' Standing Objection argued that the Committee's claims against those parties could not withstand a motion to dismiss. First, with respect to the alleged breach of fiduciary duty claims, the Sabine Directors' Standing Objection argued that the exculpatory provisions of Old Sabine's operating agreement barred claims for breach of fiduciary duty unless based upon bad faith, which the Committee did not allege and, in any case, directors of Delaware companies do not owe a fiduciary duty to specific creditor groups as opposed to the company and all its stakeholders as a whole. Further, the allegations that purport to show a breach of duty of loyalty were too conclusory to withstand a motion to dismiss. Second, the Sabine Directors' Standing Objection asserted that claims against the non-First Reserve Sabine directors for allegations of fiduciary breach by the "Sabine Slate" board were barred by the exculpatory provisions in Forest Oil's charter, and otherwise were implausible. Third, the Sabine Directors' Standing Objection argued that the Committee's attempt to assert a claim against David Sambrooks for signing guarantees by the Sabine subsidiaries ignored that, with respect to all but one of those subsidiaries, such subsidiaries were LLCs whose sole managing member was another Debtor entity with sole authority to manage the LLC. Finally, the Sabine Directors' Standing Objection argued that the Committee has not alleged a colorable claim for aiding and abetting breach of fiduciary duty because there was no underlying breach, and the allegations were insufficient to show knowing and substantial participation.

4. The RBL Agent Standing Objections

On January 20, 2016, the RBL Agent filed the *Objection of Wells Fargo Bank, N.A., in Its Capacity as First Lien Agent, to the First and Second Motions of (I) Official Committee of Unsecured Creditors and (II) the Forest Notes Indentures Trustees for Leave, Standing, and Authority to Commence and Prosecute on Behalf of the Debtors' Estates Fraudulent Transfer and Related Claims* [Docket No. 717] ("First RBL Agent Standing Objection"). Therein, the RBL Agent argued that (1) in light of the investigation by the Independent Directors' Committee, the Debtors did not "unjustifiably" fail to assert the claims proposed by the Committee; (2) those proposed claims are not colorable; and (3) prosecution of the litigation would jeopardize the Debtors' reorganization prospects and harm the Debtors' estates. Regarding "colorability," the First RBL Agent Standing Objection first argued that the intentional fraudulent transfer claim was not colorable because the Committee did not properly plead actual fraudulent intent (including failing to allege sufficient "badges of fraud"). Additionally, the First RBL Agent Standing Objection argued that structuring the transaction to avoid triggering the change of control provision did not constitute an actual intent to hinder or delay. Second, the First RBL Agent Standing Objection argued the proposed claims for constructive fraudulent transfer were not colorable because the Debtors received reasonably equivalent value from the RBL Lenders. The First RBL Agent Standing Objection also advanced an affirmative defense under section 548(c) of the Bankruptcy Code: that the claims and liens granted to the RBL Agent and the RBL Lenders could not be avoided because those liens and claims were exchanged in good faith and for value. Third, the First RBL Agent Standing Objection argued that the claim for equitable subordination was not colorable because neither the RBL Agent nor any of the RBL Lenders were "insiders" of the Debtors and even if they were, there was no evidence of inequitable conduct; further, there was no injury to the creditors. Fourth, the First RBL Agent Standing Objection argued that claims for aiding and abetting fiduciary breach would fail because there was no underlying breach, and there were no allegations of actual knowledge of or substantial assistance in any such breach. Finally, the First RBL Agent Standing Objection joined in the objection of the Second Lien Agent with respect to the proposed debt recharacterization claim.

On January 20, 2016, the RBL Agent filed the *Objection of Wells Fargo Bank, N.A., as First Lien Agent, to the Motion of the Official Committee of Unsecured Creditors for (I) Leave, Standing and Authority to Commence and Prosecute Certain Claims and Causes of Action on behalf of the Debtors' Estates and (II) Non-Exclusive Settlement Authority with respect to the Alleged Disputed Cash, Lien Scope and Preference Claims* [Docket No. 720]. Therein, the RBL Agent argued that the Debtors did not unjustifiably fail to bring suit because litigating the proposed lien and preference claims would not result in proceeds for unsecured creditors in light of, among other things, the lack of merit to those claims and the substantial adequate protection claim held by the RBL Lenders. Regarding "colorability," the RBL Agent argued that the Committee's claims related to the extent of the RBL Agent's liens were not colorable because the plain meaning of the broadly-drafted granting clauses in each of the RBL Mortgages provides the RBL Agent with a perfected blanket lien on all of the Debtors' real property interests located in counties in Texas where an RBL Mortgage has been recorded, regardless of whether each of those interests has been listed on the exhibit to the RBL Mortgage or there are alleged defects in the recording of those interests. The RBL Agent also argued that the Committee's claim to avoid certain real property interests that were allegedly perfected during the preference period fails because those liens related to oil and gas leases that were

already subject to the RBL Agent's blanket lien under the RBL Mortgages previously recorded in those same counties. Moreover, those liens were granted while the Debtors' own records show that the RBL Lenders were oversecured. In addition, the RBL Agent argued that the Committee has no basis to unwind adequate protection payments made to the RBL Lenders of proceeds from the termination of certain swap agreements because the Debtors or the creditors were not "unduly disadvantaged" by such payment. Finally, the RBL Agent argued that the RBL Mortgage granted the RBL Lenders a security interest in the Disputed Cash, which in any case would be subject to a constructive trust.

5. The Barclays Standing Objection

On January 20, 2016, Barclays filed an *Objection of Barclays Bank PLC and Barclays Capital Inc., and Joinder in the Objections of Wells Fargo, N.A., in Its Capacity as First Lien Agent, to the First and Second Motions of the Official Committee of Unsecured Creditors and the Motion of the Forest Notes Indenture Trustees for Leave, Standing, and Authority to Commence and Prosecute Certain Claims and Causes of Action on Behalf of the Debtors' Estates* [Docket No. 716] (the "Barclays Standing Objection"). Barclays joined and incorporated by reference two objections filed by the RBL Agent. Further, the Barclays Standing Objection expanded on several of the arguments therein with respect to constructive fraudulent transfer, including by stating that the Debtors received reasonably equivalent value (the loan proceeds) in exchange for the obligations and liens that the proposed claims sought avoid. Barclays also argued that there were no colorable claims for intentional fraudulent transfer, aiding and abetting breaches of fiduciary duty, and equitable subordination, because, among other reasons, the alternative structure adopted for the Combination in December 2014 was a substantial improvement for Sabine. More specifically, as for the proposed intentional fraudulent conveyance claims, the Barclays Standing Objection argued that movants had failed to allege specific facts demonstrating that a critical mass of the decision-making directors acted with the requisite intent. In addition, Barclays maintained that there were no colorable claims for aiding and abetting, because there were no underlying breaches, and even if movants could establish one, the Committee's own allegations established that Barclays did not aid and abet any such underlying breach. Finally, Barclays stated that because, among other reasons, there was no evidence that their conduct was "egregious and severely unfair," as required, the proposed equitable subordination claims failed.

6. The Second Lien Agent's Standing Objection

On January 20, 2016, counsel for the Second Lien Agent filed the *Omnibus Objection of the Second Lien Agent to the Standing Motions* [Docket No. 719] (the "Second Lien Agent's Standing Objection"). The Second Lien Agent first challenged the proposed constructive fraudulent transfers claims, arguing that the neither Sabine's incurrence, nor the grant of liens to secure, loan obligations was constructively fraudulent when both applicable merger and fraudulent conveyance law are correctly applied. With respect to the proposed intentional fraudulent transfer claims, the Second Lien Agent's Standing Objection stated that the transferor's intent must be analyzed at the time of the transfer or incurrence of obligation, and that the movants alleged no facts regarding Old Sabine's intent in connection with the incurrence of the obligations, which the Second Lien Agent contended was two years before the Combination. Further, the Second Lien Agent's Standing Objection argued that the movants had presented no colorable claim to avoid liens granted to the Second Lien Agent in connection with the Combination, reasoning that because the obligations were valid and not subject to avoidance, Sabine received, as a matter of law, reasonably equivalent value when it subsequently granted additional liens to secure its own obligations. Next, the Second Lien Agent argued that the proposed causes of action, if successful, would not restore parties to their pre-Combination position, as that was not possible as a legal or practical matter. The Second Lien Agent also argued that the Second Lien Lenders could not be held liable for the collateral's decline in value, because a monetary recovery was not appropriate where the transferee had received a lien, and the debtor had continued to operate, manage and possess the asset, as the Second Lien Agent contended was the case here. In addition, the Second Lien Agent argued that there was no colorable basis to recharacterize $50 million in incremental obligations that Sabine incurred on the date the Combination closed, as the factors applied by courts in evaluating such claims did not support recharacterization. The Second Lien Agent further argued that the proposed claims for equitable subordination was not colorable, as, among other reasons, the Committee acknowledged that the Second Lien Lenders were not directly involved in the structuring of the Combination or the alleged efforts to "enrich the Secured Parties." As for the alleged aiding and abetting claims against the Second Lien Lenders, the Second Lien Agent's Standing Objection stated that the movants had identified no basis on which to maintain a colorable claim. Finally, the Second Lien Agent challenged certain of the Bucket II Claims, arguing that the Debtors were actively

pursuing those very claims and thus not "unjustifiably refused to prosecute such claims," and that accordingly there is no basis to grant standing to pursue them.

7. The First Reserve Standing Objection

On the same date counsel for several parties affiliated with First Reserve filed, substantially under seal, the *Objection of FRC Founders Corporation, Sabine Investor Holdings LLC, First Reserve Fund XI, L.P., First Reserve GP XI, L.P., First Reserve GP XI, Inc., Michael France, Alex Krueger, Brooks Shughart, and Joshua Weiner to the Second Motion of the Official Committee of Unsecured Creditors for (I) Leave, Standing, and Authority to Commence and Prosecute Certain Claims and Causes of Action on Behalf of the Debtors' Estates and (II) Non-Exclusive Settlement Authority* [Docket No. 714] (the "First Reserve Standing Objection" and together with the Debtors' Standing Objection, the Forest D&Os' Standing Objection, the Sabine Directors' Standing Objection, the Barclays Standing Objection, the First RBL Standing Objection, the Second RBL Standing Objection, and the Second Lien Agent's Standing Objection, the "Standing Objections"). The First Reserve Standing Objection argued that the Committee's claims against those parties were implausible. With respect to the alleged breach of fiduciary duty claims, the First Reserve Standing Objection argued that no fiduciary duties were owed to Old Sabine, Old Sabine's Subsidiaries, or Forest Oil, and that, regardless, the Committee had not alleged any viable claim that any duties owed had been breached. Further, the First Reserve Standing Objection argued that the alleged claims of aiding and abetting breaches of fiduciary duties failed for several reasons, namely that there was no predicate breach, and that the Committee had not and could not allege the requisite "substantial assistance" to any of the parties allegedly aided and abetted. Finally, the First Reserve Standing Objection stated that the Committee could not show that the Debtors unjustifiably refused to bring claims against the First Reserve-affiliated parties.

8. The Committee's Omnibus Reply

On February 2, 2016, the Committee filed the *Omnibus Reply of the Official Committee of Unsecured Creditors in Support of STN Motions* [Docket No. 771]. There, the Committee again argued that the claims on which it had sought standing in its First Standing Motion and Second Standing Motion were colorable. In addition, on the issue of best interests, the Committee argued that the prospective benefits of litigating the proposed claims would justify the costs and that adequate protection does not alter the Committee's cost-benefit analysis.

G. The Standing Decision

A trial to consider the Standing Motions commenced on February 8, 2016 and concluded on March 17, 2016. In total, the trial spanned fifteen (15) days of witness testimony and lawyer argument. At trial, the parties called a total of seven (7) witnesses to testify live and submitted deposition testimony from fourteen (14) witnesses, and submitted more than five hundred (500) exhibits. On March 24, 2016, the Court issued a ruling on the Standing Motions (the "STN Ruling"), denying the movants' requests for standing on all counts. Specifically, the Bankruptcy Court denied standing to pursue claims for a constructive fraudulent transfer that the Committee sought to assert on behalf of Forest Oil because Forest Oil's incurrence of Legacy Sabine Parents' debt could not be viewed in isolation from the remainder of the merger, and because the Committee had repeatedly confirmed it was not interested in pursuing a cause of action that could compensate the Legacy Forest unsecured creditors for the alleged harm. Moreover, the Bankruptcy Court found that since the Debtors filed an adversary proceeding seeking to recover on behalf of the Legacy Forest unsecured creditors, there was no need for the Court to address STN standing for the Committee on such a claim. With respect to the constructive fraudulent transfer claims that the Committee sought to assert on behalf of the Legacy Sabine subsidiaries, the Bankruptcy Court found such claims were colorable given that those subsidiaries were insolvent at the time of the Business Combination and there existed a question of fact as to whether the subsidiaries received reasonably equivalent value in the transaction. Nevertheless, the Bankruptcy Court found it was not in the best interests of the estates to pursue such claims because the potential recovery from pursuing them was relatively low as compared to the high costs and risks associated with that litigation. Specifically, the Court stated that the maximum value of the lien avoidance claims was $68 million according to the Committee's expert. The only remedy potentially available to the Legacy Sabine Subsidiaries if their constructive fraudulent transfer claims were successful would be the avoidance of liens actually granted to secure the incremental borrowings on the RBL and Second Lien Credit Facility, and the facts alleged suggested the value would be closer to $0 than $68 million. Accordingly, it would not be in the best interests of the estates to pursue those claims. The Bankruptcy Court also found the Committee, as a legal matter, could not recover for the diminution in value of the

secured lenders' liens, even if the Committee were successful on their constructive fraudulent conveyance claims. The Court further found that other claims related to the constructive fraudulent conveyance claims to be brought on behalf of the Legacy Sabine Subsidiaries, including recovery of the $206 million paydown to the RBL Lenders, recovery of merger and financing fees and prejudgment interest would not be recoverable for the benefit of the Legacy Sabine Subsidiaries because the Committee confirmed that no portion of the RBL paydown came from the Legacy Sabine Subsidiaries.

The Bankruptcy Court also found that the movants failed to show the "bad acts" claims were colorable. Specifically, the claims for intentional fraudulent transfer were not colorable because, among other considerations, the Committee's narrative that First Reserve pressed to complete the Combination in service of its own interests is implausible and the Committee failed to allege sufficient facts that could substantiate such a theory. The Bankruptcy Court also ruled it could not infer the requisite intent to defraud, hinder, or delay creditors from the fact the new structure for the Combination was not disclosed publicly until after the share exchange. Likewise, the Court found the Committee failed to allege any facts in the Bad Acts Complaint that support the inference that the clear and intended consequences of the "3:30 Board" were to hinder, delay, or defraud creditors. Nor were the Committee's proposed fiduciary-breach claims colorable because the Committee failed to plead sufficient facts to state a claim for a duty of care or a duty of loyalty violation at either Forest Oil or Legacy Sabine, or by the "Sabine Slate" board. With respect to the fiduciary-breach claims against the Forest Oil Board, the Bankruptcy Court held, among other things, that the Committee did not allege sufficient facts which, if proven, would establish the Forest Oil Board acted with "reckless indifference to or a deliberate disregard of" the interests to whom the fiduciary duties were owed. For example, the Bankruptcy Court found that the Committee did not sufficiently allege facts that would establish that the Legacy Forest Directors and Officers responded to Mr. Sambrooks' letter in a manner inconsistent with a proper discharge of their duty of care. The Court also held the fiduciary-breach claims against the "3:30 Board" were not colorable because, among other things, the Committee's assertions that the board should have unwound the business combination were not plausible. As for the fiduciary-breach claims at the Sabine-subsidiary level, the Court held the putative defendants did not owe fiduciary duties to the subsidiaries. As for fiduciary-breach claims at the Sabine-parent level, the Court held, among other things, that the Committee's "scant" allegations were insufficient.

The Bankruptcy Court also denied standing for claims for aiding and abetting breaches of fiduciary duty because, among other things, the Committee failed adequately to plead the requirements of substantial participation or actual knowledge, or underlying fiduciary breaches. The Bankruptcy Court also denied the Committee standing to pursue a claim for equitable subordination because, among other things, the allegation that the New RBL Agent and the New RBL Lenders knew the Combination was "doomed to fail" was contradicted and rendered implausible by the record, and the Committee, by its own admission, did not allege any conduct approaching unconscionable, unjust, or unfair, let alone any double dealing or foul conduct by the Second Lien Agent or Second Lien Lenders. In addition, the Bankruptcy Court rejected the Committee's request to pursue a claim for recharacterization. Finally, the Bankruptcy Court rejected the Committee's proposed calculation for the size of the First Lien Adequate Protection Claim and instead accepted as appropriate the Debtors' methodology for calculating the size of that claim, estimated to be $480 million.

Finally, the Court declined to rule on the colorability of the Bucket II Claims because the Debtors argued that they were pursuing settlement of those Claims in the context of a chapter 11 plan.

H. The Committee's Appeal of the Standing Decision and Motion to Stay Pending Appeal

On April 5, 2016, the Committee filed a Notice of Appeal [Docket No. 936] appealing the Court's STN Ruling (the "STN Appeal"). Similarly, on April 14, 2016, the Senior Notes Trustees each filed a Notice of Appeal [Docket Nos. 981 & 983] appealing the Court's STN Ruling. The STN Appeal is currently pending in the United States District Court for the Southern District of New York before the Honorable John G. Koeltl (Case No. 16-cv-2561). The Committee contends that, if the STN Ruling is overturned and the Committee prevails on the claims and causes of action that it sought authority to bring in its motions for standing, the recovery on such claims and causes of action will result in recoveries to unsecured creditors far in excess of the consideration that is to be provided to unsecured creditors under the Plan. The Debtors do not agree, but believe that a reversal of the Bankruptcy Court ruling that denied the standing motions could result in a remand to the Bankruptcy Court, at which time the Debtors

could still prevail on other grounds, including based on arguments that the Bankruptcy Court did not address in its Standing Decision.

On April 11, 2016, Judge Koeltl entered an order setting a schedule for briefing of the STN Appeal, pursuant to which appellant briefs shall be filed no later than April 26, 2016, appellee briefs shall be filed no more than 21 days after service of the appellant brief, and appellant reply briefs shall be filed no later than seven days after the service of the appellee briefs [Distr. Ct. Docket No. 5]. Oral argument on the STN Appeal is scheduled for June 10, 2016.

On April 5, 2016, the Committee also filed a *Motion of Committee of Unsecured Creditors For a Stay Pending Appeal of (A) Any Action to Release Denied STN Claims and (B) Expiration of the Challenge Deadline to Pursue the Denied STN Claims* (the "Committee's Motion to Stay") [Docket No. 939]. On April 18, 2016, the Debtors filed an objection to the Committee's Motion to Stay ("Debtors' Stay Objection") [Docket No. 988], and the the other parties that had contested the Committee's STN Motion joined in the Debtors' Stay Objection or filed their own objections [Docket Nos. 989-994]. On April 18 and 19, 2016, the Committee filed its reply brief in support of the Committee's Motion to Stay, and the Senior Notes Trustees each filed a joinder [Docket Nos. 1000, 1002]. On April 22, 2016, the Bankruptcy Court held a hearing on the Committee's Motion to Stay, and, after oral argument, ruled from the bench, denying the motion.

I. Exclusivity

Under section 1121 of the Bankruptcy Code, a debtor has the exclusive right to file a plan of reorganization for an initial period of 120 days from the date on which the debtor filed for voluntary relief under chapter 11, which period (the "Exclusive Filing Period") may be extended by the bankruptcy court for a period of up to 18 months after the petition date. During the Exclusive Filing Period, no other party in interest may file a competing chapter 11 plan or plans; however, the bankruptcy court may modify the Exclusive Filing Period upon request of a party in interest and "for cause."

On November 9, 2015, the Debtors filed the *Motion for Entry of an Order Extending the Exclusive Periods During Which Only the Debtors May File a Chapter 11 Plan and Solicit Acceptances Thereof* [Docket No. 496] (the "Exclusivity Motion"). The Debtors asserted, among other things, that an extension of the exclusivity period in which only the Debtors may file a plan of reorganization was critical to the Debtors' continued progress toward achieving a consensual plan and ensuring the Debtors' emergence from chapter 11. On December 16, 2015, the Bankruptcy Court extended the Exclusive Filing Period through February 10, 2016 and the exclusive period for the Debtors to solicit votes on a chapter 11 plan through April 11, 2016 [Docket No. 614].

On February 5, 2016, the Debtors filed a motion seeking to further extend the Exclusive Filing Period through June 9, 2016, and the exclusive period for the Debtors to solicit votes on a chapter 11 plan through August 9, 2016 [Docket No. 795] (the "Second Exclusivity Motion"). The Bankruptcy Court entered an order approving the Second Exclusivity Motion and extending the Exclusive Filing Period through and including June 9, 2016 and the exclusive period for the Debtors to solicit votes on a chapter 11 plan through and including August 9, 2016 [Docket No. 959]. The Debtors reserve the right to seek further extensions of their exclusive right to file a plan and solicit votes thereon as necessary and appropriate.

J. Mediation

On January 5, 2016, the Bankruptcy Court entered the *Order Selecting Mediator and Governing Mediation Procedure* [Docket No. 669] (the "Mediation Order"), appointing the Honorable Alan L. Gropper (ret.) as mediator (the "Mediator") in these Chapter 11 Cases. Pursuant to the Mediation Order, which was agreed to by several parties, including the Debtors, the Committee, certain of the RBL Lenders, the Second Lien Agent, an ad hoc group of holders of the 2019 and 2020 Notes, an ad hoc group of holders of the 2017 Notes, BNY, Delaware Trust, Wilmington, Barclays, certain current and former directors of Sabine, FRC Founders Corporation, and certain former officers and directors of Forest Oil (collectively, the "Mediation Parties").

With the Mediation Order, the Bankruptcy Court authorized the Mediator to mediate any issues concerning, among other things, the terms of any plan of reorganization relating to the claims and causes of action raised in the Adversary Proceeding, the Proposed Complaints, and the Independent Committee's Reports, as well as any issues

related to the confirmation of a plan of reorganization, as the Bankruptcy Court deems appropriate (the "Mediation").

In accordance with the terms of the Mediation Order, the Mediation Parties participated in a "meet and confer" session with the Mediator on January 6, 2016 to establish procedures and timing for the Mediation. On January 22, 2016, the Mediation Parties submitted their mediation statements directly to the Mediator. Formal Mediation sessions were held on January 26, 27, and 28, 2016.

K. Negotiations Surrounding a Revised Plan

In January 2016, the Second Lien Lenders asserted that because the RBL Lenders were oversecured on the Petition Date, the Second Lien Lenders are also entitled to an adequate protection claim under the Cash Collateral Order.

The Second Lien Lenders further argued that, because of their right to adequate protection, including potential Adequate Protection Liens and administrative priority claims pursuant to 11 U.S.C.§ 507(b), the Second Lien Lenders were entitled to receive a greater recovery than general unsecured creditors. After extensive arms'-length, good-faith negotiations among the Debtors, the RBL Agent and the Second Lien Agent, the parties agreed to provide the Second Lien Lenders with additional consideration in the form of the Second Lien Equity Pool on account of the Second Lien Lenders' claim for adequate protection.

Finally, after several days of negotiations, the RBL Agent, the Second Lien Agent, and the Debtors agreed on the terms of the restructuring transaction embodied in the Plan.

VIII. THE DEBTORS' FINANCIAL PROJECTIONS AND VALUATION

A. Adequate Protection

The value of the Prepetition Collateral has decreased markedly during the pendency of these Chapter 11 Cases. As a result of that Collateral Diminution, under the terms of the Cash Collateral Order and Sections 361 and 363 of the Bankruptcy Code, the RBL Lenders, the RBL Agent, the Second Lien Agent, and the Second Lien Lenders have Adequate Protection Liens on and Adequate Protection Claims against all of the Debtors' prepetition and postpetition property in respect of the Collateral Diminution that has occurred since the Petition Date.

The Debtors calculated the amount of Collateral Diminution by calculating the difference between the fair-market or going-concern value of their prepetition collateral as of the Petition Date and as of the anticipated Effective Date. *See STN Ruling* [Docket No. 923] at p. 97-99. Specifically, the Debtors applied the methodology described below, which calculates a fair-market or going-concern value, on a risked basis, of encumbered assets at the two measurement dates.

These calculations have been made solely for the purposes of the plan of reorganization and for estimating adequate protection claims, and do not necessarily represent the value that would be realized in a liquidation or sale of the Debtors' assets.

These calculations are based principally on reserve information, development schedules, and other financial information provided by the Debtors' management, assuming continued operation of the Debtors' assets, as of the Petition Date and Effective Date. The Debtors and their advisors also conducted a lengthy and thorough analysis of the collateral as of the Petition Date and as of the anticipated Effective Date.

The Debtors and their advisors calculated the Collateral Diminution based on (1) the reserve value of the encumbered oil and gas assets ("Reserve Collateral Value"), and (2) the value of other collateral assets ("Other Collateral Asset Value," and together with the Reserve Collateral Value, the "Total Collateral Value"), at the Petition Date and at the Effective Date.

The value of the Debtors' oil and gas reserves were calculated using a net asset value ("NAV") approach. The NAV analysis estimates the value of the reserves by calculating the sum of the present value of cash flows generated by the Debtors' proved, probable, and possible oil and gas reserves. Under this methodology, future cash flows derived from the reserves are discounted at an industry-standard to (10) percent discount rate to estimate the aggregate present value of the cash flows. In addition, the discounted cash flows are risk adjusted based on specific reserve adjustment factors ("RAF") for each reserve category (proved, probable, and possible) that the Society of Petroleum Evaluation Engineers ("SPEE") has developed in its 34th annual survey dated June 2015.

The Debtors and their advisors then determined the Reserve Collateral Value at the Petition Date and at the Effective Date by reviewing the Debtors' records detailing the properties on which the RBL Lenders, RBL Agent, Second Lien Agent, and Second Lien Lenders held a valid and perfected lien based on the Debtors' views about the extent of the prepetition liens granted to the RBL Agent and the Second Lien Agent. Using this lien analysis, the Debtors and their advisors estimated the reserve value of the wells encumbered by the RBL Agent's and Second Lien Agent's mortgages, on the Petition Date and the Effective Date.

Based on this approach, the Debtors calculated the Reserve Collateral Value as of the Petition Date to be approximately $900.1 million - $1,097.2 million (with a midpoint of $998.7 million) and as of the Effective Date to be and $492.8 million - $624.6 million (with a midpoint of $558.7 million).

In addition to the oil and gas reserves, the RBL Agent and the Second Lien Agent also have a valid and perfected lien on: (1) oil and gas receivables, to the extent these receivables relate to the sale of the RBL Lenders' and Second Lien Lenders' collateral; (2) joint interest billing receivables, to the extent these receivables relate to the production and sale of the RBL Agent's and Second Lien Agent's collateral; and (3) cash, to the extent that it represents net proceeds from the sale of the RBL Agent's and Second Lien Agent's collateral (collectively, "Other Collateral Assets"). The Debtors estimate the Other Collateral Asset Value as of the Petition Date and as of the Effective Date to be approximately $35.5 million and $70.6 million, respectively.

Given the Total Collateral Value, the RBL Lenders were oversecured on the Petition Date; thus, the Second Lien Lenders also had liens on Prepetition Collateral. Because the value of the Second Lien Agent's Prepetition Collateral—like the value of the RBL Agent's Prepetition Collateral—has declined during the pendency of these chapter 11 cases, the Second Lien Agent also has Adequate Protection Claims.

To reflect the Debtors' $24.3 million swap-related payments made in accordance with the Cash Collateral Order—the Huntington Payment and the ML Commodities Payment (defined in VII.D.2.d, *supra*)—the Debtors have reduced the RBL Lenders' and the RBL Agent's Adequate Protection Claims by $24.3 million.

The Debtors and their advisors thus calculate the RBL Lenders', the RBL Agent's, the Second Lien Lenders', and the Second Lien Agent's Adequate Protection Claims as follows:[21],[22], [23]

	Low	High	Midpoint
($ in millions)			
	Petition Date		
Reserve Collateral Value	$900.1	$1,097.2	$998.7
Other Collateral Value	35.5	35.5	35.5
Total Collateral Value	**$935.6**	**$1,132.7**	**$1,034.1**
	Effective Date		
Reserve Collateral Value	$492.8	$624.6	$558.7
Other Collateral Value	70.6	70.6	70.6
Total Collateral Value	**$563.4**	**$695.2**	**$629.3**
	Adequate Protection Claim		
Initial RBL Lender Adequate Protection Claim	$363.4	$231.6	$297.5
Post-petition Paydown	(24.3)	(24.3)	(24.3)
Final RBL Lender Adequate Protection Claim	$339.1	$207.2	$273.2
Second Lien Lender Adequate Protection Claim	8.8	205.9	107.3
Total Remaining Adequate Protection Claim	**$347.9**	**$413.1**	**$380.5**

21 The RBL Agent and Second Lien Agent hold valid and perfected prepetition liens on the Debtors' North Texas Gathering System. The Debtors have not included the value of that gas gathering system in its estimates of Total Collateral Value at either the Petition Date or the Effective Date. The Debtors, however, expect that the value of the North Texas Gathering System has declined during the pendency of these Chapter 11 Cases and that including that asset value in these calculations would increase the RBL Agent and Second Lien Agent's Adequate Protection Claims.

22 The Debtors' estimate of Total Collateral Value at the Petition Date excludes approximately 225 probable undeveloped drilling locations in the Haynesville formation (the "Additional Haynesville Locations"). The Additional Haynesville Locations are included in the Debtors' estimate of Total Collateral Value as of the Effective Date. The Additional Haynesville Locations existed and had been identified as of Petition Date, but were not reflected in the Debtors' reserve information and development schedule at that time. The RBL Agent and Second Lien Agent hold a valid and perfected prepetition lien on the substantial majority of the Additional Haynesville Locations. The Debtors expect that including the value of the Additional Haynesville Locations in the estimate of Total Collateral Value at the Petition Date would result in a substantial increase in the RBL Lenders, the RBL Agent, the Second Lien Agent, and the Second Lien Agent's Adequate Protection Claims.

23 The Debtors have not included a surcharge on account of any 506(c) or 552(b) claim because encumbered wells were cash flow positive and the only feasible surcharge would be the allocation of Unallocated G&A. *See* Discussion of Disputed Cash, SectionVII.D.2.a.

B. Consolidated Income Statement

Attached hereto as **Exhibit C** is a projected consolidated income statement, which includes consolidated, projected, unaudited, financial statement information of the Reorganized Debtors (collectively, the "Financial Projections") for the period beginning 2016 and continuing through 2020. The Financial Projections are based on an assumed Effective Date of June 30, 2016. To the extent that the Effective Date occurs before or after June 30, 2016, recoveries on account of Allowed Claims could be impacted. Creditors and other interested parties should see the below "Risk Factors" for a discussion of certain factors that may affect the future financial performance of the Reorganized Debtors.

In conjunction with formulating the Plan and satisfying its obligations under section 1129 of the Bankruptcy Code, the Debtors determined that it was necessary to estimate the post-confirmation going concern value of the Debtors. Accordingly, a valuation analysis is attached hereto as **Exhibit D**.

IX. RISK FACTORS

Holders of Claims should read and consider carefully the risk factors set forth below before voting to accept or reject the Plan. Although there are many risk factors discussed below, these factors should not be regarded as constituting the only risks present in connection with the Debtors' businesses or the Plan and its implementation.

A. Certain Bankruptcy Law Considerations

The occurrence or non-occurrence of any or all of the following contingencies, and any others, could affect distributions available to Holders of Allowed Claims under the Plan but will not necessarily affect the validity of the vote of the Impaired Classes to accept or reject the Plan or necessarily require a re-solicitation of the votes of Holders of Claims in such Impaired Classes.

1. Parties-in-Interest May Object to the Plan's Classification of Claims and Interests

Section 1122 of the Bankruptcy Code provides that a plan may place a claim or an equity interest in a particular class only if such claim or equity interest is substantially similar to the other claims or equity interests in such class. The Debtors believe that the classification of the Claims under the Plan complies with the requirements set forth in the Bankruptcy Code because the Debtors created Classes of Claims, each encompassing Claims that are substantially similar to the other Claims in each such Class. Nevertheless, there can be no assurance that the Bankruptcy Court will reach the same conclusion.

The Committee contends that there are several flaws in the Plan's classification of Claims and Interests. First, the Committee contends that the Plan improperly classifies the Second Lien Lenders' alleged adequate protection claim. Specifically, the Plan treats Class 4a Second Lien Adequate Protection Claims as having an Allowed Claim in the amount of $50 million which, according to this Disclosure Statement, "provides the Second Lien Agent with a recovery on account of its claim for adequate protection." The Committee asserts that the Second Lien Lenders' alleged adequate protection claim is a postpetition administrative expense under section 507(b) of the Bankruptcy Code and, as such, should neither be classified in Class 4a nor be entitled to vote on the Plan.

Second, the Committee contends that the Plan improperly divides unsecured claims into several different voting classes. Specifically, the Plan separately classifies (i) Class 5a 2017 Senior Notes Claims, (ii) Class 5b 2019 Senior Notes Claims, (iii) Class 5c 2020 Senior Notes Claims and (iv) Class 6 General Unsecured Claims. The Debtors have separately classified the Senior Notes Claims so that holders of such claims can receive their recovery on the Effective Date or as soon as practicable thereafter without having to wait for the Debtors to complete the claims reconciliation process. Nevertheless, the Committee intends to object to the Plan on the basis of these classification issues, and believes that other parties-in-interest may object to the Plan on similar grounds.

2. Parties-in-Interest May Object to the Plan on Substantive Consolidation Grounds

The Plan states that it does not provide for the substantive consolidation of the Debtors' Estates, and that on the Effective Date, the Debtors' Estates shall not be deemed to be substantively consolidated for any reason. The Debtors and the RBL Agent agreed to the fair treatment of all creditors, so all creditors at all entities, whether or not entitled to any value, receive an equal distribution.

The Committee contends that the Plan does, in fact, effect a substantive consolidation of the Debtors' Estates because the Plan's proposed classification and treatment do not distinguish between claims held against one Debtor Estate as opposed to claims held against multiple Debtor Estates. Specifically, the Committee argues that the Plan provides the same treatment to holders of Allowed Senior Notes Claims and holders of Allowed General Unsecured Claims, notwithstanding that Allowed Senior Notes Claims are claims against each Debtor Estate while Allowed General Unsecured Claims (other than deficiency claims of the Second Lien Agent) may be claims against just one Debtor Estate. The Committee further contends that the Liquidation Analysis does not include detail on an Estate by Estate basis, but rather analyzes all of the Debtors' Estates together on a substantively consolidated basis. Accordingly, the Committee intends to object to the Plan on the basis that they effect an improper substantive consolidation without providing appropriate disclosure or justification to establish that substantive consolidation is necessary or appropriate. The Committee further believes that other parties-in-interest may raise similar objections.

3. The Conditions Precedent to the Effective Date of the Plan May Not Occur

As more fully set forth in Article IX of the Plan, the Effective Date is subject to a number of conditions precedent. If such conditions precedent are not met or waived, the Effective Date will not take place.

4. Failure to Satisfy Vote Requirements

If votes are received in number and amount sufficient to enable the Bankruptcy Court to confirm the Plan, the Debtors intend to seek, as promptly as practicable thereafter, Confirmation of the Plan. In the event that sufficient votes are not received, the Debtors may seek to confirm an alternative chapter 11 plan. There can be no assurance that the terms of any such alternative chapter 11 plan would be similar or as favorable to the Holders of Allowed Claims as those proposed in the Plan.

5. The Debtors May Not Be Able to Secure Confirmation of the Plan

Section 1129 of the Bankruptcy Code sets forth the requirements for confirmation of a chapter 11 plan, and requires, among other things, a finding by the bankruptcy court that: (a) such plan "does not unfairly discriminate" and is "fair and equitable" with respect to any non-accepting classes; (b) confirmation of such plan is not likely to be followed by a liquidation or a need for further financial reorganization unless such liquidation or reorganization is contemplated by the plan; and (c) the value of distributions to non-accepting holders of claims and equity interests within a particular class under such plan will not be less than the value of distributions such holders would receive if the debtors were liquidated under chapter 7 of the Bankruptcy Code.

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 Bankruptcy Court will confirm the Plan. A non-accepting Holder of an Allowed Claim might challenge either the adequacy of this Disclosure Statement or whether the solicitation procedures and voting results satisfy the requirements of the Bankruptcy Code or Bankruptcy Rules. Even if the Bankruptcy Court determined that this Disclosure Statement, the solicitation procedures and voting results were appropriate, the Bankruptcy Court could still decline to confirm the Plan if it found that any of the statutory requirements for Confirmation had not been met.

Confirmation of the Plan is also subject to certain conditions as described in Article VIII of the Plan. If the Plan is not confirmed, it is unclear what distributions, if any, Holders of Allowed Claims would receive with respect to their Allowed Claims.

The Debtors, subject to the terms and conditions of the Plan, reserve the right to modify the terms and conditions of the Plan as necessary for Confirmation. Any such modifications could result in a less favorable treatment of any non-accepting Class, as well as of any Classes junior to such non-accepting Class, than the treatment currently provided in the Plan. Such a less favorable treatment could include a distribution of property to the Class affected by the modification of a lesser value than currently provided in the Plan or no distribution of property whatsoever under the Plan.

6. Nonconsensual Confirmation

In the event that any Impaired Class of Claims or Interests does not accept a chapter 11 plan, a bankruptcy court may nevertheless confirm a plan at the proponents' request if at least one Impaired Class has accepted the plan (with such acceptance being determined without including the vote of any "insider" in such class), and, as to each impaired class that has not accepted the plan, the bankruptcy court determines that the plan "does not discriminate unfairly" and is "fair and equitable" with respect to the dissenting impaired classes. The Debtors believe that the Plan satisfies these requirements, and the Debtors may request such nonconsensual Confirmation in accordance with subsection 1129(b) of the Bankruptcy Code. Nevertheless, there can be no assurance that the Bankruptcy Court will reach this conclusion. In addition, the pursuit of nonconsensual Confirmation or Consummation of the Plan may result in, among other things, increased expenses relating to Accrued Professional Compensation Claims.

7. The Debtors May Object to the Amount or Classification of a Claim

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

8. Risk of Non-Occurrence of the Effective Date

Although the Debtors believe that the Effective Date may occur quickly after the Confirmation Date, there can be no assurance as to such timing or as to whether the Effective Date will, in fact, occur.

9. Contingencies Could Affect Votes of Impaired Classes to Accept or Reject the Plan

The distributions available to Holders of Allowed Claims under the Plan can be affected by a variety of contingencies, including, without limitation, whether the Bankruptcy Court orders certain Allowed Claims to be subordinated to other Allowed Claims. The occurrence of any and all such contingencies, which could affect distributions available to Holders of Allowed Claims under the Plan, will not affect the validity of the vote taken by the Impaired Classes to accept or reject the Plan or require any sort of revote by the Impaired Classes.

The estimated Claims and creditor recoveries set forth in this Disclosure Statement are based on various assumptions, and the actual Allowed amounts of Claims may significantly differ from the estimates. Should one or more of the underlying assumptions ultimately prove to be incorrect, the actual Allowed amounts of Claims may vary from the estimated Claims contained in this Disclosure Statement. Moreover, the Debtors cannot determine with any certainty at this time, the number or amount of Claims that will ultimately be Allowed. Such differences may materially and adversely affect, among other things, the percentage recoveries to Holders of Allowed Claims under the Plan.

10. Releases, Injunctions, and Exculpations Provisions May Not Be Approved

The Plan provides for certain releases, injunctions, and exculpations. However, such releases, injunctions, and exculpations are subjection to objection by parties-in-interest and may not be approved. If the releases are not approved, certain Released Parties may not support the Plan.

B. Risks Related to Recoveries Under the Plan

1. Debtors Cannot State with Certainty What Recovery Will Be Available to Holders of Allowed Claims in Voting Classes

The Debtors cannot know with certainty, at this time, the number or amount of Claims in Voting Classes that will ultimately be Allowed. Accordingly, because certain Claims under the Plan will be paid on a Pro Rata basis, the Debtors cannot state with certainty what recoveries will be available to Holders of Allowed Claims in Voting Classes.

2. The Debtors May Not Be Able to Achieve Their Projected Financial Results

With respect to holders of Interests in the Reorganized Debtors, the Reorganized Debtors may not be able to achieve their projected financial results. The Financial Projections set forth in this Disclosure Statement represent the Debtors' management team's best estimate of the Reorganized Debtors' future financial performance, which is necessarily based on certain assumptions regarding the anticipated future performance of the Reorganized Debtors' operations, as well as the United States and world economies in general, and the particular industry segments in which the Reorganized Debtors will operate in particular. While the Debtors believe that the Financial Projections contained in this Disclosure Statement are reasonable, there can be no assurance that they will be realized. If the Reorganized Debtors do not achieve their projected financial results, (a) the value of the New Common Stock may be negatively affected, (b) the Reorganized Debtors may lack sufficient liquidity to continue operating as planned after the Effective Date and (c) the Reorganized Debtors may be unable to service their debt obligations as they

come due. Moreover, the financial condition and results of operations of the Reorganized Debtors from and after the Effective Date may not be comparable to the financial condition or results of operations reflected in the Debtors' historical financial statements.

3. The Reorganized Debtors' New Common Stock Will Not Be Publicly Traded

There can be no assurance that an active market for the New Common Stock will develop, nor can any assurance be given as to the prices at which such stock might be traded. The New Common Stock to be issued under the Plan will not be listed on or traded on any nationally recognized market or exchange. Further, the New Common Stock to be issued under the Plan has not been registered under the Securities Act, any state securities laws or the laws of any other jurisdiction. Absent such registration, the New Common Stock may be offered or sold only in transactions that are not subject to, or that are exempt from, the registration requirements of the Securities Act and other applicable securities laws. As explained in more detail in Article XII herein, most recipients of New Common Stock will be able to resell such securities without registration pursuant to the exemption provided by Rule 144 of the Securities Act, subject to any restrictions set forth in the certificate of incorporation and bylaws of Sabine.

4. The Warrants May Not Become Exercisable Prior to Expiration

There can be no assurance that the total enterprise value of the Reorganized Debtors will ever reach the thresholds at which the Tranche 1 Warrants and the Tranche 2 Warrants become exercisable, respectively, prior to the respective expiration of the Tranche 1 Warrants and the Tranche 2 Warrants.

5. Actual Amounts of Allowed Claims May Differ from the Estimated Claims and Adversely Affect the Percentage Recovery on Unsecured Claims

The Claims estimates set forth in Article IV.D above, "What will I receive from the Debtors if the Plan is consummated?," are based on various assumptions. The actual amounts of Allowed Claims may differ significantly from those estimates should one or more underlying assumptions prove to be incorrect. Such differences may adversely affect the percentage of recovery.

6. Small Number of Holders or Voting Blocks May Control the Reorganized Debtors

Consummation of the Plan may result in a small number of holders owning a significant percentage of the shares of the New Common Stock. These holders may, among other things, exercise a controlling influence over the Reorganized Debtors and have the power to elect directors and approve significant transactions.

7. Impact of Interest Rates

Changes in interest rates may affect the fair market value of the Reorganized Debtors' assets and/or the distributions to Holders of Claims under the Plan.

8. Oil and Natural Gas Prices Are Volatile, and Low Oil or Natural Gas Prices Could Materially Adversely Affect the Debtors' Businesses, Results of Operations, and Financial Condition

The Reorganized Debtors' revenues, profitability and the value of the Debtors' properties substantially depend on prevailing oil and natural gas prices. Oil and natural gas are commodities, and therefore, their prices are subject to wide fluctuations in response to changes in supply and demand. Oil and natural gas prices historically have been volatile and are likely to continue to be volatile in the future, especially given current economic and geopolitical conditions. During the second half of 2014, prompt month NYMEX-WTI oil prices fell from in excess of $100 per barrel to the mid $50s, the lowest price since 2009, when prices briefly fell below $35 per barrel. Thus far in 2016, commodity prices have continued to be depressed, with NYMEX-Henry Hub natural gas prices ranging from approximately $1.64 per MMBtu to $2.47 per MMBtu and NYMEX-WTI oil prices ranging from approximately $26 per barrel to $44 per barrel through April 26, 2016. The Debtors expect such volatility to continue in the future. The prices for oil and natural gas are subject to a variety of factors beyond the Debtors' control, such as:

- domestic and global economic conditions impacting the supply and demand of oil and natural gas;
- uncertainty in capital and commodities markets;
- the price and quantity of foreign imports;
- domestic and global political conditions, particularly in oil and natural gas producing countries or regions, such as the Middle East, Russia, the North Sea, Africa and South America;
- the ability of members of the OPEC and other producing countries to agree upon and maintain oil prices and production levels;
- the level of consumer product demand, including in emerging markets such as China;
- weather conditions and force majeure events such as earthquakes and nuclear meltdowns;
- technological advances affecting energy consumption and the development of oil and natural gas reserves;
- domestic and foreign governmental regulations and taxes, including administrative or agency actions and policies;
- commodity processing, gathering and transportation cost and availability, and the availability of refining capacity;
- the price and availability of alternative fuels and energy;
- the strengthening and weakening of the United States dollar relative to other currencies; and
- variations between product prices at sales points and applicable index prices.

Oil and natural gas prices will affect the amount of cash flow available to the Reorganized Debtors to meet their financial commitments and fund capital expenditures. Oil and natural gas prices also impact the Reorganized Debtors' ability to borrow money and raise additional capital. For example, the amount the Reorganized Debtors will be able to borrow under the Exit Revolver Credit Facility will be subject to periodic redeterminations based, in part, on current oil and natural gas prices and on changing expectations of future prices. Lower prices may also reduce the amount of oil and natural gas that the Reorganized Debtors can economically produce and have an adverse effect on the value of the Reorganized Debtors' reserves, which could result in material impairments to the Reorganized Debtors' oil and natural gas properties. As a result, if there is a further decline or sustained depression in commodity prices, the Reorganized Debtors may, among other things, be unable to maintain or increase their borrowing capacity, meet their debt obligations or other financial commitments, or obtain additional capital, all of which could materially adversely affect the Reorganized Debtors' businesses, results of operations, and financial condition.

9. Drilling for and Producing Oil and Natural Gas Are High Risk Activities with Many Uncertainties That Could Materially Adversely Affect the Reorganized Debtors' Businesses, Results of Operations, and Financial Condition

The Reorganized Debtors' operations are subject to many risks, including the risk that the Reorganized Debtors will not discover commercially productive reservoirs. Drilling for oil and natural gas can be unprofitable, not only from dry holes, but from productive wells that do not produce sufficient revenue to return a profit. The Reorganized Debtors' decisions to purchase, explore, develop, or otherwise exploit prospects or properties will depend in part on the evaluation of data obtained through geophysical and geological analyses, as well as production data and engineering studies, the results of which are often inconclusive or subject to varying interpretations. In addition, the results of the Reorganized Debtors' exploratory drilling in new or emerging areas are more uncertain than drilling results in areas that are developed and have established production, and the Reorganized Debtors' operations may involve the use of recently-developed drilling and completion techniques. The Reorganized

Debtors' cost of drilling, completing, equipping, and operating wells is often uncertain before drilling commences. Declines in commodity prices and overruns in budgeted expenditures are common risks that can make a particular project uneconomic or less economic than forecasted. Further, many factors may curtail, delay, or cancel drilling and completion projects, including the following:

- delays or restrictions imposed by or resulting from compliance with regulatory and contractual requirements;
- delays in receiving governmental permits, orders, or approvals;
- differing pressure than anticipated or irregularities in geological formations;
- equipment failures or accidents;
- adverse weather conditions;
- surface access restrictions;
- loss of title or other title related issues;
- shortages or delays in the availability of, increases in the cost of, or increased competition for, drilling rigs and crews, fracture stimulation crews and equipment, pipe, chemicals, and supplies; and
- restrictions in access to or disposal of water resources used in drilling and completion operations.

Historically, there have been shortages of drilling and workover rigs, pipe, other oilfield equipment, and skilled personnel as demand for rigs, equipment, and personnel has increased along with the number of wells being drilled. These factors may, among other things, cause significant increases in costs for equipment, services, and/or personnel. Such shortages or increases in costs could significantly decrease the Debtors' profit margin, cash flow, and operating results, or restrict the Reorganized Debtors' operations in the future.

The occurrence of certain of these events, particularly equipment failures or accidents, could impact third parties, including persons living in proximity to the Reorganized Debtors' operations, the Reorganized Debtors' employees, and employees of the Reorganized Debtors' contractors, leading to possible injuries, death, or significant property damage. As a result, the Reorganized Debtors face the possibility of liabilities from these events that could materially adversely affect the Reorganized Debtors' businesses, results of operations, and financial condition.

10. The Reorganized Debtors May Be Adversely Affected by Potential Litigation, Including Litigation Arising Out of the Chapter 11 Cases

In the future, the Reorganized Debtors may become party to litigation. In general, litigation can be expensive and time consuming to bring or defend against. Such litigation could result in settlements or damages that could significantly affect the Reorganized Debtors' financial results. It is also possible that certain parties will commence litigation with respect to the treatment of their Claims under the Plan. It is not possible to predict the potential litigation that the Reorganized Debtors may become party to, nor the final resolution of such litigation. The impact of any such litigation on the Reorganized Debtors' businesses and financial stability, however, could be material.

11. Certain Claims May Not Be Discharged and Could Have a Material Adverse Effect on the Debtors' Financial Condition and Results of Operations

The Bankruptcy Code provides that the confirmation of a plan of reorganization discharges a debtor from substantially all debts arising prior to confirmation. With few exceptions, all claims that arise prior to the Debtors' filing a petition for reorganization under the Bankruptcy Code or before confirmation of the plan of reorganization (a) would be subject to compromise and/or treatment under the Plan and/or (b) would be discharged in accordance with the terms of the Plan. Any claims not ultimately discharged through the Plan could be asserted against the

reorganized entity and may have an adverse effect on the Reorganized Debtors' financial condition and results of operations on a post-reorganization basis.

C. Disclosure Statement Disclaimer

1. Information Contained Herein Is for Soliciting Votes

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

2. This Disclosure Statement Was Not Approved by the United States Securities and Exchange Commission

This Disclosure Statement was not filed with the United States Securities and Exchange Commission under the Securities Act or applicable state securities laws. Neither the United States Securities and Exchange Commission nor any state regulatory authority has passed upon the accuracy or adequacy of this Disclosure Statement, or the exhibits or the statements contained herein, and any representation to the contrary is unlawful.

3. Reliance on Exemptions from Registration

This Disclosure Statement has been prepared pursuant to section 1125 of the Bankruptcy Code and Bankruptcy Rule 3016(b) and is not necessarily in accordance with federal or state securities laws or other similar laws.

4. No Legal or Tax Advice Is Provided to You by this Disclosure Statement

This Disclosure Statement is not legal advice to you. The contents of this Disclosure Statement should not be construed as legal, business, or tax advice. Each Holder of a Claim or Interest should consult his or her own legal counsel and accountant with regard to any legal, tax, and other matters concerning his or her Claim or Interest. This Disclosure Statement may not be relied upon for any purpose other than to determine how to vote on the Plan or object to Confirmation of the Plan.

5. No Admissions Made

The information and statements contained in this Disclosure Statement will neither (a) constitute an admission of any fact or liability by any Entity (including, without limitation, the Debtors) nor (b) be deemed evidence of the tax or other legal effects of the Plan on the Debtors, Holders of Allowed Claims or Interests, or any other parties-in-interest.

6. Failure to Identify Litigation Claims or Projected Objections

No reliance should be placed on the fact that a particular litigation claim or projected objection to a particular Claim or Interest is, or is not, identified in this Disclosure Statement. The Debtors or Reorganized Debtors, as the case may be, may seek to investigate, File, and prosecute Claims and may object to Claims after the Confirmation or Effective Date of the Plan irrespective of whether this Disclosure Statement identifies such Claims or objections to Claims.

7. No Waiver of Right to Object or Right to Recover Transfers and Assets

The vote by a Holder of an Allowed Claim or Interest for or against the Plan does not constitute a waiver or release of any Claims, Causes of Action, including Causes of Action against any "insider" as that term is defined in section 101(31) of the Bankruptcy Code, or rights of the Debtors, or the Reorganized Debtors (or any party in interest, as the case may be) to object to that Holder's Allowed Claim, or recover any preferential, fraudulent, or other voidable transfer of assets, regardless of whether any Claims or Causes of Action, including Causes of Action against any "insider" as that term is defined in section 101(31) of the Bankruptcy Code of the Debtors or their respective Estates, are specifically or generally identified herein.

8. Information Was Provided by the Debtors and Was Relied Upon by the Debtors' Advisors

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

9. Potential Exists for Inaccuracies, and the Debtors Have No Duty to Update

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

10. No Representations Outside This Disclosure Statement Are Authorized

No representations concerning or relating to the Debtors, these Chapter 11 Cases, or the Plan are authorized by the Bankruptcy Court or the Bankruptcy Code, other than as set forth in this Disclosure Statement. Any representations or inducements made to secure your acceptance or rejection of the Plan that are other than as contained in, or included with, this Disclosure Statement, should not be relied upon by you in arriving at your decision. You should promptly report unauthorized representations or inducements to the counsel to the Debtors, the U.S. Trustee, and counsel to the Committee.

D. Liquidation Under Chapter 7

If no plan can be Confirmed, the Debtors' Chapter 11 Cases may be converted to cases under chapter 7 of the Bankruptcy Code, pursuant to which a trustee would be elected or appointed to liquidate the assets of the Debtors for distribution in accordance with the priorities established by the Bankruptcy Code. A discussion of the effects that a chapter 7 liquidation would have on the recoveries of Holders of Claims and the Debtors' Liquidation Analysis is described herein and attached hereto as **Exhibit E**.

X. SOLICITATION AND VOTING PROCEDURES

This Disclosure Statement, which is accompanied by a Ballot or Ballots to be used for voting on the Plan, is being distributed to the Holders of Claims in those Classes that are entitled to vote to accept or reject the Plan, as well as to Holders that are not entitled to vote but may elect to opt out of certain third party releases contained in the Plan. The procedures and instructions for voting or making an opt out election and related deadlines are set forth in the exhibits annexed to the Disclosure Statement Order, which is attached hereto as **Exhibit B**.

The Disclosure Statement Order is incorporated herein by reference and should be read in conjunction with this Disclosure Statement and in formulating a decision to vote to accept or reject the Plan or to elect to opt out of certain third party releases.

THE DISCUSSION OF THE SOLICITATION, VOTING, AND OPT OUT ELECTION PROCESS SET FORTH IN THIS DISCLOSURE STATEMENT IS ONLY A SUMMARY.

PLEASE REFER TO THE DISCLOSURE STATEMENT ORDER ATTACHED HERETO FOR A MORE COMPREHENSIVE DESCRIPTION OF SOLICITATION, VOTING, AND OPT OUT ELECTION PROCESSES.

A. Holders of Claims Entitled to Vote on the Plan

Under the provisions of the Bankruptcy Code, not all Holders of claims against a debtor are entitled to vote on a chapter 11 plan. The table in Article IV.C of this Disclosure Statement provides a summary of the status and voting rights of each Class (and, therefore, of each Holder within such Class absent an objection to the Holder's Claim) under the Plan. As shown in the table, the Debtors are soliciting votes to accept or reject the Plan only from Holders of Claims in Classes 3, 4b, 5a, 5b, 5c, 6, and 7 (collectively, the "Voting Classes").

The Holders of Claims in the Voting Classes are Impaired under the Plan and may, in certain circumstances, receive a distribution under the Plan. Accordingly, Holders of Claims in the Voting Classes have the right to vote to accept or reject the Plan.

The Debtors are **not** soliciting votes from Holders of Claims and Interests in Classes 1, 2, 8, 9, 10, and 11; however, the Debtors are sending this Disclosure Statement, along with a notice of non-voting status (the "Notice of Non-Voting Status"), to such Holders, along with an election form (each such form an "Election Form") to permit such Holders to opt out of the third-party releases contained in the Plan. Additionally, the Disclosure Statement Order provides that certain Holders of Claims in the Voting Classes, such as those Holders whose Claims have been disallowed or are subject to a pending objection, are not entitled to vote to accept or reject the Plan.

B. Voting Record Date

The Voting Record Date is [April 21], 2016. The Voting Record Date is the date on which it will be determined which Holders of Claims in the Voting Classes are entitled to vote to accept or reject the Plan and whether Claims have been properly assigned or transferred under Bankruptcy Rule 3001(e) such that an assignee can vote as the Holder of a Claim.

C. Voting on the Plan

The Voting Deadline is [June 3], 2016, at 5:00 p.m. (prevailing Eastern Time). In order to be counted as votes to accept or reject the Plan, all Ballots must be properly executed, completed and delivered (either by using the return envelope provided, by first class mail, overnight courier or personal delivery) so that they are **actually received** on or before the Voting Deadline by the Debtors' Notice and Claims Agent at the following address:

DELIVERY OF BALLOTS AND ELECTION FORMS

If by Regular Mail, Hand-Delivery or Overnight Courier to:

Sabine Ballot Processing
c/o Prime Clerk LLC
830 Third Avenue, 3rd Floor
New York, NY 10022

If you received an envelope addressed to your nominee, please allow sufficient time when you return your Ballot or Election Form for your nominee to receive your vote and/or election and include it on its Master Ballot or master Election Form, which must be submitted to the Notice and Claims Agent before the Voting Deadline.

D. Opting Out of the Third Party Releases

The Plan contains third party releases as part of the Settlement. In that respect, parties-in-interest should be aware that, if the Plan is confirmed and the Effective Date occurs, certain parties will be getting releases and certain parties will be giving releases as set forth in Article VIII.G of the Plan and as further described in Article IV.Q.4 of this Disclosure Statement.

The Committee contends that the "opt out" mechanism described below for the third party release provision contained in Article VIII.G of the Plan is improper and must be stricken or replaced with an "opt in" mechanism. An "opt in" mechanism would require that a Holder of a Claim or Interest grants the release contained in Article VIII.G of the Plan only if such Holder checks a box to affirmatively indicate that it elects to grant the release contained in Article VIII.G of the Plan. The Committee contends that such an "opt in" mechanism is the only means of protecting Holders of Claims or Interests from inadvertently or involuntarily granting the release contained in Article VIII.G of the Plan. The Committee intends to object to the Plan to the extent that it does not include an "opt in" mechanism as described herein.

1. Opting Out: Holders of Claims Entitled to Vote

If a Holder of a Claim entitled to vote does not consent to the third party releases contained in Article VIII.G of the Plan, such Holder may elect to opt out and not grant such releases but only if such Holder checks the "opt out" box set forth on such Holder's Ballot and only with respect to Released Parties other than the RBL Released Parties. Election to withhold consent is at each Holder's option. If a Holder of a Claim entitled to vote (a) fails to submit a Ballot by the Voting Deadline, or (b) submits a Ballot but does not check the "opt out" box, then such Holder will be deemed to consent to the third party releases contained in Article VIII.G of the Plan.

The Committee contends that the Plan does not provide unsecured creditors with value in exchange for granting the third party releases contained in Article VIII.G of the Plan. **Accordingly, the Committee recommends that all Holders of Class 5a 2017 Senior Notes Claims, Class 5b 2019 Senior Notes Claims, Class 5c 2020 Senior Notes Claims and Class 6 General Unsecured Claims opt out of the third party releases contained in Article VIII.G of the Plan.**

As described above, the third party release of the RBL Released Parties is mandatory and does not contain an opt out.

2. Opting Out: Holders of Claims and Interests Not Entitled to Vote

With respect to a Holder of a Claim or Interest that is not entitled to vote, a Holder that is deemed to accept or reject the Plan will be deemed also to consent to the third party releases contained in Article VIII.G of the Plan **unless** such Holder completes and returns prior to the Voting Deadline the Election Form included with such Holder's Notice of Non-Voting Status, and such Election Form indicates such Holder's desire to opt out of the third party releases contained in Article VIII.G of the Plan. The Indenture Trustees for each of the Senior Notes will receive an Election Form, and will be entitled to opt out of the third party releases other than the mandatory third party releases of the RBL Released Parties.

E. Ballots and Election Forms Not Counted

No Ballot or Election Form will be counted toward Confirmation if, among other things: (i) it is illegible or contains insufficient information to permit the identification of the Holder of the Claim; (ii) it was transmitted by facsimile, email or other electronic means; (iii) it was cast by an entity that is not entitled to vote on the Plan; (iv) it was cast for a Claim listed in the Debtors' schedules of assets and liabilities as contingent, unliquidated or disputed for which the applicable bar date has passed and no proof of claim was timely filed; (v) it was cast for a Claim that is subject to an objection pending as of the Voting Record Date (unless temporarily allowed in accordance with the Disclosure Statement Order); (vi) it was sent to the Debtors, the Debtors' agents/representatives (other than the Notice and Claims Agent), an indenture trustee or the Debtors' financial or legal advisors instead of the Notice and Claims Agent; (vii) it is unsigned; or (viii) it is not clearly marked to either accept or reject the Plan or it is marked both to accept and reject the Plan. **Please refer to the Disclosure Statement Order for additional requirements with respect to voting to accept or reject the Plan.**

IF YOU HAVE ANY QUESTIONS ABOUT SOLICITATION, VOTING, OR OPT OUT PROCESSES, PLEASE CONTACT THE NOTICE AND CLAIMS AGENT TOLL-FREE AT (866) 692-6696. ANY BALLOT RECEIVED AFTER THE VOTING DEADLINE OR OTHERWISE NOT IN COMPLIANCE WITH THE SOLICITATION ORDER WILL NOT BE COUNTED.

XI. CONFIRMATION OF THE PLAN

A. Requirements for Confirmation of the Plan

Among the requirements for Confirmation of the Plan pursuant to section 1129 of the Bankruptcy Code are: (i) the Plan is accepted by all Impaired Classes of Claims, or if rejected by an Impaired Class, the Plan "does not discriminate unfairly" and is "fair and equitable" as to the Class; (ii) the Plan is feasible; and (iii) the Plan is in the "best interests" of holders of Claims.

At the Confirmation Hearing, the Bankruptcy Court will determine whether the Plan satisfies all of the requirements of section 1129 of the Bankruptcy Code. The Debtors believe that: (i) the Plan satisfies or will satisfy all of the necessary statutory requirements of chapter 11; (ii) the Debtors have complied or will have complied with all of the necessary requirements of chapter 11; and (iii) the Plan has been proposed in good faith.

B. Best Interests of Creditors/Liquidation Analysis

Often called the "best interests" test, section 1129(a)(7) of the Bankruptcy Code requires that a bankruptcy court find as a condition to confirmation that a chapter 11 plan provide, with respect to each class, that each holder of a claim or an equity interest in the class either (i) has accepted the plan or (ii) will receive or retain under the plan property of a value that is not less than the amount that the holder would receive or retain if the debtors liquidated under chapter 7.

Attached hereto as **Exhibit E** and incorporated herein by reference is a liquidation analysis (the "Liquidation Analysis") prepared by the Debtors with the assistance of Zolfo Cooper and Lazard. As reflected in the Liquidation Analysis, the Debtors believe that liquidation under chapter 7 of the Bankruptcy Code of the Debtors' businesses would result in a substantial decrease in the value to be realized by Holders of Claims as compared to distributions contemplated under the Plan. Consequently, the Debtors and their management believe that Confirmation of the Plan will provide a substantially greater return to Holders of Claims than would a liquidation under chapter 7 of the Bankruptcy Code.

The Committee disagrees and contends that unsecured creditors would receive more under a chapter 7 liquidation than they will receive under the Plan and, consequently, that the Plan does not satisfy the "best interests" test. The Committee reaches this conclusion for two reasons. First, the Committee argues that the Plan releases the estates' claims and causes of action against the RBL Lenders and the Debtors' directors, officers and equity sponsor, based upon the conclusion that those claims and causes of action are not colorable. Despite the Courts' STN Ruling and the Debtors' other reasons for such releases, the Committee maintains that these claims and causes of action have significant value which will be realized following the appeal.

Second, the Committee contends that the going concern value of the Debtors as reorganized entities is lower than the value of the Debtors' assets if they were sold immediately in a chapter 7 liquidation and, consequently, that unsecured creditors will receive less on their claims under the Plan than they would in a chapter 7 liquidation. To satisfy the "best interests" test, the Debtors must demonstrate that the value received by unsecured creditors under the Plan—2% of the new Common Stock and 100% of the Tranche 2 Warrants—is greater than the value those same creditors would receive if the unencumbered assets were liquidated immediately in a chapter 7. The Committee believes that to do so, the Debtors must demonstrate that commodity prices will rise sufficiently to provide unsecured creditors—who are forced to shoulder a share of the additional operating expenses incurred by the Reorganized Debtors during the de facto liquidation contemplated under the business plan prior to commodity prices rising—with greater value (through their 2% equity interest and warrants) than the value recoverable under a chapter 7 liquidation. The Committee maintains that the Debtors have not done so.

The Debtors, on the other hand, intend to establish at the Confirmation Hearing that regardless of future commodities pricing, unsecured creditors are receiving more under the Plan than they are entitled because of, among other reasons, the size of the adequate protection claim of the RBL Lenders.

C. Feasibility

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

To determine whether the Plan meets this feasibility requirement, the Debtors have analyzed their ability to meet their respective obligations under the Plan.

The Plan contemplates the reorganization of the Debtors as a going concern and will significantly reduce the Debtors' long-term debt and annual interest payments. In addition, the Plan will result in a stronger, de-levered balance sheet for the Debtors while allowing creditors to participate in future upside in the Reorganized Debtors. Specifically, the Plan contemplates the conversion of most of the Debtors' current outstanding debt to equity. As such, the Debtors believe that the confirmation of the Plan is not likely to be followed by a further financial reorganization and, therefore, is feasible.

D. Acceptance by Impaired Classes

The Bankruptcy Code requires, as a condition to confirmation, except as described in the following section, that each class of claims or equity interests impaired under a plan, accept the plan. A class that is not "impaired" under a plan is deemed to have accepted the plan and, therefore, solicitation of acceptances with respect to such a class is not required.[24]

Section 1126(c) of the Bankruptcy Code defines acceptance of a plan by a class of impaired claims as acceptance by holders of at least two-thirds in a dollar amount and more than one-half in a number of allowed claims in that class, counting only those claims that have *actually* voted to accept or to reject the plan. Thus, a class of claims will have voted to accept the Plan only if two-thirds in amount and a majority in number actually cast their ballots in favor of acceptance.

E. Confirmation without Acceptance by All Impaired Classes

Section 1129(b) of the Bankruptcy Code allows a bankruptcy court to confirm a plan even if all impaired classes have not accepted it; *provided*, that the plan has been accepted by at least one impaired class. Pursuant to section 1129(b) of the Bankruptcy Code, notwithstanding an impaired class's rejection or deemed rejection of the plan, the plan will be confirmed, at the plan proponent's request, in a procedure commonly known as a "cramdown" so long as the plan does not "discriminate unfairly" and is "fair and equitable" with respect to each class of claims or equity interests that is impaired under, and has not accepted, the plan.

If any Impaired Class rejects the Plan, the Debtors reserve the right to seek to confirm the Plan utilizing the "cramdown" provision of section 1129(b) of the Bankruptcy Code. To the extent that any Impaired Class rejects the Plan or is deemed to have rejected the Plan, the Debtors will request Confirmation of the Plan, as it may be modified from time to time, under section 1129(b) of the Bankruptcy Code. The Debtors reserve the right to alter, amend, modify, revoke or withdraw the Plan or any Plan Supplement document, including the right to amend or modify it to satisfy the requirements of section 1129(b) of the Bankruptcy Code.

1. No Unfair Discrimination

The "unfair discrimination" test applies to classes of claims or interests that are of equal priority and are receiving different treatment under a plan. The test does not require that the treatment be the same or equivalent, but that treatment be "fair." In general, bankruptcy courts consider whether a plan discriminates unfairly in its treatment of classes of claims of equal rank (*e.g.*, classes of the same legal character). Bankruptcy courts will take into

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24 A class of claims is "impaired" within the meaning of section 1124 of the Bankruptcy Code unless the plan (a) leaves unaltered the legal, equitable and contractual rights to which the claim or equity interest entitles the holder of such claim or equity interest or (b) cures any default, reinstates the original terms of such obligation, compensates the holder for certain damages or losses, as applicable, and does not otherwise alter the legal, equitable or contractual rights to which such claim or equity interest entitles the holder of such claim or equity interest.

account a number of factors in determining whether a plan discriminates unfairly. A plan could treat two classes of unsecured creditors differently without unfairly discriminating against either class.

2. Fair and Equitable Test

The "fair and equitable" test applies to classes of different priority and status (*e.g.*, secured versus unsecured) and includes the general requirement that no class of claims receive more than one hundred percent (100%) of the amount of the allowed claims in the class. As to the dissenting class, the test sets different standards depending upon the type of claims or equity interests in the class.

The Debtors submit that if the Debtors "cramdown" the Plan pursuant to section 1129(b) of the Bankruptcy Code, the Plan is structured so that it does not "discriminate unfairly" and satisfies the "fair and equitable" requirement. With respect to the unfair discrimination requirement, all Classes under the Plan are provided treatment that is substantially equivalent to the treatment that is provided to other Classes that have equal rank. The Debtors believe that the Plan and the treatment of all Classes of Claims and Interests under the Plan satisfy the foregoing requirements for nonconsensual Confirmation of the Plan.

XII. CERTAIN SECURITIES LAW MATTERS

A. New Equity

As discussed herein, New Common Stock and/or Warrants (collectively, "New Interests") will be distributed to Holders of Allowed Claims in Classes 3, 4, 5a, 5b, 5c, and 6. The Debtors believe that the New Interests are "securities," as defined in Section 2(a)(1) of the Securities Act, section 101 of the Bankruptcy Code and any applicable state securities laws ("Blue Sky Laws").

B. Issuance of New Interests Under the Plan; Resale of New Interests

1. Exemptions from Registration Requirements of the Securities Act and State Blue Sky Laws

Section 1145 of the Bankruptcy Code provides that the registration requirements of section 5 of the Securities Act (and any applicable state Blue Sky Laws) will not apply to the offer or sale of stock, options, warrants or other securities by a debtor if: (a) the offer or sale occurs under a plan of reorganization; (b) the recipients of the securities hold a claim against, an interest in, or claim for administrative expense against, the debtor; and (c) the securities are issued in exchange for a claim against or interest in a debtor or are issued principally in such exchange and partly for cash and property. In reliance upon these exemptions, the offer and sale of the New Interests under the Plan will not be registered under the Securities Act or any applicable state Blue Sky Laws.

To the extent that the issuance of the New Interests is covered by section 1145 of the Bankruptcy Code, the New Interests may be resold without registration under the Securities Act or other federal securities laws, unless the holder is an "underwriter" (as discussed below) with respect to such securities, as that term is defined in section 2(a)(11) of the Securities Act and in the Bankruptcy Code. In addition, the New Interests generally may be able to be resold without registration under applicable state Blue Sky Laws pursuant to various exemptions provided by the respective Blue Sky Laws of those states; however, the availability of those exemptions for any such resale cannot be known unless individual state Blue Sky Laws are examined.

The Plan contemplates the application of section 1145 of the Bankruptcy Code to the New Interests, but at this time, the Debtors express no view as to whether the issuance of the New Interests is exempt from registration pursuant to section 1145 of the Bankruptcy Code and, in turn, whether any Person may freely resell New Interests without registration under the Securities Act, other federal securities laws, or applicable state Blue Sky Laws. Recipients of the New Interests are advised to consult with their own legal advisors as to the applicability of section 1145 of the Bankruptcy Code to the New Interests and the availability of any exemption from registration under the Securities Act, other federal securities laws, or applicable state Blue Sky Laws.

2. Resale of New Equity by Persons Deemed to be "Underwriters;" Definition of "Underwriter"

Section 1145(b)(1) of the Bankruptcy Code defines an "underwriter" as one who, except with respect to "ordinary trading transactions" of an entity that is not an "issuer": (a) purchases a claim against, interest in, or claim for an administrative expense in the case concerning, the debtor, if such purchase is with a view to distribution of any security received or to be received in exchange for such Claim or Interest; (b) offers to sell securities offered or sold under a plan for the holders of such securities; (c) offers to buy securities offered or sold under a plan from the holders of such securities, if such offer to buy is (i) with a view to distribution of such securities and (ii) under an agreement made in connection with the Plan, with the consummation of the Plan, or with the offer or sale of securities under the Plan; or (d) is an issuer of the securities within the meaning of section 2(a)(11) of the Securities Act. In addition, a Person who receives a fee in exchange for purchasing an issuer's securities could also be considered an underwriter within the meaning of section 2(a)(11) of the Securities Act.

The definition of an "issuer" for purposes of whether a Person is an underwriter under section 1145(b)(1)(D) of the Bankruptcy Code, by reference to section 2(a)(11) of the Securities Act, includes as "statutory underwriters" any person directly or indirectly controlling or controlled by an issuer, or any person under direct or indirect common control with an issuer, of securities. As a result, the reference to "issuer," as used in the definition of "underwriter" contained in section 2(a)(11) of the Securities Act, is intended to cover "controlling Persons" of the

issuer of the securities. "Control," as defined in Rule 405 of the Securities Act, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a person, whether through the ownership of voting securities, by contract, or otherwise. Accordingly, an officer, director or significant shareholder of a reorganized debtor or its successor under a plan of reorganization may be deemed to be a "controlling Person" of such debtor or successor, particularly, with respect to officers and directors, if the management position or directorship is coupled with ownership of a significant percentage of the reorganized debtor's or its successor's voting securities. In addition, the legislative history of section 1145 of the Bankruptcy Code suggests that a creditor who owns ten percent (10%) or more of a class of securities of a reorganized debtor may be presumed to be a "controlling Person" and, therefore, an underwriter.

Resales of the New Interests by Entities deemed to be "underwriters" (which definition includes "controlling Persons" of an issuer) are not exempted by section 1145 of the Bankruptcy Code from registration under the Securities Act, state Blue Sky Laws, or other applicable law. Under certain circumstances, holders of New Interests who are deemed to be "underwriters" may be entitled to resell their New Interests pursuant to the limited safe harbor resale provisions of Rule 144 of the Securities Act. Generally, Rule 144 of the Securities Act would permit the public sale of securities received by such Person if current information regarding the issuer is publicly available and if volume limitations and certain other conditions are met by the holder of the securities. The issuer of the New Interests, however, does not intend to file periodic reports under the Securities Act or seek to list the New Interests for trading on a national securities exchange. Consequently, "current public information" (as such term is defined in Rule 144) regarding the issuer of the New Interests is not expected to be available for purposes of sales of New Interests under Rule 144 by holders who are deemed to be "underwriters." Whether any particular Person would be deemed to be an "underwriter" (including whether such Person is a "controlling Person" of an issuer) with respect to the New Interests would depend upon various facts and circumstances applicable to that Person. Accordingly, the Debtors express no view as to whether any Person would be deemed an "underwriter" with respect to the New Interests and, in turn, whether any Person may freely resell New Interests. The Debtors recommend that potential recipients of New Interests consult their own counsel concerning their ability to freely trade such securities without compliance with the Securities Act, other federal securities laws, or applicable state Blue Sky Laws.

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

The following is a summary of certain United States federal income tax consequences of the Plan to the Debtors and certain Holders of Allowed Claims. This summary is based on the Internal Revenue Code of 1986, as amended (the "IRC"), Treasury Regulations thereunder ("Treasury Regulations") and administrative and judicial interpretations and practice, all as in effect on the date of this Disclosure Statement and all of which are subject to change, with possible retroactive effect. Due to the lack of definitive judicial and administrative authority in a number of areas, substantial uncertainty may exist with respect to some of the tax consequences described below. No opinion of counsel has been obtained and the Debtors do not intend to seek a ruling from the Internal Revenue Service ("IRS") as to any of the tax consequences of the Plan discussed below. There can be no assurance that the IRS will not challenge one or more of the tax consequences of the Plan described below.

This summary does not address all aspects of United States federal income taxation that may be relevant to a beneficial owner of an Allowed Claim (a "Holder") in light of its individual circumstances or to a Holder that may be subject to special tax rules (including, without limitation, governmental authorities or agencies, insurance companies, pass-through entities, tax-exempt organizations, brokers and dealers in securities, mutual funds, small business investment companies, employees, persons holding Claims that are a hedge against, or that are hedged against, currency risk or that are part of a straddle, constructive sale, or conversion transaction, persons holding Claims that are subject to the net investment tax or the alternative minimum tax, and regulated investment companies). Moreover, this summary does not purport to cover all aspects of United States federal income taxation that may apply to the Debtors, the Reorganized Debtors, or Holders of Allowed Claims or Interests based upon their particular circumstances. Additionally, this summary does not discuss any tax consequences of the Plan that may arise under any laws other than United States federal income tax law, including under state, local, or non-U.S. tax law.

For purposes of this discussion, a "U.S. Holder" is a Holder of a Claim that is: (a) an individual citizen or resident of the United States for United States federal income tax purposes; (b) a corporation (or other entity treated as a corporation for United States federal income tax purposes) created or organized under the laws of the United States, any state thereof or the District of Columbia; (c) an estate the income of which is subject to United States federal income taxation regardless of the source of such income; or (d) a trust (1) if a court within the United States is able to exercise primary jurisdiction over the trust's administration and one or more United States persons have authority to control all substantial decisions of the trust or (2) that has a valid election in effect under applicable Treasury Regulations to be treated as a United States person. For purposes of this discussion, a "non-U.S. Holder" is any Holder of a Claim that is not a U.S. Holder other than any partnership (or other entity treated as a partnership or other pass-through entity for United States federal income tax purposes).

If a partnership (or other entity treated as a partnership or other pass-through entity for United States federal income tax purposes) is a Holder, the tax treatment of a partner (or other owner) of such entity generally will depend upon the status of the partner (or other owner) and the activities of the entity. Partners (or other owners) of partnerships (or other pass-through entities) that are Holders should consult their respective tax advisors regarding the United States federal income tax consequences of the Plan.

ACCORDINGLY, THE FOLLOWING SUMMARY OF CERTAIN UNITED STATES FEDERAL INCOME TAX CONSEQUENCES IS FOR INFORMATIONAL PURPOSES ONLY AND IS NOT A SUBSTITUTE FOR CAREFUL TAX PLANNING AND ADVICE BASED UPON THE INDIVIDUAL CIRCUMSTANCES PERTAINING TO A HOLDER OF A CLAIM. ALL HOLDERS OF CLAIMS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS FOR THE FEDERAL, STATE, LOCAL, AND OTHER TAX CONSEQUENCES APPLICABLE UNDER THE PLAN.[25]

[25] Tax consequences of New Holdco structure being discussed.

A. Certain United States Federal Income Tax Consequences to the Debtors and the Reorganized Debtors

1. Cancellation of Debt Income

In general, absent an exception, a debtor will realize and recognize cancellation of debt income ("COD Income") upon satisfaction of its outstanding indebtedness for total consideration less than the amount of such indebtedness. The amount of COD Income, in general, is the excess of (a) the adjusted issue price of the indebtedness satisfied, over (b) the sum of (x) the amount of Cash paid, (y) the issue price (defined below under "Original Issue Discount on the Exit Revolver Credit Facility and the New Second Lien Credit Facility") of any debt issued (such as the Exit Revolver Credit Facility and the New Second Lien Credit Facility) and (z) the fair market value of any other new consideration (such as the New Common Stock and Warrants) given in satisfaction of such indebtedness at the time of the exchange.

Under section 108 of the IRC, a debtor is not required to include COD Income in gross income if the debtor is under the jurisdiction of a court in a case under title 11 of the Bankruptcy Code and the discharge of debt occurs pursuant to that proceeding. Instead, as a consequence of such exclusion, a debtor must reduce its tax attributes by the amount of COD Income that it excluded from gross income pursuant to the rule discussed in the preceding sentence. In general, tax attributes will be reduced in the following order: (a) NOLs and NOL carryforwards; (b) general business credit carryovers; (c) minimum tax credit carryovers; (d) capital loss carryovers; (e) tax basis in assets; (f) passive activity loss and credit carryovers; and (g) foreign tax credit carryovers. Alternatively, a debtor with COD Income may elect first to reduce the basis of its depreciable assets pursuant to section 108(b)(5) of the IRC. The Debtors do not expect to make an election under section 108(b)(5), and accordingly, the Debtors expect to reduce tax attributes under the general rule of section 108. The remainder of this summary assumes that the Debtors do not elect to reduce the basis of their depreciable assets pursuant to section 108(b)(5). The reduction in tax attributes occurs only after the tax for the year of the debt discharge has been determined. Any excess COD Income over the amount of available tax attributes is not subject to United States federal income tax and has no other United States federal income tax impact.

The Treasury Regulations address the method and order for applying tax attribute reduction to an affiliated group of corporations, such as the Debtors. Under these regulations, the tax attributes of each member of an affiliated group of corporations that is excluding COD Income is first subject to reduction. To the extent the debtor member's tax basis in stock of a lower-tier member of the affiliated group is reduced, a "look through rule" requires that a corresponding reduction be made to the tax attributes of the lower-tier member. If a debtor member's excluded COD Income exceeds its tax attributes, the excess COD Income is applied to reduce certain remaining consolidated tax attributes of the affiliated group. Because the Plan provides that Holders of certain Allowed Claims will receive Cash, interests in the Exit Revolver Credit Facility and the New Second Lien Credit Facility, New Common Stock and/or Warrants, the amount of COD Income, and accordingly the amount of tax attributes required to be reduced, will depend in part on the amount of Cash received, the issue price of the Exit Revolver Credit Facility and the New Second Lien Credit Facility, and the fair market value of the New Common Stock and the Warrants exchanged therefor, none of which can be known with certainty at this time. However, as a result of Confirmation, the Debtors expect that there will be a significant amount of COD Income and, accordingly, reductions in NOLs, NOL carryforwards, and other tax attributes of the Debtors, as a result of which the Debtors likely will have no NOLs or NOL carryforwards remaining following the year of emergence.

2. Limitation of NOL Carry Forwards and Other Tax Attributes

The Debtors expect that the Reorganized Debtors will succeed to the tax attributes (including NOL and other loss or credit carryovers, if any) of the Debtors remaining after any reduction attributable to COD Income (described above) or to any gain on a disposition of assets. Following the Effective Date, if there are any remaining NOL carryovers, capital loss carryovers, tax credit carryovers, or certain other tax attributes (such as losses and deductions that have accrued economically but are unrecognized as of the date of the ownership change) of the Reorganized Debtors allocable to periods before the Effective Date (collectively, the "Pre-Change Losses"), such Pre-Change Losses may be subject to limitation or elimination under sections 382 and 383 of the IRC as a result of an "ownership change" of the Debtors by reason of the transactions pursuant to the Plan. As a general matter, the issuance of the New Common Stock pursuant to the Plan, along with the cancellation of existing Interests through

the Plan, is expected to cause an ownership change with respect to the Debtors on the Effective Date. Therefore, the Reorganized Debtors' use of the Debtors' Pre-Change Losses, if any, will be subject to limitation under sections 382 and 383 unless an exception applies. This limitation is independent of, and in addition to, the reduction of tax attributes described in the preceding section resulting from the exclusion of COD Income and the recognition of gain on the disposition of assets.

In general, the amount of the annual limitation under section 382 to which a corporation that undergoes an ownership change would be subject is equal to the product of (a) the fair market value of the stock of the corporation immediately before the "ownership change" (with certain adjustments) multiplied by (b) the "long-term tax-exempt rate" (which is the highest of the adjusted federal long-term rates in effect for any month in the 3-calendar-month period ending with the calendar month in which the "ownership change" occurs, currently at two-point-two-five percent (2.25%)). Section 383 applies a similar limitation to capital loss carryforwards and tax credits. Any unused limitation may be carried forward, thereby increasing the annual limitation in the subsequent taxable year.

An exception to the foregoing annual limitation rules generally applies when so-called "qualified creditors" of a debtor corporation in chapter 11 receive, in respect of their claims, at least fifty percent (50%) of the vote and value of the stock of the reorganized debtor (or a controlling corporation if also in chapter 11) pursuant to a confirmed chapter 11 plan (the "382(l)(5) Exception"). Under the 382(l)(5) Exception, a debtor's Pre-Change Losses are not limited on an annual basis, but, instead, NOL carryforwards will be reduced by the amount of any interest deductions claimed during the three taxable years preceding the Effective Date of the Plan, and during the part of the taxable year prior to and including the Effective Date, in respect of all debt converted into stock in the reorganization.

Where the 382(l)(5) Exception is not applicable to a corporation in bankruptcy (either because the debtor does not qualify for it or the debtor otherwise elects not to utilize the 382(l)(5) Exception), a second special rule will generally apply (the "382(l)(6) Exception"). Under the 382(l)(6) Exception, the annual limitation will be calculated by reference to the lesser of the value of the debtor corporation's new stock (with certain adjustments) immediately after the ownership change or the value of such debtor corporation's assets (determined without regard to liabilities) immediately before the ownership change.

Because the Debtors do not expect to have any NOLs or NOL carryforwards remaining as a result of the attribute reduction rule described above following the ownership change, nor do they expect to have accrued but unrecognized losses at the time of the ownership change, the Debtors expect to elect to not utilize the 382(l)(5) Exception. And even though the 382(l)(6) Exception should apply, there are not expected to be any remaining Pre-Change Losses that would be subject to limitation under section 382 (though remaining capital loss carryforwards and tax credits, if any, would still be subject to limitation under section 383) following the Effective Date.

3. Alternative Minimum Tax

In general, an alternative minimum tax ("AMT") is imposed on a corporation's alternative minimum taxable income ("AMTI") at a twenty percent (20%) rate to the extent such tax exceeds the corporation's regular federal income tax for the year. AMTI is generally equal to regular taxable income with certain adjustments. For purposes of computing AMTI, certain tax deductions and other beneficial allowances are modified or eliminated. For example, except for alternative tax NOLs generated in certain years, which can offset one hundred percent (100%) of a corporation's AMTI, only ninety percent (90%) of a corporation's AMTI may be offset by available alternative tax NOL carryforwards. The effect of this rule could cause the Reorganized Debtors to owe federal and state income tax (at the reduced AMT rate) on taxable income in future years even if NOL carryforwards would otherwise be available to fully offset that taxable income. Additionally, under section 56(g)(4)(G) of the IRC, an ownership change (as discussed above) that occurs with respect to a corporation whose adjusted basis in its assets exceeds the fair market value of its assets by more than a threshold amount (a "net unrealized built-in loss") will cause, for AMT purposes, the adjusted basis of each asset of the corporation immediately after the ownership change to be equal to its proportionate share (determined on the basis of respective fair market values) of the fair market value of the assets of the corporation, as determined under section 382(h) of the IRC, immediately before the ownership change, the effect of which may increase the amount of AMT owed by the Reorganized Debtors.

B. Certain United States Federal Income Tax Consequences to U.S. Holders of Claims

The following summary applies to Holders of Allowed Claims that are U.S. Holders (as such term is defined above).

1. Consequences of the Exchange to U.S. Holders of Class 3 Claims

Pursuant to the Plan, in full satisfaction and discharge of their Claims, each U.S. Holder of an Allowed Class 3 RBL Secured Claim will receive its pro rata share of (a) commitments under the Exit Revolver Credit Facility (including borrowings equal to $100 million on the Effective Date, of which up to $100 million shall be repaid by the Reorganized Debtors in Cash on the Effective Date), (b) the principal amount of loans outstanding under the New Second Lien Credit Facility Agreement on the Effective Date, and (c) the RBL Equity Pool, which consists of ninety three percent (93%) of the New Common Stock (subject to dilution by the Warrants and shares issued in connection with the Management Incentive Plan) in the Reorganized Debtors.

Whether and to what extent the U.S. Holder of an Allowed Class 3 RBL Secured Claim recognizes gain or loss as a result of such exchange depends, in part, on whether the debt underlying the Allowed Class 3 RBL Secured Claim (i.e., the RBL Credit Facility) surrendered and the new debt received in the exchange (i.e., the Exit Revolver Credit Facility and the New Second Lien Credit Facility) are treated as "securities" for purposes of the reorganization provisions of the IRC. Whether a debt instrument constitutes a security for United States federal income tax purposes is determined based on all the relevant facts and circumstances, but most authorities have held that the length of the term of a debt instrument is an important factor in determining whether such instrument is a security for United States federal income tax purposes. These authorities have indicated that a term of less than five years is evidence that the instrument is not a security, whereas a term of ten years or more is evidence that it is a security. However, it is unclear whether the term of a revolver debt should be measured based on each draw down or on the term of the entire credit facility. There are numerous other factors that could be taken into account in determining whether a debt instrument is a security, including the security for payment, the creditworthiness of the obligor, the subordination or lack thereof to other creditors, the right to vote or otherwise participate in the management of the obligor, convertibility of the instrument into an equity interest of the obligor, whether payments of interest are fixed, variable or contingent, and whether such payments are made on a current basis or accrued.

In general, the exchange will be treated as at least in part a tax-free recapitalization as long as the RBL Credit Facility is treated as a security, with the amount of gain recognized potentially subject to change depending on whether the Exit Revolver Credit Facility and the New Second Lien Credit Facility are also treated as securities. The Debtor expects to take the position that the RBL Credit Facility, the Exit Revolver Credit Facility, and the New Second Lien Credit Facility are treated as securities for purposes of the reorganization provisions of the IRC. However, there can be no assurance that the IRS would agree with this conclusion. If each of the RBL Credit Facility, the Exit Revolver Credit Facility and the New Second Lien Credit Facility is treated as a security, then each U.S. Holder of an Allowed Class 3 RBL Secured Claim will recognize income and gain (but not loss) for United States federal income tax purposes only as a result of the Cash received. The gain recognized will be limited to the lesser of (i) the amount of Cash the U.S. Holder receives in exchange for its Claim and (ii) the amount of gain realized, if any, in the transaction (which should be equal to the excess of the amount of Cash received, the issue price of all new debt and the fair market value of the New Common Stock received over such U.S. Holder's adjusted tax basis in its Class 3 RBL Secured Claim).

If the RBL Credit Facility is treated as a security but either the Exit Revolver Credit Facility or the New Second Lien Credit Facility (or both) is not treated as a security, then the exchange would be treated as a partially tax-free recapitalization to the extent the RBL Credit Facility is exchanged for New Common Stock and any new debt that constitutes a security, but each U.S. Holder of an Allowed Class 3 RBL Secured Claim will recognize gain (but not loss) for United States federal income tax purposes as a result of the Cash received and any new debt received that is not a security. The gain recognized will be limited to the lesser of (i) the amount of Cash received and the issue price of any new debt that is not considered a security received in exchange for its Claim and (ii) the amount of gain realized, if any, in the transaction (which should be equal to the excess of the amount of Cash received, the issue price of all new debt and the fair market value of the New Common Stock received over such U.S. Holder's adjusted tax basis in its Class 3 RBL Secured Claim). If any gain is recognized in the exchange, the character of such gain as capital gain or as ordinary income will be determined by a number of factors, including the

tax status of the U.S. Holder, the nature of the Claim in such U.S. Holder's hands, whether the Claim constitutes a capital asset in the hands of the U.S. Holder, whether the Claim was purchased at a discount, and whether and to what extent the U.S. Holder has previously claimed a bad debt deduction with respect to its Claim. See the discussions of "Accrued but Untaxed Interest" and "Market Discount" below.

If the RBL Credit Facility, the Exit Revolver Credit Facility and the New Second Lien Credit Facility are treated as securities, then a U.S. Holder's aggregate tax basis in the Exit Revolver Credit Facility, the New Second Lien Credit Facility and the New Common Stock received will be equal to the U.S. Holder's adjusted tax basis in its Class 3 RBL Secured Claim surrendered therefor, increased by the amount of any gain recognized as a result of any Cash received in the exchange and reduced by the amount of Cash received. Such aggregate tax basis will be allocated between the Exit Revolver Credit Facility, the New Second Lien Credit Facility and the New Common Stock received in accordance with their relative fair market values. If the RBL Credit Facility is a security but the Exit Revolver Credit Facility or the New Second Lien Credit Facility (or both) is not a security, then a U.S. Holder's aggregate tax basis in any new debt that is a security and the New Common Stock received will be equal to the U.S. Holder's adjusted tax basis in its RBL Secured Claim surrendered therefor, increased by the amount of any gain recognized and reduced by the amount of Cash received and the issue price of any new debt received that is not a security. Such aggregate tax basis will be allocated between any new debt that is a security and the New Common Stock received in accordance their relative fair market values. The basis in any new debt received that is not a security will be equal to such instrument's issue price. A U.S. Holder's holding period in the New Common Stock and any instrument received that is a security will include such U.S. Holder's holding period in the RBL Credit Facility surrendered therefor. A U.S. Holder will have a new holding period in any instrument received that is not a security beginning on the day following the Effective Date.

If the RBL Credit Facility is not treated as a security, then regardless of whether the Exit Revolver Credit Facility or the New Second Lien Credit Facility is treated as a security, the exchange will be treated as a fully taxable transaction. If the exchange were fully taxable, a U.S. Holder of an Allowed Class 3 RBL Secured Claim will recognize gain or loss equal to the difference between (i) the sum of the issue price of the new debt, the amount of Cash received and the fair market value of the New Common Stock received, and (ii) such U.S. Holder's adjusted tax basis in its Class 3 RBL Secured Claim. The character of such gain or loss as capital or ordinary will be determined by a number of factors, including the tax status of the U.S. Holder, the nature of the Claim in such U.S. Holder's hands, whether the Claim constitutes a capital asset in the hands of the U.S. Holder, whether the Claim was purchased at a discount and whether and to what extent the U.S. Holder has previously claimed a bad debt deduction with respect to its Claim. See the discussions of "Accrued but Untaxed Interest", "Market Discount" and "Limitations on Use of Capital Losses" below. If the exchange were fully taxable, a U.S. Holder's tax basis in the New Common Stock will be equal to the fair market value of such stock, and such U.S. Holder's tax basis in the Exit Revolver Credit Facility and the New Second Lien Credit Facility will be equal to their respective issue price. A U.S. Holder will have a new holding period in each of the New Common Stock, the Exit Revolver Credit Facility and the New Second Lien Credit Facility beginning on the day following the Effective Date.

2. Consequences of the Exchange to U.S. Holders of Classes 4 through 6 Claims

Pursuant to the Plan, in full satisfaction and discharge of their Claims, each U.S. Holder of an Allowed Class 4a Second Lien Adequate Protection Claim will receive its pro rata share of the Second Lien Equity Pool, which consists of five percent (5%) of the New Common Stock (subject to dilution by the Warrants) and one hundred percent (100%) of the Tranche 1 Warrants. Also pursuant to the Plan, in full satisfaction and discharge of their Claims, each U.S. Holder of (a) an Allowed Class 4b Second Lien Deficiency Claim, (b) an Allowed Class 5a 2017 Senior Notes Claim, (c) an Allowed Class 5b 2019 Senior Notes Claim, (d) an Allowed Class 5c 2020 Senior Notes Claim and (e) an Allowed Class 6 General Unsecured Claim (clauses (a) through (e), the "Subordinate Claims") will receive their pro rata share of the Unsecured Equity Pool, which consists of two percent (2%) of the New Common Stock (subject to dilution by the Warrants) and one hundred percent (100%) of the Tranche 2 Warrants.

In general, the exchange will be treated as a tax-free recapitalization as long as each Subordinate Claim surrendered in such exchange is treated as a "security" for purposes of the reorganization provisions of the IRC (see above, under the discussion applicable to U.S. Holders of Class 3 Claims, for a discussion of whether a creditor interest constitutes a security for these purposes). The Debtors believe, and this discussion assumes, that each of the

Second Lien Adequate Protection Claims, the Senior Notes Claims, and the Second Lien Deficiency Claims should constitute securities, and that the remaining General Unsecured Claims will not constitute securities. Additionally, the Debtors believe, and this discussion assumes, that the Warrants constitute rights to acquire stock in the Reorganized Debtor that should be treated as securities under the applicable guidance. However, there can be no assurance that the IRS would agree with these conclusions.

For U.S. Holders of Second Lien Adequate Protection Claims, Senior Notes Claims, and Second Lien Deficiency Claims (unless recoveries with respect thereto have been waived), the exchange should be treated as a tax-free recapitalization. Assuming such treatment applies, each U.S. Holder of such a Claim will not recognize gain, loss or other income on the exchange (subject to the discussion of "Accrued but Untaxed Interest" below). The U.S. Holder's adjusted tax basis in the Claim surrendered will generally be apportioned between the New Common Stock and Warrants received therefor on the basis of the relative fair market values of such interests, and its holding period for each of the items received will include such U.S. Holder's holding period for the Claim surrendered therefor.

For U.S. Holders of the remaining General Unsecured Claims, the exchange will generally be treated as a fully taxable exchange in which such U.S. Holders recognize gain or loss equal to the difference between the sum of the fair market value of the New Common Stock and Warrants received and their tax basis in the General Unsecured Claim surrendered. The character of such gain or loss as capital or ordinary will be determined by a number of factors, including the tax status of the U.S. Holder, the nature of the Claim in such U.S. Holder's hands, whether the Claim constitutes a capital asset in the hands of the U.S. Holder, whether the Claim was purchased at a discount and whether and to what extent the U.S. Holder has previously claimed a bad debt deduction with respect to its Claim. See the discussions of "Accrued but Untaxed Interest", "Market Discount" and "Limitations on Use of Capital Losses" below. A U.S. Holder's tax basis in each of its New Common Stock and Warrants received should generally each equal the fair market value of such property. A U.S. Holder's holding period for the New Common Stock and Warrants received will each begin on the day following the Effective Date.

The exercise of a Warrant by the U.S. Holder thereof should not give rise to taxable gain or loss. The holding period of the New Common Stock acquired upon exercise of the Warrants should begin on the date of such exercise, and should not include the period during which such Warrants were held. The U.S. Holder's tax basis in the New Common Stock acquired upon exercise should include the U.S. Holder's tax basis in the Warrants increased by the amount paid upon exercise. In the event that a U.S. Holder sells its Warrants in a taxable transaction, the U.S. Holder will recognize gain or loss upon such sale in an amount equal to the difference between the amount realized upon such sale and the U.S. Holder's tax basis in the Warrants. Such gain or loss will be treated as gain or loss from the sale or exchange of property which has the same character as the New Common Stock to which the Warrants relate would have had in the hands of the U.S. Holder if such stock had been acquired by the U.S. Holder upon exercise. If such sale gives rise to capital gain or loss to the U.S. Holder, such gain or loss will be long-term or short-term in character based upon the length of time such U.S. Holder has held his or her Warrants.

If Warrants held by a U.S. Holder expire unexercised, such Warrants should be deemed to have been sold or exchanged on the day of expiration. Such expiration should therefore in most cases give rise to a loss, unless such U.S. Holder previously claimed a deduction for the worthlessness of such Warrants in a previous taxable period.

The rules applicable to the treatment of warrants are complex, particularly in the context of warrants acquired in a complex transaction such as this one. U.S. Holders of Warrants are urged to consult their tax advisors to review and determine the tax consequences associated with the receipt, ownership and disposition of such Warrants.

3. Consequences of the Exchange to U.S. Holders of Class 7 Claims

Pursuant to the Plan, in full satisfaction and discharge of their Claims, each U.S. Holder of an Allowed Class 7 Convenience Claim will receive Cash in an amount equal to three percent (3%) of such Holder’s Allowed Convenience Claim. A U.S. Holder who receives Cash for its Claim pursuant to the Plan generally will recognize income, gain or loss for United States federal income tax purposes in an amount equal to the difference between (a) the amount of Cash received in exchange for its Claim and (b) the U.S. Holder's adjusted tax basis in its Claim. The character of such gain or loss as capital gain or loss or as ordinary income or loss will be determined by a

number of factors, including the tax status of the U.S. Holder, the nature of the Claim in such U.S. Holder's hands, whether the Claim constitutes a capital asset in the hands of the U.S. Holder, whether the Claim was purchased at a discount, and whether and to what extent the U.S. Holder has previously claimed a bad debt deduction with respect to its Claim. See the discussions of "Accrued Interest", "Market Discount" and "Limitation on the Use of Capital Losses" below.

4. Accrued but Untaxed Interest

A portion of the consideration received by U.S. Holders of Allowed Claims may be attributable to accrued interest on such Claims. If any amount is attributable to accrued interest, then such amount should be taxable to that U.S. Holder as interest income if such accrued interest has not been previously included in the U.S. Holder's gross income for United States federal income tax purposes. Conversely, U.S. Holders of Allowed Claims should be able to recognize a deductible loss to the extent any accrued interest on the Claims was previously included in the U.S. Holder's gross income but was not paid in full by the Debtors.

If the fair value of the consideration is not sufficient to fully satisfy all principal and interest on Allowed Claims, the extent to which such consideration will be attributable to accrued interest is unclear. Under the Plan, the aggregate consideration to be distributed to U.S. Holders of Allowed Claims in each Class will be allocated first to the principal amount of Allowed Claims, with any excess allocated to unpaid interest that accrued on such Claims, if any. Certain legislative history indicates that an allocation of consideration as between principal and interest provided in a chapter 11 plan is binding for United States federal income tax purposes, while certain Treasury Regulations generally treat payments as allocated first to any accrued but unpaid interest and then as a payment of principal. The IRS could take the position that the consideration received by the U.S. Holder should be allocated in some way other than as provided in the Plan. U.S. Holders of Allowed Claims should consult their own tax advisors regarding the proper allocation of the consideration received by them under the Plan.

U.S. HOLDERS SHOULD CONSULT THEIR OWN TAX ADVISORS CONCERNING THE ALLOCATION OF CONSIDERATION RECEIVED IN SATISFACTION OF THEIR CLAIMS AND THE FEDERAL INCOME TAX TREATMENT OF ACCRUED INTEREST.

5. Original Issue Discount on the Exit Revolver Credit Facility and the New Second Lien Credit Facility

A U.S. Holder of a pro rata share of the Exit Revolver Credit Facility and the New Second Lien Credit Facility will be required to include stated interest on such shares of the Exit Revolver Credit Facility and the New Second Lien Credit Facility in income in accordance with the U.S. Holder's regular method of accounting to the extent such stated interest is "qualified stated interest." Stated interest is generally "qualified stated interest" if it is payable in cash at least annually at a single fixed rate. Where stated interest payable on the pro rata shares of the Exit Revolver Credit Facility or the New Second Lien Credit Facility is not payable at least annually, such portion of the stated interest will be included in the determination of original issue discount ("OID") on such pro rata shares of the loans.

A debt instrument generally has OID if its "stated redemption price at maturity" exceeds its "issue price" by more than a de minimis amount (generally zero-point-two-five percent (0.25%) of the product of the stated redemption price at maturity and the number of complete years to maturity from the issue date). The stated redemption price at maturity of a debt instrument is the sum all payments provided by the debt instrument other than payments of qualified stated interest. The issue price of the Exit Revolver Credit Facility and the New Second Lien Credit Facility will depend on whether a substantial amount of each of the RBL Credit Facility, the Exit Revolver Credit Facility and the New Second Lien Credit Facility is considered to be "traded on an established market." In general, a debt instrument will be treated as traded on an established market if, at any time during the 31-day period ending 15 days after the issue date, (a) a "sales price" for an executed purchase of the debt instrument appears on a medium that is made available to issuers of debt instruments, persons that regularly purchase or sell debt instruments, or persons that broker purchases or sales of debt instruments; (b) a "firm" price quote for the debt instrument is available from at least one broker, dealer or pricing service for property and the quoted price is substantially the same as the price for which the person receiving the quoted price could purchase or sell the property; or (c) an "indicative" price quote for the debt instrument is available from at least one broker, dealer or pricing service for property.

If a debt instrument is considered to be traded on an established market, then the issue price of such instrument is its fair market value on its date of issuance. Therefore, if the Exit Revolver Credit Facility and/or the New Second Lien Credit Facility are traded on an established market at the time of the exchange, the issue price of each of the Exit Revolver Credit Facility and/or the New Second Lien Credit Facility will be its fair market value on the date of the exchange. Additionally, if the Debtors determine that any debt instruments are traded on an established market, then the Debtors are required to provide to U.S. Holders the issue price of such debt instruments. A U.S. Holder may obtain the issue price of the Exit Revolver Credit Facility and the New Second Lien Credit Facility and other information relating to the accrual of OID on the debt instruments by contacting Michael Magilton at 1415 Louisiana, Suite 1600, Houston, Texas 77002 (T: 832-242-9600). The Debtors' determination of the debt instruments' issue price is binding on U.S. Holders unless the holder explicitly discloses that its determination is different from the Debtors' on its United States federal income tax return.

However, if the Exit Revolver Credit Facility or the New Second Lien Credit Facility, or both the Exit Revolver Credit Facility and the New Second Lien Credit Facility, are *not* traded on an established market and the RBL Credit Facility *is* traded on an established market at the time of the exchange, the issue price of any new debt that is not traded on an established market will be determined by applying the "investment unit" rules and treating the Exit Revolver Credit Facility, the New Second Lien Credit Facility and the New Common Stock as part of an investment unit issued in exchange for the RBL Credit Facility. Generally, the issue price of an investment unit is determined by applying the issue price rules applicable to debt instruments, and the issue price of a debt instrument that is part of the investment unit and that is not traded on an established market is its allocable portion of the issue price of the investment unit, based on the relative fair market value of such debt instrument and the other property rights in the investment unit (i.e., the New Common Stock and any debt that is traded on an established market). Thus, if the RBL Credit Facility is traded on an established market, but either the Exit Revolver Credit Facility or the New Second Lien Credit Facility, or both the Exit Revolver Credit Facility and the New Second Lien Credit Facility, are not so traded, then the issue price of the investment unit would be equal to the fair market value of the RBL Credit Facility on the date of the exchange. The issue price of each of the new debt that is not traded on an established market will equal its allocable portion of the investment unit's issue price (determined by multiplying the investment unit's issue price by the fraction obtained by dividing the fair market value of each debt instrument that is not traded on an established market by the sum of the fair market values of the Exit Revolver Credit Facility, the New Second Lien Credit Facility and the New Common Stock).

If none of the Exit Revolver Credit Facility, the New Second Lien Credit Facility or the RBL Credit Facility is traded on an established market at the time of the exchange, the issue price of each of the Exit Revolver Credit Facility and the New Second Lien Credit Facility should equal its stated principal amount.

A U.S. Holder of pro rata shares of the Exit Revolver Credit Facility and the New Second Lien Credit Facility that is issued with OID generally will be required to include any OID in income over the term of such loans in accordance with a constant yield-to-maturity method, regardless of whether the U.S. Holder is a cash or accrual method taxpayer, and regardless of whether and when the U.S. Holder receives Cash payments of interest on such shares of the Exit Revolver Credit Facility or the New Second Lien Credit Facility (other than Cash attributable to qualified stated interest). Accordingly, a U.S. Holder could be treated as receiving income in advance of a corresponding receipt of Cash. Any OID that a U.S. Holder includes in income will increase the U.S. Holder's tax basis in its pro rata shares of the Exit Revolver Credit Facility or the New Second Lien Credit Facility, as applicable. A U.S. Holder of pro rata shares of the Exit Revolver Credit Facility and the New Second Lien Credit Facility will not be separately taxable on any Cash payments that have already been taxed under the OID rules, but will reduce its tax basis in the pro rata shares of such loans by the amount of such payments.

The application of the OID rules is highly complex. U.S. Holders of pro rata shares of the Exit Revolver Credit Facility and the New Second Lien Credit Facility should consult their tax advisors regarding the tax consequences of any OID on such loans.

6. Market Discount

Under the "market discount" provisions of the IRC, some or all of any gain recognized by a U.S. Holder of an Allowed Claim who exchanges the Claim for an amount on the Effective Date may be treated as ordinary income (instead of capital gain), to the extent of the amount of "market discount" on the debt instruments constituting the exchanged Claim. In general, a debt instrument is considered to have been acquired with "market discount" if it is

acquired other than on original issue (subject to certain exceptions) and if its holder's adjusted tax basis in the debt instrument is less than (a) the sum of all remaining payments to be made on the debt instrument, excluding qualified stated interest (as defined above under "Original Issue Discount on the Exit Revolver Credit Facility and the New Second Lien Credit Facility") or (b) in the case of a debt instrument issued with OID, its adjusted issue price, by at least a de minimis amount (equal to zero-point-two-five percent (0.25%) of the sum of all remaining payments to be made on the debt instrument, excluding qualified stated interest, multiplied by the number of remaining whole years to maturity).

Any gain recognized by a U.S. Holder on a fully taxable disposition of an Allowed Claim that had been acquired with market discount should be treated as ordinary income to the extent of the market discount that accrued thereon while such Claim was considered to be held by the U.S. Holder (unless the U.S. Holder elected to include market discount in income as it accrued). To the extent that the Allowed Claims that were acquired with market discount are exchanged in a fully tax-free transaction (for example, in a recapitalization where no gain is recognized), any market discount that accrued on the Allowed Claims up to the time of the exchange but that was not recognized by the U.S. Holder should be carried over to the property received therefor and any gain recognized on the subsequent sale, exchange, redemption or other disposition of such property should be treated as ordinary income to the extent of such accrued, but not recognized, market discount. To the extent that the Allowed Claims that were acquired with market discount are exchanged in a partially taxable disposition (e.g., in a recapitalization where gain is recognized as a result of any Cash or non-security debt instruments received), the rules relating to the amount of gain that must be treated as ordinary income as a result of accrued but not recognized market discount, as well as the allocation of accrued market discount among the property received therefor, are unclear.

The application of the market discount rules is highly complex. In addition there is some uncertainty as to whether the market discount rules should apply to distressed debt in certain circumstances. U.S. Holders should consult their tax advisers regarding the market discount provisions of the IRC.

7. Acquisition Premium/Bond Premium

If a U.S. Holder's initial tax basis in its interest in the Exit Revolver Credit Facility or the New Second Lien Credit Facility is less than or equal to the stated redemption price at maturity of such interest, but greater than the issue price of such interest, the U.S. Holder will be treated as acquiring such interest in the Exit Revolver Credit Facility or New Second Lien Credit Facility, as applicable, at an "acquisition premium." Unless an election is made, the U.S. Holder generally will reduce the amount of OID otherwise includible in gross income for an accrual period by an amount equal to the amount of OID otherwise includible in gross income multiplied by a fraction, the numerator of which is the excess of the U.S. Holder's initial tax basis in its interest in the Exit Revolver Credit Facility or the New Second Lien Credit Facility, as applicable, over such interest's issue price, and the denominator of which is the excess of the sum of all amounts payable on such interest (other than amounts that are qualified stated interest) over its issue price.

If a U.S. Holder's initial tax basis in its interest in the Exit Revolver Credit Facility or the New Second Lien Credit Facility exceeds the stated redemption price at maturity of such interest, such U.S. Holder will be treated as acquiring such interest in the Exit Revolver Credit Facility or New Second Lien Credit Facility, as applicable, with "bond premium" and will not be required to include OID, if any, in income. Such U.S. Holder generally may elect to amortize the premium over the remaining term of the Exit Revolver Credit Facility or New Second Lien Credit Facility, on a constant yield method as an offset to interest when includible in income under such U.S. Holder's regular accounting method. If a U.S. Holder does not elect to amortize the premium, that premium will decrease the gain or increase the loss such U.S. Holder would otherwise recognize on disposition of its interests in the Exit Revolver Credit Facility or New Second Lien Credit Facility.

8. Limitation on Use of Capital Losses

A U.S. Holder of a Claim who recognizes capital losses as a result of the distributions under the Plan will be subject to limits on the use of such capital losses. For a non-corporate U.S. Holder, capital losses may be used to offset any capital gains (without regard to holding periods), and also ordinary income to the extent of the lesser of (a) $3,000 annually ($1,500 for married individuals filing separate returns) or (b) the excess of the capital losses over the capital gains. A non-corporate U.S. Holder may carry over unused capital losses and apply them against future capital gains and a portion of their ordinary income for an unlimited number of years. For corporate U.S.

Holders, capital losses may only be used to offset capital gains. A corporate U.S. Holder that has more capital losses than may be used in a tax year may carry back unused capital losses to the three years preceding the capital loss year or may carry over unused capital losses for the five years following the capital loss year.

C. Certain United States Federal Income Tax Consequences to Non-U.S. Holders of Claims

1. Consequences of the Exchange to Non-U.S. Holders of Allowed RBL Secured Claims, Second Lien Claims, 2017 Senior Notes Claims, 2019 Senior Notes Claims, 2020 Senior Notes Claims, and General Unsecured Claims

The following discussion includes only certain United States federal income tax consequences of the Plan to non-U.S. Holders (as such term is defined above). The discussion does not include any non-U.S. tax considerations. The rules governing the United States federal income tax consequences to non-U.S. Holders are complex. Each non-U.S. Holder should consult its own tax advisor regarding the U.S. federal, state, and local and the non-U.S. tax consequences of the consummation of the Plan to such non-U.S. Holders and the ownership and disposition of the New Common Stock, as applicable. Whether a non-U.S. Holder realizes gain or loss on the exchange and the amount of such gain or loss is determined in the same manner as set forth above in connection with U.S. Holders.

a. Gain Recognition

Any gain realized by a non-U.S. Holder on the exchange of its Claim generally will not be subject to U.S. federal income taxation unless (i) the non-U.S. Holder is an individual who was present in the United States for 183 days or more during the taxable year of the Effective Date and certain other conditions are met or (ii) such gain is effectively connected with the conduct by such non-U.S. Holder of a trade or business in the United States (and if an income tax treaty applies, such gain is attributable to a permanent establishment maintained by such non-U.S. Holder in the United States).

If the first exception applies, to the extent that any gain is taxable, the non-U.S. Holder generally will be subject to U.S. federal income tax at a rate of 30% (or at a reduced rate or exemption from tax under an applicable income tax treaty) on the amount by which such non-U.S. Holder's capital gains allocable to U.S. sources exceed capital losses allocable to U.S. sources during the taxable year of the exchange. If the second exception applies, the non-U.S. Holder generally will be subject to U.S. federal income tax with respect to any gain realized on the exchange if such gain is effectively connected with the non-U.S. Holder's conduct of a trade or business in the United States in the same manner as a U.S. Holder. In order to claim an exemption from withholding tax, such non-U.S. Holder will be required to provide a properly executed IRS Form W-8ECI (or such successor form as the IRS designates). In addition, if such a non-U.S. Holder is a corporation, it may be subject to a branch profits tax equal to 30% (or such lower rate provided by an applicable treaty) of its effectively connected earnings and profits for the taxable year, subject to certain adjustments.

b. Accrued but Untaxed Interest

As discussed above under "Certain United States Federal Income Tax Consequences to U.S. Holders of Claims–Accrued but Untaxed Interest", it is unclear whether a portion of the consideration received by Holders of Allowed Claims may be attributable to accrued interest on such Claims. If payments to a non-U.S. Holder are attributable to accrued but untaxed interest, such payments generally should not be subject to United States federal income or withholding tax pursuant to the "portfolio interest exemption," unless:

1. the non-U.S. Holder actually or constructively owns ten percent (10%) or more of the total combined voting power of all classes of Sabine's stock entitled to vote;

2. the non-U.S. Holder is a "controlled foreign corporation" that is a "related person" with respect to Sabine (each, within the meaning of the IRC);

3. the non-U.S. Holder is a bank receiving interest on an extension of credit made pursuant to a loan agreement entered into in the ordinary course of its trade or business (as described in Section 881(c)(3)(A) of the IRC); or

4. such interest is effectively connected with the conduct by the non-U.S. Holder of a trade or business within the United States (in which case, provided the non-U.S. Holder provides a properly executed IRS Form W-8ECI (or a successor form) to the withholding agent, the non-U.S. Holder (x) generally will not be subject to withholding tax, but (y) will be subject to United States federal income tax in the same manner as a U.S. Holder (unless an applicable income tax treaty provides otherwise), and a non-U.S. Holder that is a corporation for United States federal income tax purposes may also be subject to a branch profits tax with respect to such non-U.S. Holder's effectively connected earnings and profits that are attributable to the accrued but untaxed interest at a rate of thirty percent (30%) (or at a reduced rate or exemption from tax under an applicable income tax treaty)).

If the exceptions above are not applicable, then payments received by to a non-U.S. Holder that are attributable to accrued but untaxed interest should not be subject to United States federal income or withholding tax pursuant to the portfolio interest exemption provided that the withholding agent has received or receives, prior to payment, appropriate documentation (generally, IRS Form W-8BEN or W-8BEN-E (or a successor form)) establishing that the non-U.S. Holder is not a United States person. For purposes of providing a properly executed IRS Form W-8BEN or W-BEN-E (or a successor form), special procedures are provided under applicable Treasury Regulations for payments through qualified foreign intermediaries or certain financial institutions that hold customers' securities in the ordinary course of their trade or business. The rules governing the portfolio interest exception to withholding as described in this section are complex. A non-U.S. Holder should consult its own tax advisor regarding the possible impact of these rules on the exchange of its Allowed Claims.

A non-U.S. Holder that does not qualify for exemption from withholding tax under the portfolio interest exemption (e.g., by nature of being a bank receiving interest as described in point (3), above) with respect to accrued but untaxed interest that is not effectively connected income generally will be subject to withholding of United States federal income tax at a thirty percent (30%) rate upon the receipt of such interest, unless a United States income tax treaty applies to reduce or eliminate such withholding tax and the proper forms are provided to the withholding agent. If the accrued but untaxed interest is effectively connected income (or attributable to a permanent establishment if a United States income tax treaty is applicable), then a non-U.S. Holder would be subject to United States federal income tax upon the receipt of such interest in the same manner as a U.S. Holder. In addition, a non-U.S. Holder that is a corporation for United States federal income tax purposes may also be subject to a branch profits tax with respect to such non-U.S. Holder's effectively connected earnings and profits that are attributable to the accrued but untaxed interest. Non-U.S. Holders that do not qualify for the portfolio interest exemption should consult their own tax advisors regarding their ability to qualify for an exemption from, or a reduced rate of, withholding tax under an applicable United States income tax treaty and any forms that need to be filed in order to qualify.

2. Consequences to Non-U.S. Holders of Owning and Disposing of Shares of New Common Stock

a. Dividends on New Common Stock

Any distributions made with respect to New Common Stock will constitute dividends for United States federal income tax purposes to the extent of Reorganized Sabine's current or accumulated earnings and profits as determined under United States federal income tax principles. To the extent that a non-U.S. Holder receives distributions that would otherwise constitute dividends for United States federal income tax purposes but that exceed such current and accumulated earnings and profits, such distributions will be treated first as a non-taxable return of capital reducing the non-U.S. Holder's basis in its shares. Any such distributions in excess of a non-U.S. Holder's basis in its shares (determined on a share-by-share basis) generally will be treated as capital gain from a sale or exchange (see the discussion of "Sale, Redemption, or Repurchase of New Common Stock" below for the treatment of sale or exchange gain). Except as described below, dividends paid with respect to New Common Stock held by a non-U.S. Holder that are not effectively connected with a non-U.S. Holder's conduct of a United States trade or business (or if an income tax treaty applies, are not attributable to a permanent establishment maintained by such non-U.S. Holder in the United States) will be subject to United States federal withholding tax at a rate of thirty percent (30%), or lower treaty rate or exemption from tax, if applicable. A non-U.S. Holder generally will be required to satisfy certain IRS certification requirements in order to claim a reduction of or exemption from

withholding under a tax treaty by filing IRS Form W-8BEN or W-BEN-E (or a successor form) upon which the non-U.S. Holder certifies, under penalties of perjury, its status as a non-U.S. person and its entitlement to the lower treaty rate or exemption from tax with respect to such payments. Dividends paid with respect to New Common Stock held by a non-U.S. Holder that are effectively connected with a non-U.S. Holder's conduct of a United States trade or business (and if an income tax treaty applies, are attributable to a permanent establishment maintained by such non-U.S. Holder in the United States) generally will be subject to United States federal income tax in the same manner as a U.S. Holder, and a non-U.S. Holder that is a corporation for United States federal income tax purposes may also be subject to a branch profits tax with respect to such non-U.S. Holder's effectively connected earnings and profits that are attributable to the dividends at a rate of thirty percent (30%) (or at a reduced rate or exemption from tax under an applicable income tax treaty).

b. Sale, Redemption, or Repurchase of New Common Stock

The Debtors expect that Reorganized Sabine will constitute a "United States real property holding corporation" within the meaning of section 897 of the IRC as of the Effective Date, and thus that the New Common Stock will constitute a United States real property interest within the meaning of section 897 of the IRC. As such, any non-U.S. Holders of New Common Stock that sell, exchange, or otherwise dispose of their New Common Stock may be subject to United States federal withholding tax at a rate of fifteen percent (15%) on a gross basis, and generally will be required to file United States federal income tax returns and pay United States federal tax on a graduated basis on any gains recognized on such disposition. Non-U.S. Holders who may receive or acquire New Common Stock in connection with the Plan are urged to consult a United States tax advisor with respect to the United States tax consequences applicable to their acquisition, ownership and disposition of such New Common Stock.

3. Consequences to Non-U.S. Holders of Owning and Disposing of the Exit Revolver Credit Facility and the New Second Lien Credit Facility

Payments of interest on the Exit Revolver Credit Facility or the New Second Lien Credit Facility received by a non-U.S. Holder should be subject to United States federal income or withholding tax in substantially the same manner as are payments to a non-U.S. Holder that are attributable to accrued but untaxed interest (as discussed above under "Certain United States Federal Income Tax Consequences to non-U.S. Holders of Claims–Accrued but Untaxed Interest").

In addition, amounts received by a non-U.S. Holder which constitute gain upon the sale, retirement or other disposition of an interest in the Exit Revolver Credit Facility or the New Second Lien Credit Facility should be subject to United States federal income tax in substantially the same manner as are any amounts received by a non-U.S. Holder which constitute gain from the exchange of such non-U.S. Holder's Claim (as discussed above under "Certain United States Federal Income Tax Consequences to non-U.S. Holders of Claims–Gain Recognition").

4. FATCA

Under the Foreign Account Tax Compliance Act ("FATCA"), foreign financial institutions and certain other foreign entities must currently report certain information with respect to their United States account holders and investors or be subject to withholding on the receipt of "withholdable payments." For this purpose, "withholdable payments" are generally United States source payments of fixed or determinable, annual or periodical income (including interest paid on the Exit Revolver Credit Facility and the New Second Lien Credit Facility, and dividends, if any, on shares of New Common Stock), and also include gross proceeds from the sale of any property of a type which can produce United States source interest or dividends (which would include the Exit Revolver Credit Facility, the New Second Lien Credit and the New Common Stock). FATCA withholding will apply even if the applicable payment would not otherwise be subject to United States federal withholding tax.

As currently proposed, FATCA withholding rules apply to United States source payments of fixed or determinable, annual or periodical income and withholding would apply to payments of gross proceeds from the sale or other disposition of property of a type which can produce United States source interest or dividends that occurs after December 31, 2018. Each non-U.S. Holder should consult its own tax advisor regarding the possible impact of FATCA on such non-U.S. Holder's ownership of the Exit Revolver Credit Facility, the New Second Lien Credit Facility and the New Common Stock.

D. Information Reporting and Backup Withholding

In general, information reporting requirements may apply to distributions or payments under the Plan. Additionally, under the backup withholding rules, a Holder of an Allowed Claim may be subject to backup withholding (currently at a rate of twenty-eight percent (28%)) with respect to distributions or payments made pursuant to the Plan unless that Holder: (a) comes within certain exempt categories (which generally include corporations) and, when required, demonstrates that fact; or (b) timely provides a correct taxpayer identification number and certifies under penalty of perjury that the taxpayer identification number is correct and that the Holder is not subject to backup withholding because of a failure to report all dividend and interest income. Backup withholding is not an additional tax but is, instead, an advance payment that may be refunded to the extent it results in an overpayment of tax; *provided* that the required information is timely provided to the IRS.

The Debtors will withhold all amounts required by law to be withheld from payments of interest or dividends, if any. The Debtors will comply with all applicable reporting requirements of the IRS.

THE UNITED STATES FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN ARE COMPLEX. THE FOREGOING SUMMARY DOES NOT DISCUSS ALL ASPECTS OF UNITED STATES FEDERAL INCOME TAXATION THAT MAY BE RELEVANT TO A PARTICULAR HOLDER OF A CLAIM IN LIGHT OF SUCH HOLDER'S CIRCUMSTANCES AND INCOME TAX SITUATION. ALL HOLDERS OF CLAIMS AGAINST THE DEBTORS SHOULD CONSULT WITH THEIR TAX ADVISORS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF THE TRANSACTION CONTEMPLATED BY THE RESTRUCTURING, INCLUDING THE APPLICABILITY AND EFFECT OF ANY STATE, LOCAL, OR NON-U.S. TAX LAWS, AND OF ANY CHANGE IN APPLICABLE TAX LAWS.

XIV. RECOMMENDATION

In the opinion of Sabine and each of the Debtors, the Plan is preferable to all other available alternatives and provides for a larger distribution to the Debtors' creditors than would otherwise result in any other scenario. Accordingly, the Debtors recommend that Holders of Claims entitled to vote on the Plan vote to accept the Plan and support Confirmation of the Plan.

Dated: April 27, 2016

Respectfully submitted,

Sabine Oil & Gas Corporation,
(on behalf of itself and each of the Debtors)

By: */s/ Michael Magilton*
Name: Michael Magilton
Title: Senior Vice President and Chief Financial Officer

Prepared by:

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Counsel to the Debtors and Debtors in Possession

Exhibit A

Second Amended Joint Plan of Reorganization

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re:	)	Chapter 11
SABINE OIL & GAS CORPORATION, *et al.*,[1]	)	Case No. 15-11835 (SCC)
Debtors.	)	(Jointly Administered)

SECOND AMENDED JOINT CHAPTER 11 PLAN OF REORGANIZATION OF SABINE OIL & GAS CORPORATION AND ITS DEBTOR AFFILIATES

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

April 27, 2016

[1] The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's federal tax identification number, include: Sabine Oil & Gas Corporation (4900); Giant Gas Gathering LLC (3438); Sabine Bear Paw Basin LLC (2656); Sabine East Texas Basin LLC (8931); Sabine Mid-Continent Gathering LLC (6085); Sabine Mid-Continent LLC (6939); Sabine Oil & Gas Finance Corporation (2567); Sabine South Texas Gathering LLC (1749); Sabine South Texas LLC (5616); and Sabine Williston Basin LLC (4440). The location of Debtor Sabine Oil & Gas Corporation's corporate headquarters and the Debtors' service address is: 1415 Louisiana, Suite 1600, Houston, Texas 77002.

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INTRODUCTION

Sabine Oil & Gas Corporation ("Sabine") and its debtor affiliates, as debtors and debtors in possession (each, a "Debtor" and, collectively, the "Debtors") propose this amended joint plan of reorganization (together with the documents comprising the Plan Supplement, the "Plan") for the resolution of outstanding Claims against, and Interests in, the Debtors. Capitalized terms used in the Plan and not otherwise defined shall have the meanings ascribed to such terms in Article I.A hereof. Holders of Claims and Interests may refer to the Disclosure Statement for a discussion of the Debtors' history, businesses, assets, results of operations, historical financial information, and projections of future operations, as well as a summary and description of the Plan. The Debtors are the proponents of the Plan within the meaning of section 1129 of the Bankruptcy Code.

ALL HOLDERS OF CLAIMS AND INTERESTS, TO THE EXTENT APPLICABLE, ARE ENCOURAGED TO READ THE PLAN AND THE DISCLOSURE STATEMENT IN THEIR ENTIRETY BEFORE VOTING TO ACCEPT OR REJECT THE PLAN.

ARTICLE I.
DEFINED TERMS, RULES OF INTERPRETATION, COMPUTATION OF TIME, AND GOVERNING LAW

A. Defined Terms

As used in the Plan, capitalized terms have the meanings set forth below.

1. "*2017 Senior Notes*" means the 9.75 percent senior notes due 2017 pursuant to the 2017 Senior Notes Indenture (as amended, modified, waived, or supplemented from time to time and with all supplements and exhibits thereto), outstanding in the amount of $364,123,958.33 as of the Petition Date.

2. "*2019 Senior Notes*" means the 7.25 percent senior notes due 2019 pursuant to the 2019 Senior Notes Indenture (as amended, modified, waived, or supplemented from time to time and with all supplements and exhibits thereto), outstanding in the amount of $602,238,560.79 as of the Petition Date.

3. "*2020 Senior Notes*" means the 7.50 percent senior notes due 2020 pursuant to the 2020 Senior Notes Indenture (as amended, modified, waived, or supplemented from time to time and with all supplements and exhibits thereto), outstanding in the amount of $227,592,906.88 as of the Petition Date.

4. "*2017 Senior Notes Claims*" means all Claims against any Debtor arising from or based upon the 2017 Senior Notes or the 2017 Senior Notes Indenture, including accrued unpaid prepetition interest, costs, fees, and indemnities).

5. "*2019 Senior Notes Claims*" means all Claims against any Debtor arising from or based upon the 2019 Senior Notes or the 2019 Senior Notes Indenture, including accrued unpaid prepetition interest, costs, fees, and indemnities).

6. "*2020 Senior Notes Claims*" means all Claims against any Debtor arising from or based upon the 2020 Senior Notes or the 2020 Senior Notes Indenture, including accrued unpaid prepetition interest, costs, fees, and indemnities).

7. "*2017 Senior Notes Indenture*" means that certain Indenture, dated as of February 12, 2010, between Sabine and the 2017 Senior Notes Indenture Trustee (together with any predecessors, successors or assigns and other parties from time to time thereto), providing for the issuance of the 2017 Senior Notes (as amended, modified, waived, or supplemented from time to time and with all supplements and exhibits thereto).

8. "*2019 Senior Notes Indenture*" means that certain Indenture, dated as of June 6, 2007, between Sabine and the 2019 Senior Notes Indenture Trustee (together with any predecessors, successors or assigns and other

parties from time to time thereto), providing for the issuance of the 2019 Senior Notes (as amended, modified, waived, or supplemented from time to time and with all supplements and exhibits thereto).

9. "*2020 Senior Notes Indenture*" means that certain Indenture, dated as of September 17, 2012, between Sabine and the 2020 Senior Notes Indenture Trustee (together with any predecessors, successors or assigns and other parties from time to time thereto), providing for the issuance of the 2020 Senior Notes (as amended, modified, waived, or supplemented from time to time and with all supplements and exhibits thereto).

10. "*2017 Senior Notes Indenture Trustee*" means The Bank of New York Mellon Trust Company, N.A., (together with any predecessors, successors or assigns), solely in its capacity as indenture trustee under the 2017 Senior Notes Indenture.

11. "*2019 Senior Notes Indenture Trustee*" means Wilmington Savings Fund Society, FSB, (together with any predecessors, successors or assigns), solely in its capacity as indenture trustee under the 2019 Senior Notes Indenture.

12. "*2020 Senior Notes Indenture Trustee*" means Delaware Trust Company, (together with any predecessors, successors or assigns), solely in its capacity as indenture trustee under the 2020 Senior Notes Indenture.

13. "*Accrued Professional Compensation Claims*" means Claims for all accrued, contingent or unpaid fees and expenses (including success fees) for legal, financial advisory, accounting, and other services and reimbursement of expenses of Committee and Estate Professionals that are awardable and allowable under sections 328, 330, or 331 of the Bankruptcy Code or otherwise Allowed before the Effective Date, (a) all to the extent that any such fees and expenses have not been previously paid (regardless of whether a fee application has been Filed for any such amount) and (b) after applying any retainer that has been provided to such Professional. To the extent that the Court or any higher court of competent jurisdiction denies or reduces by a Final Order any amount of a Professional's fees or expenses, then those reduced or denied amounts shall no longer constitute Accrued Professional Compensation.

14. "*Adequate Protection Claims*" has the meaning assigned to such term in the Cash Collateral Order.

15. "*Adequate Protection Liens*" has the meaning assigned to such term in the Cash Collateral Order.

16. "*Administrative Claim*" means a Claim for costs and expenses of administration of the Debtors' Estates pursuant to sections 503(b), 507(a)(2), 507(b), or 1114(e)(2) of the Bankruptcy Code, including: (a) the actual and necessary costs and expenses incurred after the Petition Date and through the Effective Date of preserving the Estates and operating the businesses of the Debtors; (b) Allowed Accrued Professional Compensation Claims; and (c) any Allowed requests for compensation or expense reimbursement for making a substantial contribution in the Chapter 11 Cases pursuant to sections 503(b)(3), (4), and (5) of the Bankruptcy Code.

17. "*Administrative Claims Bar Date*" means the first Business Day that is 30 days following the Effective Date, except as specifically set forth in the Plan or a Final Order, which shall serve as the deadline for filing and service of a request for payment of an Administrative Claim, other than a Claim arising under section 503(b)(9) of the Bankruptcy Code as provided under the Claims Bar Date Order.

18. "*Adversary Proceeding*" means that proceeding before the Court numbered 15-01126, as initiated by the *Complaint Against Wilmington Trust, N.A.* [Adv. Proc., Docket No. 1].

19. "*Affiliate*" shall have the meaning set forth in section 101(2) of the Bankruptcy Code.

20. "*Allowed*" means with respect to any Claim, except as otherwise provided herein: (a) a Claim that is evidenced by a Proof of Claim Filed by the Claims Bar Date (or for which Claim under the Plan, the Bankruptcy Code, or a Final Order of the Court a Proof of Claim is not or shall not be required to be Filed); (b) a Claim that is

listed in the Schedules as not contingent, not unliquidated, and not disputed, and for which no Proof of Claim, as applicable, has been timely Filed; or (c) a Claim Allowed pursuant to the Plan or a Final Order of the Court; *provided* that with respect to a Claim described in clauses (a) and (b) above, such Claim shall be considered Allowed only if and to the extent that with respect to such Claim no objection to the allowance thereof has been interposed within the applicable period of time fixed by the Plan, the Bankruptcy Code, the Bankruptcy Rules, or the Court, or such an objection is so interposed and the Claim, as applicable, shall have been Allowed by a Final Order. Any Claim that has been or is hereafter listed in the Schedules as contingent, unliquidated, or disputed, and for which no Proof of Claim is or has been timely Filed, is not considered Allowed and shall be expunged without further action by the Debtors and without further notice to any party or action, approval, or order of the Court. Notwithstanding anything to the contrary herein, no Claim of any Entity subject to section 502(d) of the Bankruptcy Code shall be deemed Allowed unless and until such Entity pays in full the amount that it owes such Debtor or Reorganized Debtor, as applicable. For the avoidance of doubt, a Proof of Claim Filed after the Claims Bar Date shall not be Allowed for any purposes whatsoever absent entry of a Final Order allowing such late-filed Claim. "Allow" and "Allowing" shall have correlative meanings.

21. "*Approved Broker-Dealer*" means any of Goldman, Sachs & Co.; Morgan Stanley & Co., LLC; or Credit Suisse Securities (USA) LLC, as selected in good faith by the then existing board of directors of New Holdco at the time of the applicable "Change of Control" or sale transaction set forth in Article IV.B.1.b(ii) or (iii), which broker-dealer (a) does not, and whose directors, officers, employees or affiliates do not, have a material financial interest for its proprietary account in New Holdco or any of the Reorganized Debtors; (b) has not been engaged as an advisor by New Holdco or any of the Reorganized Debtors during the twelve months prior to the date of the applicable Change of Control or sale transaction; and (c) in the judgment of the then existing board of directors of New Holdco, is otherwise independent with respect to New Holdco, the Reorganized Debtors and the holders of Warrants.

22. "*Avoidance Actions*" means any and all actual or potential Claims and Causes of Action to avoid a transfer of property or an obligation incurred by the Debtors arising under chapter 5 of the Bankruptcy Code, including sections 544, 545, 547, 548, 549, 550, 551, and 553(b) of the Bankruptcy Code; *provided* that Avoidance Actions do not include Released Claims or Settled Claims.

23. "*Ballot*" means the ballots accompanying the Disclosure Statement upon which certain Holders of Impaired Claims entitled to vote shall, among other things, indicate their acceptance or rejection of the Plan in accordance with the Plan and the procedures governing the solicitation process, and which must be actually received by the Notice and Claims Agent on or before the Voting Deadline.

24. "*Bankruptcy Code*" means title 11 of the United States Code, as amended and in effect during the pendency of the Chapter 11 Cases.

25. "*Bankruptcy Rules*" means the Federal Rules of Bankruptcy Procedure, as applicable to the Chapter 11 Cases, promulgated under section 2075 of the Judicial Code and the general, local, and chambers rules of the Court.

26. "*Barclays*" means Barclays Bank PLC, in its capacity as an RBL Lender.

27. "*Black-Scholes Method*" shall mean the standard Black-Scholes options pricing model as determined by the Approved Broker-Dealer in good faith in accordance with its customary practices for calculating the value of warrants; *provided* that certain of the Black-Scholes inputs shall be determined as follows: (a) the risk free rate input shall reflect the annual yield of the then prevailing U.S. Treasury Note to the date closest to the expiry of the Warrants; (b) the "term" input shall be the time in years (without rounding) remaining until the scheduled expiration of the Warrants; and (c) the underlying price of the New Common Stock in New Holdco shall be the price implied by the applicable "Change of Control" or sale transaction set forth in Article IV.B.1.b(ii) or (iii).

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

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

30. "*Cash Collateral Order*" means the *Final Order Pursuant to 11 U.S.C. §§105, 361, 362, 363 and 507, Bankruptcy Rules 2002, 4001 and 9014 and Local Bankruptcy Rule 4001-2 (I) Authorizing Debtors' Limited Use of Cash Collateral, (II) Granting Adequate Protection to the Prepetition Secured Parties and (III) Modifying the Automatic Stay*, entered by the Court on September 16, 2015 [Docket No. 339], as subsequently extended by notice on December 28, 2015 [Docket No. 658], by bridge order on February 16, 2016 [Docket No. 820], by bridge order on March 15, 2016 [Docket No. 883], and by order on April 7, 2016 [Docket No. 958], as the same may be amended, modified or extended from time to time, authorizing the Debtors to use cash collateral and granting adequate protection to the RBL Agent, the RBL Lenders, the Second Lien Agent, and the Second Lien Lenders.

31. "*Causes of Action*" means any action, Claim, cause of action, controversy, demand, right, action, Lien, indemnity, guaranty, suit, obligation, liability, damage, judgment, account, defense, offset, power, privilege, license, and franchise of any kind or character whatsoever, whether known, unknown, contingent or non-contingent, matured or unmatured, suspected or unsuspected, liquidated or unliquidated, disputed or undisputed, secured or unsecured, assertable directly or derivatively, whether arising before, on, or after the Petition Date, in contract or in tort, in law, or in equity or pursuant to any other theory of law. For the avoidance of doubt, "Cause of Action" includes: (a) any right of setoff, counterclaim, or recoupment and any Claim for breach of contract or for breach of duties imposed by law or in equity; (b) the right to object to Claims or Interests; (c) any Claim pursuant to section 362 or chapter 5 of the Bankruptcy Code (including Avoidance Actions); (d) any Claim or defense including fraud, mistake, duress, and usury; and any other defenses set forth in section 558 of the Bankruptcy Code; and (e) any state or foreign law fraudulent transfer or similar Claim.

32. "*Chapter 11 Cases*" means (a) when used with reference to a particular Debtor, the case pending for that Debtor under chapter 11 of the Bankruptcy Code in the Court and (b) when used with reference to all of the Debtors, the procedurally consolidated and jointly administered chapter 11 cases pending for the Debtors in the Court.

33. "*Claim*" shall have the meaning set forth in section 101(5) of the Bankruptcy Code.

34. "*Claims Bar Date*" means the date by which a Proof of Claim must be or must have been Filed, as established by (a) the Claims Bar Date Order, or (b) any other Final Order of the Court, as applicable.

35. "*Claims Bar Date Order*" means that certain order entered by the Court on November 10, 2015 [Docket No. 502], establishing the Claims Bar Dates.

36. "*Claims Objection Deadline*" means the deadline for objecting to a Claim, which shall be on the date that is the later of (a) 180 days after the Effective Date and (b) such other period of limitation as may be specifically fixed by the Debtors or the Reorganized Debtors, as applicable, or by an order of the Court for objecting to such Claims.

37. "*Claims Register*" means the official register of Claims maintained by the Notice and Claims Agent.

38. "*Class*" means a category of Holders of Claims or Interests as set forth in Article III hereof pursuant to section 1122(a) of the Bankruptcy Code.

39. "*Combination*" means the combination of Forest Oil and Old Sabine first announced in May 2014 and consummated in December 2014.

40. "*Committee*" means the official committee of unsecured creditors appointed in the Chapter 11 Cases pursuant to section 1102(a) of the Bankruptcy Code on July 28, 2015 [Docket No. 90], as subsequently reconstituted on November 10, 2015 [Docket No. 499].

41. "*Committee Members*" means each of the following, in each case solely in its capacity as a member of the Committee: (a) The Bank of New York Mellon Trust Company, N.A.; (b) Aurelius Capital Partners, LP; (c) AQR Diversified Arbitrage Fund; (d) Asset Risk Management, LLC; and (e) Wilmington Savings Fund Society, FSB.

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

43. "*Confirmation Date*" means the date upon which the Court enters the Confirmation Order on the docket of the Chapter 11 Cases, within the meaning of Bankruptcy Rules 5003 and 9021.

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

45. "*Confirmation Order*" means an order of the Court confirming the Plan pursuant to section 1129 of the Bankruptcy Code.

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

47. "*Convenience Claims*" means all Allowed General Unsecured Claims against any Debtor in an Allowed amount that is greater than $0 but less than or equal to $500,000; *provided* that a Holder of a General Unsecured Claim in an Allowed amount greater than $500,000 may elect to have such Claim irrevocably reduced to $500,000 and treated as a Convenience Claim for purposes of the Plan in full and final satisfaction of such Claim.

48. "*Court*" means the United States Bankruptcy Court for the Southern District of New York having jurisdiction over the Chapter 11 Cases, and, to the extent of the withdrawal of any reference under 28 U.S.C. § 157 or the General Order of the District Court pursuant to section 151 of title 28 of the United States Code, the United States District Court for the Southern District of New York.

49. "*Cure Claim*" means a monetary Claim based upon the Debtors' defaults under any Executory Contract or Unexpired Lease at the time such contract or lease is assumed by the Debtors pursuant to section 365 of the Bankruptcy Code.

50. "*Cure Notice*" means a notice of a proposed amount to be paid on account of a Cure Claim in connection with an Executory Contract or Unexpired Lease to be assumed under the Plan pursuant to section 365 of the Bankruptcy Code, which notice shall include (a) procedures for objecting to proposed assumptions of Executory Contracts and Unexpired Leases; (b) Cure Claims to be paid in connection therewith; and (c) procedures for resolution by the Court of any related disputes.

51. "*D&O Liability Insurance Policies*" means all insurance policies (including any "tail policy") of any of the Debtors for current or former directors', managers', and officers' liability.

52. "*Debtors*" means, collectively: (a) Sabine Oil & Gas Corporation; (b) Giant Gas Gathering LLC; (c) Sabine Bear Paw Basin LLC; (d) Sabine East Texas Basin LLC; (e) Sabine Mid-Continent Gathering LLC; (f) Sabine Mid-Continent LLC; (g) Sabine Oil & Gas Finance Corp.; (h) Sabine South Texas Gathering LLC; (i) Sabine South Texas LLC; and (j) Sabine Williston Basin LLC, each as a debtor and debtor-in-possession in these Chapter 11 Cases.

53. "*Debtor Subsidiaries*" means, collectively, each Debtor other than Sabine.

54. "*Disallowed*" means, with respect to any Claim, a Claim or any portion thereof that (a) has been disallowed by a Final Order, (b) is Scheduled as zero or as contingent, disputed, or unliquidated and as to which no Proof of Claim or request for payment of an Administrative Claim has been timely filed or deemed timely filed with the Court pursuant to either the Bankruptcy Code or any Final Order of the Court or otherwise deemed timely filed under applicable law or this Plan, (c) is not Scheduled and as to which no Proof of Claim or request for payment of an Administrative Claim has been timely filed or deemed timely filed with the Court pursuant to either the

Bankruptcy Code or any Final Order of the Court or otherwise deemed timely filed under applicable law or this Plan, (d) has been withdrawn by agreement of the applicable Debtor and the Holder thereof, or (e) has been withdrawn by the Holder thereof.

55. "*Disclosure Statement*" means the *Disclosure Statement for the Second Amended Joint Chapter 11 Plan of Reorganization of Sabine Oil & Gas Corporation and its Debtor Affiliates* [Docket No._], as may be further amended from time to time, including all exhibits and schedules thereto and references therein that relate to the Plan, that is prepared and distributed in accordance with the Bankruptcy Code, the Bankruptcy Rules, and any other applicable law.

56. "*Disputed*" means a Claim that is in dispute or is otherwise not yet Allowed.

57. "*Disputed Claim Amount*" means (a) if a liquidated amount is set forth in the Proof of Claim relating to a Disputed Claim: (i) the liquidated amount set forth in the Proof of Claim relating to the Disputed Claim, (ii) an amount agreed to by the Debtors or the Reorganized Debtors, as applicable, with the consent of the RBL Agent, which consent shall not be unreasonably withheld, and the Holder of such Disputed Claim, or (iii) if a request for estimation is Filed by any party, the amount at which such Disputed Claim is estimated by the Court; (b) if no liquidated amount is set forth in the Proof of Claim relating to a Disputed Claim: (i) an amount agreed to by the Debtors or the Reorganized Debtors, as applicable, with the consent of the RBL Agent, which consent shall not be unreasonably withheld, and the Holder of such Disputed Claim, (ii) the amount estimated by the Court with respect to such Disputed Claim, or (iii) the amount estimated with respect to the Disputed Claim in good faith by the Debtors or Reorganized Debtors, as applicable, with the consent of the RBL Agent, which consent shall not be unreasonably withheld; or (c) zero, if the Disputed Claim was listed on the Schedules as unliquidated, contingent, or disputed and no Proof of Claim was Filed, or deemed to have been Filed, by the applicable Claims Bar Date and the Claim has not been resolved by written agreement of the parties or an order of the Court.

58. "*Distribution Record Date*" means the date for determining which Holders of Claims or Interests are eligible to receive distributions hereunder, which date shall be (a) the Effective Date or (b) such other date as designated in a Court Order; *provided* that the Distribution Record Date shall not apply to publicly held securities.

59. "*DTC*" means the Depository Trust Company.

60. "*Effective Date*" means, with respect to the Plan, the date that is a Business Day selected by the Debtors subject to the consent of the RBL Agent, which consent shall not be unreasonably withheld, on which: (a) no stay of the Confirmation Order is in effect; (b) all conditions precedent specified in Article IX.A and IX.B have been satisfied (or waived in accordance with Article IX.C); and (c) the Plan is declared effective.

61. "*Entity*" shall have the meaning set forth in section 101(15) of the Bankruptcy Code.

62. "*Estate*" means, as to each Debtor, the estate created for the Debtor in its Chapter 11 Case pursuant to section 541 of the Bankruptcy Code.

63. "*Exculpation*" means the exculpation set forth in Article VIII of the Plan.

64. "*Exculpated Claim*" means any Released Claim, Settled Claim, Cause of Action or any Claim related to any act or omission derived from, based upon, related to, or arising from the Debtors' in or out-of-court restructuring efforts, the Chapter 11 Cases, the marketing process, formulation, preparation, dissemination, negotiation, or Filing of the Disclosure Statement, the Plan, or any contract, instrument, release or other agreement or document (including, for the avoidance of doubt, providing any legal opinion requested by any Entity regarding any transaction, contract, instrument, document, or other agreement contemplated by the Plan or the reliance by any Exculpated Party on the Plan or the Confirmation Order in lieu of such legal opinion) created or entered into in connection with any of the foregoing, including: (a) the issuance of the New Common Stock and Warrants; (b) the execution, delivery, and performance of the Exit Revolver Credit Facility Documents, the New Second Lien Credit Facility Documents, the New Organizational Documents, the Management Incentive Plan, the Restructuring Transactions, the Stockholders' Agreement, the Registration Rights Agreement, or the Warrant Agreements; and (c)

the distribution of property under the Plan or any other agreement under the Plan; *provided* that the Exculpated Parties shall be entitled, in all respects, to reasonably rely upon the advice of counsel with respect to the foregoing; *provided further* that the foregoing shall not be deemed to release, affect, or limit any of the rights and obligations of the Exculpated Parties from, or exculpate the Exculpated Parties with respect to, any of the Exculpated Parties' obligations or covenants arising under the Confirmation Order, the Plan, the Exit Revolver Credit Facility Documents, the New Second Lien Credit Facility Documents, the Stockholders' Agreement, the Registration Rights Agreement, the Warrant Agreements, and any contracts, instruments, releases, and other agreements or documents delivered in connection with, or contemplated by, the foregoing.

65. "*Exculpated Parties*" means each of: (a) the Debtors; (b) the Reorganized Debtors; (c) the Committee and Committee Members; (d) the RBL Agent; (e) the RBL Lenders; (f) the Exit Revolver Agent; (g) the New Second Lien Agent; (h) the Second Lien Agent; (i) the Second Lien Lenders; (j) the DTC; and (k) with respect to each of the foregoing Entities in clauses (a) through (i), such Entity's current and former affiliates, officers, directors, managers, principals, members, employees, agents, financial advisors, attorneys, accountants, investment bankers, consultants, representatives, and other professionals, each in their capacity as such.

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

67. "*Exit Revolver Agent*" means Wells Fargo Bank, N.A., in its capacities as the administrative agent and collateral agent under the Exit Revolver Credit Facility Agreement and the other Exit Revolver Credit Facility Documents.

68. "*Exit Revolver Credit Facility*" means the first priority revolving credit facility made available to the Reorganized Debtors on and after the Effective Date pursuant to the Exit Revolver Credit Facility Agreement.

69. "*Exit Revolver Credit Facility Agreement*" means that certain credit agreement (a substantially final form of which shall be included in the Plan Supplement) to be entered into on the Effective Date by and among New Holdco, Reorganized Sabine, as borrower, the Exit Revolver Agent, the RBL Lenders, as lenders thereunder, and the other parties thereto, which shall be in form and substance satisfactory to the Debtors and the RBL Agent.

70. "*Exit Revolver Credit Facility Documents*" means, collectively, the Exit Revolver Credit Facility Agreement and all related amendments, supplements, ancillary agreements, notes, pledges, collateral agreements, mortgages, deeds of trust, and other documents or instruments to be executed or delivered in connection with the Exit Revolver Credit Facility, which shall be in form and substance satisfactory to the Debtors and the RBL Agent and consistent with the terms set forth in Article IV.B.2 herein.

71. "*Federal Judgment Rate*" means the federal judgment rate in effect as of the Petition Date, compounded annually.

72. "*File*," "*Filed*," or "*Filing*" means file, filed, or filing in the Chapter 11 Cases with the Court or, with respect to the filing or submission of a Proof of Claim or proof of Interest, the Notice and Claims Agent.

73. "*Final Order*" means an order or judgment of the Court (or any other court of competent jurisdiction) entered by the Clerk of the Court (or any other court) on the docket in the Chapter 11 Cases (or the docket of such other court), which has not been reversed, stayed, modified, amended, or vacated, and as to which (a) the time to appeal, petition for certiorari, or move for a new trial, stay, reargument, or rehearing has expired and as to which no appeal, petition for certiorari, or motion for new trial, stay, reargument, or rehearing shall be pending or (b) if an appeal, writ of certiorari, new trial, stay, reargument, or rehearing thereof has been sought, such order or judgment of the Court (or other court of competent jurisdiction) shall have been affirmed by the highest court to which such order was appealed, or certiorari shall have been denied, or a new trial, stay, reargument, or rehearing shall have been denied or resulted in no modification of such order, and the time to take any further appeal, petition for certiorari, or move for a new trial, stay, reargument, or rehearing shall have expired, as a result of which such order shall have become final in accordance with rule 8002 of the Bankruptcy Rules; *provided* that the possibility

that a motion under rule 60 of the Federal Rules of Civil Procedure, or any analogous rule under the Bankruptcy Rules, may be filed relating to such order, shall not cause an order not to be a Final Order.

74. "*Forest Oil*" means that entity Forest Oil Corporation in existence prior to the Combination.

75. "*General Unsecured Claim*" means any Claim against any Debtor that is not otherwise paid in full during the Chapter 11 Cases pursuant to an order of the Court and is not: (a) an Administrative Claim; (b) a Priority Tax Claim; (c) an Other Priority Claim; (d) an Other Secured Claim; (e) an RBL Secured Claim; (f) a Second Lien Claim; (g) a Senior Notes Claim; (h) an Intercompany Claim; (i) a Section 510(b) Claim; or (j) a Convenience Claim; *provided* that any Holder of a General Unsecured Claim in an Allowed amount greater than $500,000 may elect to have such Claim irrevocably reduced to $500,000 and treated as a Convenience Claim for purposes of the Plan in full and final satisfaction of such Claim.

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

77. "*Holder*" means any Entity holding a Claim or an Interest.

78. "*Huntington Payment*" means that payment made to the Debtors from Huntington National Bank on July 21, 2015, in the amount of $19,729,905, as a result of the termination of that certain ISDA Master Agreement, dated as of December 10, 2013, between Huntington National Bank and Old Sabine.

79. "*Impaired*" means, with respect to a Class of Claims or Interests, a Class of Claims or Interests that is not Unimpaired.

80. "*Independent Directors' Committee*" means that special committee formed by Sabine's board of directors on May 15, 2015, to conduct and oversee the investigation of potential claims and causes of action that the Debtors or certain of their stakeholders might possess against creditors and others related to the Combination.

81. "*Intercompany Claim*" means any Claim held by one Debtor or a Non-Debtor Subsidiary against another Debtor.

82. "*Intercompany Interest*" means, other than a Sabine Equity Interest, (a) an Interest in one Debtor or Non-Debtor Subsidiary held by another Debtor or Non-Debtor Subsidiary or (b) an Interest in a Debtor or a Non-Debtor Subsidiary held by an Affiliate of a Debtor or a Non-Debtor Subsidiary.

83. "*Intercreditor Agreement*" means that certain intercreditor agreement between Old Sabine (n/k/a Sabine) and certain of its subsidiaries, the other parties thereto as Guarantors (as defined therein), the RBL Agent, and the Second Lien Agent, dated as of December 14, 2012 (as amended, modified, waived, or supplemented from time to time and with all supplements and exhibits thereto).

84. "*Interests*" means the common stock, limited liability company interests, and any other equity, ownership, or profits interests of any Debtor and options, warrants, rights, or other securities or agreements to acquire the common stock, limited liability company interests, or other equity, ownership, or profits interests of any Debtor (whether or not arising under or in connection with any employment agreement).

85. "*Interim Compensation Order*" means that certain order entered by the Court on August 10, 2015 [Docket No. 156], establishing procedures for the compensation of Professionals.

86. "*Judicial Code*" means title 28 of the United States Code, 28 U.S.C. §§ 1–4001.

87. "*LIBOR*" shall mean an interest rate based on the London interbank offered rate as administered by the ICE Benchmark Administration and further described in the Exit Revolver Credit Facility Agreement or the New Second Lien Credit Facility Agreement, as applicable.

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

89. "*Management Incentive Plan*" means the post-Effective Date management incentive plan for the benefit of management, certain continuing employees of the Reorganized Debtors and members of the New Board of New Holdco, as further described in Article IV.M.

90. "*Management Incentive Plan Documents*" means those definitive documents relating to the Management Incentive Plan and included in the Plan Supplement, which shall be in form and substance reasonably satisfactory to the Debtors and the RBL Agent.

91. "*ML Commodities Proceeds*" means that payment made to the Debtors by Merrill Lynch Commodities on July 15, 2015, in the amount of $4,594,250, as a result of the termination of that certain ISDA Master Agreement, dated as of November 13, 2009, between Merrill Lynch Commodities, Inc. and NFR Energy LLC.

92. "*New Boards*" means the initial board of directors, members, or managers, as applicable, of New Holdco or each Reorganized Debtor, as applicable.

93. "*New Common Stock*" means the number of shares of common stock in New Holdco.

94. "*New Holdco*" means the newly-formed Delaware holding company that will become the parent of Reorganized Sabine on the Effective Date and the issuer of the New Common Stock and Warrants under the Plan.[2]

95. "*New Organizational Documents*" means the form of the certificates or articles of incorporation, bylaws, or such other applicable formation documents of New Holdco and each of the Reorganized Debtors, which shall be in form and substance reasonably acceptable to the Debtors and the RBL Agent. The New Organizational Documents of New Holdco shall be included in the Plan Supplement.

96. "*New Second Lien Agent*" means the administrative agent (including its successors and assigns), in its capacity as administrative agent and collateral agent under the New Second Lien Credit Facility Agreement and the other New Second Lien Credit Facility Documents.

97. "*New Second Lien Credit Facility*" means the second priority secured term loan to be made available to the Reorganized Debtors on and after the Effective Date pursuant to the New Second Lien Credit Facility Agreement.

98. "*New Second Lien Credit Facility Agreement*" means that certain credit agreement (a substantially final form of which shall be included in the Plan Supplement) to be entered into on the Effective Date by and among New Holdco, Reorganized Sabine, as borrower, the New Second Lien Agent, and the RBL Lenders, as lenders thereunder, which shall be in form and substance satisfactory to the Debtors and the RBL Agent.

99. "*New Second Lien Credit Facility Documents*" means, collectively, the New Second Lien Credit Facility Agreement and all related amendments, supplements, ancillary agreements, notes, pledges, collateral agreements, mortgages, deeds of trust, and other documents or instruments to be executed or delivered in connection with the New Second Lien Credit Facility, which shall be in form and substance satisfactory to the Debtors and the RBL Agent and consistent with the terms set forth in Article IV.B.3 herein.

100. "*Non-Debtor Subsidiaries*" means: (a) New Forest Oil, Inc.; (b) Forest Oil Merger Sub Inc.; (c) Lantern Drilling Company; (d) Forest Texas Gathering Company; (e) Sabine NY Merger Subsidiary, Inc.; and (f) Sabine Oil and Gas Corporation (DE).

101. "*Notice and Claims Agent*" means Prime Clerk LLC.

[2] The structure of New Holdco remains under discussion.

102. "*Old Forest RBL*" means that Third Amended and Restated Credit Agreement, dated as of June 30, 2011 issued to Forest Oil (as amended, supplemented or otherwise modified from time to time).

103. "*Old Sabine*" means that entity Sabine Oil & Gas LLC in existence prior to the Combination.

104. "*Old Sabine RBL*" means the Amended and Restated Credit Agreement, dated as of April 28, 2009, by and among Old Sabine, as borrower, Wells Fargo Bank, National Association, as successor administrative agent, and the other parties thereto.

105. "*Old Sabine Second Lien Credit Facility*" means that Second Lien Credit Facility Agreement by and among Old Sabine, as borrower, Bank of America, N.A., as administrative agent, and the other parties thereto.

106. "*Ordinary Course Professionals*" shall mean the various attorneys, accountants, auditors, and other professionals the Debtors employ in the ordinary course of their business and retained by the Debtors pursuant to the Ordinary Course Professionals Order.

107. "*Ordinary Course Professionals Order*" shall mean that certain order entered by the Court on August 10, 2015 [Docket No. 155], establishing the procedures for retaining the Ordinary Course Professionals.

108. "*Other Priority Claim*" means any Allowed Claim against any Debtor entitled to priority in right of payment under section 507(a) of the Bankruptcy Code, other than: (a) an Administrative Claim; or (b) a Priority Tax Claim, to the extent such Claim has not already been paid during the Chapter 11 Cases.

109. "*Other Secured Claim*" means any Secured Claim against any Debtor that is not an RBL Secured Claim or Second Lien Adequate Protection Claim.

110. "*Person*" shall have the meaning set forth in section 101(41) of the Bankruptcy Code.

111. "*Petition Date*" means July 15, 2015, the date on which the Debtors commenced the Chapter 11 Cases.

112. "*Plan*" means this *Second Amended Joint Chapter 11 Plan of Reorganization of Sabine Oil & Gas Corporation and its Debtor Affiliates* [Docket No.__], as the same may be further amended, supplemented, or modified from time to time in accordance with the terms hereof, including the Plan Supplement and all exhibits, supplements, appendices and schedules thereto.

113. "*Plan Supplement*" means the documents and forms of documents, schedules, and exhibits to the Plan, to be Filed by the Debtors no later than 10 days before the Voting Deadline, and additional documents or amendments to previously Filed documents, Filed before the Confirmation Date as amendments to the Plan Supplement, including the following, as applicable: (a) the New Organizational Documents of New Holdco and Reorganized Sabine; (b) the Warrant Agreements; (c) the Schedule of Rejected Executory Contracts and Unexpired Leases; (d) a list of retained Causes of Action; (e) the Management Incentive Plan Documents; (f) the Exit Revolver Credit Facility Agreement; (g) the New Second Lien Credit Facility Agreement; (h) the Registration Rights Agreement; (i) a description of the Restructuring Transaction, if applicable; and (j) the Stockholders' Agreement. Such documents shall be consistent with the terms hereof and shall be in form and substance reasonably acceptable to the Debtors, the RBL Agent, and the Second Lien Agent; *provided* that in the case of the Second Lien Agent, only the Warrant Agreements shall be in form and substance reasonably acceptable to the Second Lien Agent, and all other documents to be included in the Plan Supplement shall be deemed to be acceptable to the Second Lien Agent unless the terms thereof adversely affect the recoveries of Holders of Second Lien Claims in a manner that is disproportionate to other similarly situated minority holders of New Common Stock. The Debtors shall have the right to amend all of the documents contained in, and the exhibits to, the Plan Supplement through the Effective Date, with the consent of the RBL Agent, which consent shall not be unreasonably withheld; *provided however* that the Second Lien Agent shall only be given a consent right with respect to (i) amendments to the terms of the Warrant Agreements and (ii) amendments to any other documents only to the extent that such amendment adversely

affects the recoveries of Holders of Second Lien Claims in a manner that is disproportionate to other similarly situated minority holders of New Common Stock, in each case which consent shall not be unreasonably withheld.

114. "*Priority Claims*" means Priority Tax Claims and Other Priority Claims.

115. "*Priority Tax Claim*" means any Claim of a Governmental Unit against a Debtor of the kind specified in section 507(a)(8) of the Bankruptcy Code.

116. "*Pro Rata*" means the proportion that an Allowed Claim or Allowed Interest in a particular Class bears to the aggregate amount of Allowed Claims or Allowed Interests in that respective Class, or the proportion that Allowed Claims or Allowed Interests in a particular Class bear to the aggregate amount of Allowed Claims or Allowed Interests in a particular Class and other Classes entitled to share in the same recovery as such Allowed Claim or Allowed Interests under the Plan.

117. "*Professional*" means an Entity employed pursuant to a Court order in accordance with sections 327 or 1103 of the Bankruptcy Code and to be compensated for services rendered before or on the Confirmation Date, pursuant to sections 327, 328, 329, 330, or 331 of the Bankruptcy Code.

118. "*Professional Fee Escrow*" means an interest-bearing account, which shall be funded no later than the Effective Date, to hold and maintain an amount of Cash equal to the Professional Fee Escrow Amount funded by the Debtors on the Effective Date solely for the purpose of paying all Allowed and unpaid Accrued Professional Compensation Claims of the Debtors' Professionals.

119. "*Professional Fee Escrow Amount*" means the amount of Cash transferred by the Debtors to the Professional Fee Escrow to pay Accrued Professional Compensation Claims of the Debtors' Professionals.

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

121. "*RBL Agent*" means Wells Fargo Bank, National Association (including its predecessors, successors, and assigns), in its capacities as administrative agent and collateral agent under the RBL Credit Agreement and the other RBL Credit Facility Documents.

122. "*RBL Credit Agreement*" means that certain Second Amended and Restated Credit Agreement, dated as of December 16, 2014 (as amended, modified, waived, or supplemented from time to time and with all supplements and exhibits thereto), by and among Sabine, the RBL Agent and the RBL Lenders party thereto.

123. "*RBL Credit Facility*" means the reserve-based revolving credit facility under the RBL Credit Agreement.

124. "*RBL Credit Facility Documents*" means, collectively, the RBL Credit Agreement and all related amendments, supplements, ancillary agreements, notes, pledges, documents, collateral agreements, mortgages, deeds of trust, and other documents or instruments executed or delivered in connection with the RBL Credit Facility.

125. "*RBL Equity Pool*" means ninety-three percent (93%) of the New Common Stock to be issued and outstanding as of the Effective Date, subject to dilution by the Warrants and shares issued in connection with the Management Incentive Plan.

126. "*RBL Lenders*" means, collectively, those entities identified as "Lenders", "Issuing Banks", or "Secured Swap Parties" under the RBL Credit Agreement and their predecessors, successors, and assigns.

127. "*RBL Released Party*" means, collectively (a) the RBL Agent (in its capacity as agent under the Old Sabine RBL and the RBL Credit Facility Documents); (b) the RBL Lenders in their capacities as "Lenders" "Issuing Banks" or "Secured Swap Parties" under the RBL Credit Facility Documents, the Old Sabine RBL and the Old Forest RBL; and (c) such Entity and its affiliates, and such Entity and its affiliates' current and former equity

Holders (regardless of whether such Interests are held directly or indirectly), predecessors, successors, and assigns, subsidiaries, and their current and former officers, directors, managers, principals, members, employees, agents, advisory board members, financial advisors, partners, attorneys, accountants, investment bankers, consultants, representatives, and other professionals, each in their capacity as such.

128. "*RBL Secured Claim*" means (a) any Claim against any Debtor arising from or based upon the RBL Credit Facility Documents, which shall be Allowed in the aggregate principal amount of $926,779,412.40, plus all other obligations related thereto, including any accrued unpaid prepetition and post-petition interest, costs, fees, and indemnities and (b) any Adequate Protection Claims granted as adequate protection for the benefit of the RBL Agent and the RBL Lenders.

129. "*Registration Rights Agreement*" means the Registration Rights Agreement with respect to the New Common Stock, substantially in the form to be included in the Plan Supplement.

130. "*Reinstated*" or "*Reinstatement*" means, with respect to Claims and Interests, the treatment provided for in section 1124 of the Bankruptcy Code.

131. "*Released Claims*" means all Claims and Causes of Action (other than the Settled Claims) made, or which could have been made, on behalf of the Debtors or the Non-Debtor Subsidiaries, including the constructive fraudulent conveyances, the intentional fraudulent transfers, breaches of fiduciary duty, aiding and abetting breaches of fiduciary duty, debt recharacterization, equitable subordination and other claims for reallocation of value made during the *STN* trial, including the (a) *Proposed Complaint for Constructive Fraudulent Conveyance and Related Relief* annexed to the *Motion of the Official Committee of Unsecured Creditors For (I) Leave, Standing, and Authority to Commence and Prosecute Certain Claims and Causes of Action on Behalf of The Debtors' Estates And (II) Non-Exclusive Settlement Authority* [Docket No. 518]; (b) *Motion of the Forest Notes Indenture Trustees' for Entry of an Order Pursuant to § 1109(b) Granting Leave, Standing and Authority to Prosecute and, if Appropriate, Settle Certain Claims on Behalf of the Estate of Sabine Oil & Gas Corporation (f/k/a Forest Oil, Inc.)* [Docket No. 521]; (c) *Joinder of the Bank of New York Mellon Trust Company, N.A. to Motion of The Official Committee of Unsecured Creditors for (I) Leave, Standing, and Authority to Commence and Prosecute Certain Claims and Causes of Action on Behalf of the Debtors' Estates; and (II) Related Relief* [Docket No. 520]; (d) *Proposed Complaint for (I) Intentional Fraudulent Conveyance; (II) Breach of Fiduciary Duty; (III) Aiding and Abetting Breach of Fiduciary Duty; (IV) Equitable Subordination; (V) Debt Recharacterization; (IV) and Related Relief* annexed to the *Second Motion of the Official Committee Of Unsecured Creditors for (I) Leave, Standing, and Authority to Commence and Prosecute Certain Claims and Causes of Action on Behalf of the Debtors' Estates and (II) Non-Exclusive Settlement Authority* [Docket No. 609]; (e) *Joinder of the Bank of New York Mellon Trust Company, N.A. to Second Motion of the Official Committee of Unsecured Creditors For (I) Leave, Standing, And Authority to Commence and Prosecute Certain Claims and Causes of Action on Behalf of The Debtors' Estates and (II) Non-Exclusive Settlement Authority* [Docket No. 611]; (f) *Joinder of the Forest Notes Trustees to Second Motion of the Official Committee of Unsecured Creditors For (I) Leave, Standing, and Authority to Commence and Prosecute Certain Claims and Causes of Action on Behalf of the Debtors' Estates and (II) Non-Exclusive Settlement Authority* [Docket No. 612]; (g) *Notice of Amendment of Motion of the Forest Notes Indentures Trustees for Entry of an Order Pursuant to § 1109(B) Granting Leave, Standing and Authority to Prosecute and, if Appropriate, Settle Certain Claims on Behalf of the Estate of Sabine Oil & Gas Corporation (f/k/a Forest Oil Corp.)* [Docket No. 712]; and (h) Court's decision read into the record on March 24, 2016 at the conclusion of the *STN* trial.

132. "*Released Party*" means each of the following in their capacity as such: (a) the Second Lien Agent; (b) the Second Lien Lenders; (c) the Committee and Committee Members; (d) current direct and indirect Interest Holders in Sabine; (e) any Holder of a Claim or Interest; (f) the DTC; and (g) with respect to each of the Debtors, the Reorganized Debtors, and each of the foregoing Entities in clause (a) through (e), such Entity and its affiliates, and such Entity and its affiliates' current and former equity Holders (regardless of whether such Interests are held directly or indirectly), predecessors, successors, and assigns, subsidiaries, and their current and former officers, directors, managers, principals, members, employees, agents, advisory board members, financial advisors, partners, attorneys, accountants, investment bankers, consultants, representatives, and other professionals, each in their capacity as such, and only to the extent such party does not elect on its Ballot or Court-approved election form to opt out of the third party release contained in Article VIII.G.

133. "*Releasing Party*" means any Holder of a Claim or Interest that does not elect on its Ballot or Court-approved election form to opt out of the third party release contained in Article VIII.G.

134. "*Reorganized Debtors*" means the Debtors, or any successors thereto, by merger, consolidation, or otherwise, on or after the Effective Date, including any new entity formed pursuant to the Restructuring Transactions to directly or indirectly acquire the assets or equity of the Debtors.

135. "*Reorganized Sabine*" means Sabine, or any successor thereto, by merger, consolidation, or otherwise, on or after the Effective Date.

136. "*Restructuring Transactions*" shall have the meaning set forth in Article IV.A.

137. "*Royalty and Working Interests*" means the working interests granting the right to exploit oil and gas, and certain other royalty or mineral interests including but not limited to, landowner's royalty interests, overriding royalty interests, net profit interests, non-participating royalty interests and production payments.

138. "*Sabine*" means Sabine Oil & Gas Corporation, a New York corporation and a Debtor in the Chapter 11 Cases.

139. "*Sabine Equity Interests*" means existing equity interests in Sabine.

140. "*Schedule of Rejected Executory Contracts and Unexpired Leases*" means the schedule (including any amendments or modifications thereto), if any, of certain Executory Contracts and Unexpired Leases to be rejected by the Debtors pursuant to the Plan, as set forth in the Plan Supplement, as amended by the Debtors from time to time prior to the Confirmation Date.

141. "*Schedules*" means, collectively, the schedules of assets and liabilities, schedules of Executory Contracts and Unexpired Leases, and statements of financial affairs Filed by the Debtors pursuant to section 521 of the Bankruptcy Code and in substantial accordance with the Official Bankruptcy Forms, as the same may have been amended, modified, or supplemented from time to time.

142. "*Second Lien Adequate Protection Claim*" means (a) the Secured portion of the Second Lien Claim, including any Second Lien Claim Secured by or on account of any Liens granted to the Second Lien Agent or Second Lien Lenders pursuant to the Cash Collateral Order and (b) any Adequate Protection Claims granted as adequate protection for the benefit of the Second Lien Agent or Second Lien Lenders.

143. "*Second Lien Agent*" means Wilmington Trust, N.A. (including its predecessors, successors, and assigns), in its capacity as successor administrative agent under the Second Lien Credit Agreement and the other Second Lien Credit Facility Documents.

144. "*Second Lien Claims*" means all Claims against any Debtor arising from or based upon the Second Lien Credit Facility Documents, which shall be Allowed in the aggregate amount of $730,193,301.70, which amount includes all other obligations related thereto, including any accrued unpaid prepetition interest, costs, fees, and indemnities.

145. "*Second Lien Credit Agreement*" means that certain Second Lien Credit Agreement, dated as of December 14, 2012 (as amended, modified, waived, or supplemented from time to time and with all supplements and exhibits thereto), by and among Sabine, the Second Lien Agent, and the financial institutions and lenders from time to time party thereto.

146. "*Second Lien Credit Facility*" means the term loan credit facility under the Second Lien Credit Agreement.

147. "*Second Lien Credit Facility Documents*" means, collectively, the Second Lien Credit Agreement and all related amendments, supplements, ancillary agreements, notes, pledges, documents, collateral

agreements, mortgages, deeds of trust, and other documents or instruments executed or delivered in connection with the Second Lien Credit Facility.

148. "*Second Lien Deficiency Claim*" means the unsecured portion of the Second Lien Claim that is not a Second Lien Adequate Protection Claim.

149. "*Second Lien Equity Pool*" means (a) five percent (5%) of the New Common Stock, subject to dilution by the Warrants and (b) one hundred percent (100%) of the Tranche 1 Warrants to be issued and outstanding as of the Effective Date, *provided* that each shall be subject to dilution by shares issued in connection with the Management Incentive Plan.

150. "*Second Lien Lenders*" means, collectively, the lenders from time to time party to the Second Lien Credit Agreement.

151. "*Section 510(b) Claims*" means all Claims against any Debtor arising from (a) rescission of a purchase or sale of a security of the Debtors or an Affiliate of the Debtors; (b) purchase or sale of such a security; or (c) reimbursement or contribution Allowed under section 502 of the Bankruptcy Code on account of such a Claim.

152. "*Secured*" means, when referring to a Claim, a Claim: (a) secured by a Lien on property in which the applicable Estate has an interest, which Lien is valid, perfected, and enforceable pursuant to applicable law or by reason of a Court order (including the Cash Collateral Order), or that is subject to setoff pursuant to section 553 of the Bankruptcy Code, to the extent of the value of the creditor's interest in such Estate's interest in such property or to the extent of the amount subject to setoff, as applicable, as determined pursuant to section 506(a) of the Bankruptcy Code; or (b) otherwise Allowed pursuant to the Plan as a Secured Claim.

153. "*Secured Tax Claims*" means any Secured Claim against any Debtor that, absent its secured status, would be entitled to priority in right of payment under section 507(a)(8) of the Bankruptcy Code (determined irrespective of time limitations), including any related Secured Claim for penalties.

154. "*Securities Act*" means the Securities Act of 1933, 15 U.S.C. §§ 77a–77aa, as amended, or any similar federal, state or local law.

155. "*Securities Exchange Act*" means the Securities Exchange Act of 1934, 15 U.S.C. §§ 78a–78nn, as amended.

156. "*Security*" shall have the meaning set forth in section 101(49) of the Bankruptcy Code.

157. "*Senior Notes*" means, collectively, the: (a) 2017 Senior Notes; (b) 2019 Senior Notes; and (c) 2020 Senior Notes.

158. "*Senior Notes Claims*" means, collectively, the: (a) 2017 Senior Notes Claims; (b) 2019 Senior Notes Claims; and (c) 2020 Senior Notes Claims.

159. "*Senior Notes Holders*" means, collectively, the Holders of: (a) 2017 Senior Notes Claims; (b) 2019 Senior Notes Claims; and (c) 2020 Senior Notes Claims.

160. "*Senior Notes Indentures*" means, collectively, the: (a) 2017 Senior Notes Indenture; (b) 2019 Senior Notes Indenture; and (c) 2020 Senior Notes Indenture.

161. "*Senior Notes Indenture Trustees*" means, collectively, the: (a) 2017 Senior Notes Indenture Trustee; (b) 2019 Senior Notes Indenture Trustee; and (c) 2020 Senior Notes Indenture Trustee.

162. "*Settled Claims*" means all Claims and Causes of Action (other than the Released Claims) made, or which could have been made, on behalf of the Debtors or the Non-Debtor Subsidiaries, including (a) the *Proposed Disputed Cash Complaint* and *Proposed Lien Scope and Preference Complaint* annexed to the *Motion of*

the Official Committee of Unsecured Creditors For (I) Leave, Standing, and Authority to Commence and Prosecute Certain Claims and Causes of Action on Behalf of The Debtors' Estates And (II) Non-Exclusive Settlement Authority [Docket No. 518]; (b) *Joinder of the Bank of New York Mellon Trust Company, N.A. to Motion of The Official Committee of Unsecured Creditors for (I) Leave, Standing, and Authority to Commence and Prosecute Certain Claims and Causes of Action on Behalf of the Debtors' Estates; and (II) Related Relief* [Docket No. 520]; (c) *Motion of the Forest Notes Indenture Trustees' for Entry of an Order Pursuant to § 1109(b) Granting Leave, Standing and Authority to Prosecute and, if Appropriate, Settle Certain Claims on Behalf of the Estate of Sabine Oil & Gas Corporation (f/k/a Forest Oil, Inc.)* [Docket No. 521]; (d) *Notice of Amendment of Motion of the Forest Notes Indentures Trustees for Entry of an Order Pursuant to § 1109(B) Granting Leave, Standing and Authority to Prosecute and, if Appropriate, Settle Certain Claims on Behalf of the Estate of Sabine Oil & Gas Corporation (f/k/a Forest Oil Corp.)* [Docket No. 712]; (e) any and all Claims and Causes of Action made, or which could have been made, under paragraphs 3(c), 3(g), 11, 12, 13, 15, 29 and 30 of the Cash Collateral Order; and (f) any and all Claims and Causes of Action that were reserved for the Debtors, the Committee, and any other party in interest under paragraphs 22 and 23 of the Cash Collateral Order.

163. "*Settlement*" means the settlement of the Settled Claims on the terms set forth in Article VIII.A.

164. "*Stockholders' Agreement*" means one or more stockholders agreement(s) or limited liability company membership agreement(s), as applicable, with respect to the New Common Stock, substantially in the form to be included in the Plan Supplement.

165. "*Taxing Authority*" means any governmental authority exercising any authority to impose, regulate, levy, asses, or administer the imposition of any tax.

166. "*Tranche 1 Warrants*" means the ten-year warrants issued pursuant to the Plan and the Tranche 1 Warrant Agreement, which shall be exercisable on a cashless basis at a total enterprise value, calculated as of the Effective Date, of $1.0 billion less the principal amount outstanding under the Exit Revolver Credit Facility and the New Second Lien Credit Facility on the Effective Date (in each case excluding any amounts deemed borrowed and repaid on the Effective Date) plus any Cash retained by the Reorganized Debtors on the Effective Date, for fifteen percent (15%) of all shares of New Common Stock (subject to dilution by shares issued in connection with the Management Incentive Plan).

167. "*Tranche 1 Warrant Agreement*" means that certain agreement providing for, among other things, the issuance of the Tranche 1 Warrants, which shall be in form and substance, including anti-dilution protections and other rights upon an applicable "Change of Control" or sale transaction in accordance with Article IV.B.1.b(ii) or (iii), reasonably acceptable to the Debtors, the RBL Agent and the Second Lien Agent.

168. "*Tranche 2 Warrants*" means the ten-year warrants issued pursuant to the Plan and the Tranche 2 Warrant Agreement, which shall be exercisable on a cashless basis at a total enterprise value, calculated as of the Effective Date, of $1.25 billion less the principal amount outstanding under the Exit Revolver Credit Facility and the New Second Lien Credit Facility on the Effective Date (in each case excluding any amounts deemed borrowed and repaid on the Effective Date) plus any Cash retained by the Reorganized Debtors on the Effective Date, for ten percent (10%) of all shares of New Common Stock (subject to dilution by shares issued in connection with the Management Incentive Plan).

169. "*Tranche 2 Warrant Agreement*" means that certain agreement providing for, among other things, the issuance of the Tranche 2 Warrants, which shall be in form and substance, including anti-dilution protections and other rights upon an applicable "Change of Control" or sale transaction in accordance with Article IV.B.1.b(ii) or (iii), reasonably acceptable to the Debtors, the RBL Agent and the Second Lien Agent.

170. "*U.S. Trustee*" means the Office of the United States Trustee for the Southern District of New York.

171. "*Unexpired Lease*" means a lease of nonresidential real property to which one or more of the Debtors is a party that is subject to assumption or rejection under sections 365 or 1123 of the Bankruptcy Code.

172. "*Unimpaired*" means, with respect to a Class of Claims or Interests, a Claim or an Interest that is unimpaired within the meaning of section 1124 of the Bankruptcy Code, including through payment in full in Cash.

173. "*Unsecured Equity Pool*" means (a) two percent (2%) of the New Common Stock, subject to dilution by the Warrants; and (b) one hundred percent (100%) of the Tranche 2 Warrants to be issued and outstanding as of the Effective Date, *provided* that each shall be subject to dilution by shares issued in connection with the Management Incentive Plan.

174. "*Voting Deadline*" means [June 3], 2016 at [5:00 p.m.], prevailing Eastern Time.

175. "*Voting Record Date*" means [April 28], 2016.

176. "*Warrant Agreements*" means, collectively, the Tranche 1 Warrant Agreement and the Tranche 2 Warrant Agreement.

177. "*Warrants*" means, collectively, the Tranche 1 Warrants and the Tranche 2 Warrants.

178. "*Wells Fargo*" means Wells Fargo Bank, National Association, in its capacity as an RBL Lender.

B. Rules of Interpretation

For purposes herein: (1) in the appropriate context, each term, whether stated in the singular or the plural, shall include both the singular and the plural, and pronouns stated in the masculine, feminine, or neuter gender shall include the masculine, feminine, and the neuter gender; (2) except as otherwise provided, any reference herein to a contract, lease, instrument, release, indenture, or other agreement or document being in a particular form or on particular terms and conditions means that the referenced document shall be substantially in that form or substantially on those terms and conditions; (3) except as otherwise provided, any reference herein to an existing document or exhibit having been Filed or to be Filed shall mean that document or exhibit, as it may thereafter be amended, restated, supplemented, or otherwise modified in accordance with the terms of the Plan; (4) unless otherwise specified, all references herein to "Articles" are references to Articles of the Plan or hereto; (5) unless otherwise stated, the words "herein," "hereof," and ''hereto'' refer to the Plan in its entirety rather than to a particular portion of the Plan; (6) captions and headings to Articles are inserted for convenience of reference only and are not intended to be a part of or to affect the interpretation hereof; (7) the words "include" and "including," and variations thereof, shall not be deemed to be terms of limitation, and shall be deemed to be followed by the words "without limitation;" (8) the rules of construction set forth in section 102 of the Bankruptcy Code shall apply; (9) any term used in capitalized form herein that is not otherwise defined but that is used in the Bankruptcy Code or the Bankruptcy Rules shall have the meaning assigned to that term in the Bankruptcy Code or the Bankruptcy Rules, as the case may be; (10) any effectuating provisions may be interpreted by New Holdco or the Reorganized Debtors in a manner consistent with the overall purpose and intent of the Plan, all without further notice to or action, order, or approval of the court or any other entity, and such interpretation shall control in all respects; (11) except as otherwise provided, any references to the Effective Date shall mean the Effective Date or as soon as reasonably practicable thereafter; and (12) any docket number references in the Plan shall refer to the docket number of any document Filed with the Court in the Chapter 11 Cases.

C. Computation of Time

Unless otherwise specifically stated herein, the provisions of Bankruptcy Rule 9006(a) shall apply in computing any period of time prescribed or allowed herein. If the date on which a transaction may occur pursuant to the Plan shall occur on a day that is not a Business Day, then such transaction shall instead occur on the next succeeding Business Day.

D. Governing Law

Unless a rule of law or procedure is supplied by federal law (including the Bankruptcy Code and Bankruptcy Rules) or unless otherwise specifically stated herein, the laws of the State of New York, (except for

Sections 5-1401 and 5-1402 of the General Obligations Law of the State of New York), without giving effect to the principles of conflict of laws, shall govern the rights, obligations, construction, and implementation of the Plan, any agreements, documents, instruments, or contracts executed or entered into in connection with the Plan (except as otherwise set forth in those agreements, in which case the governing law of such agreement shall control); *provided* that corporate or limited liability company governance matters relating to the Debtors or the Reorganized Debtors, as applicable, not incorporated or formed (as applicable) in New York shall be governed by the laws of the state of incorporation or formation (as applicable) of the applicable Debtor or Reorganized Debtor.

E. Reference to Monetary Figures

All references in the Plan to monetary figures shall refer to currency of the United States of America, unless otherwise expressly provided herein.

F. Reference to the Debtors or the Reorganized Debtors

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

G. Controlling Document

In the event of an inconsistency between the Plan and the Disclosure Statement, the terms of the Plan shall control in all respects. In the event of an inconsistency between the Plan and the Plan Supplement, the terms of the relevant document in the Plan Supplement shall control (unless stated otherwise in such Plan Supplement document or in the Confirmation Order). In the event of an inconsistency between the Confirmation Order and the Plan, the Confirmation Order shall control.

ARTICLE II.
ADMINISTRATIVE CLAIMS AND PRIORITY CLAIMS

In accordance with section 1123(a)(1) of the Bankruptcy Code, Administrative Claims and Priority Tax Claims have not been classified and, thus, are excluded from the Classes of Claims and Interests set forth in Article III hereof.

A. Administrative Claims

Except with respect to Administrative Claims that are Accrued Professional Compensation Claims or Adequate Protection Claims and except to the extent that an Administrative Claim has already been paid during the Chapter 11 Cases or a Holder of an Allowed Administrative Claim and the applicable Debtor(s) agree to less favorable treatment, each Holder of an Allowed Administrative Claim shall be paid in full in Cash on the unpaid portion of its Allowed Administrative Claim on the latest of: (a) on or as soon as reasonably practicable after the Effective Date if such Administrative Claim is Allowed as of the Effective Date; (b) on or as soon as reasonably practicable after the date such Administrative Claim is Allowed; and (c) the date such Allowed Administrative Claim becomes due and payable, or as soon thereafter as is reasonably practicable; *provided* that Allowed Administrative Claims that arise in the ordinary course of the Debtors' businesses shall be paid in the ordinary course of business in accordance with the terms and subject to the conditions of any agreements governing, instruments evidencing, or other documents relating to such transactions. Notwithstanding the foregoing, no request for payment of an Administrative Claim need be Filed with respect to an Administrative Claim previously Allowed by Final Order.

The RBL Agent, the RBL Lenders, the Second Lien Agent and the Second Lien Lenders shall be entitled to retain all payments made by the Debtors during the Chapter 11 Cases pursuant to the Cash Collateral Order in respect of each of the RBL Agent's, the RBL Lenders', the Second Lien Agent's, and the Second Lien Lenders' respective Adequate Protection Claims arising under the Cash Collateral Order, including any portion of the Adequate Protection Claims that constitute an Administrative Claim under Section 507(b) of the Bankruptcy Code.

Any portion of the Adequate Protection Claims held by the RBL Agent, the RBL Lenders, the Second Lien Agent, or the Second Lien Lenders that has not been satisfied by retention of the payments made by the Debtors during the Chapter 11 Cases shall be compromised and resolved as of the Effective Date in connection with the Settlement.

Except as otherwise provided in this Article II.A and except with respect to Administrative Claims that are Accrued Professional Compensation Claims or Adequate Protection Claims, requests for payment of Allowed Administrative Claims must be Filed and served on the Reorganized Debtors pursuant to the procedures specified in the Confirmation Order and the notice of entry of the Confirmation Order no later than the Administrative Claims Bar Date. Holders of Administrative Claims that are required to, but do not, File and serve a request for payment of such Administrative Claims by such date shall be forever barred, estopped, and enjoined from asserting such Administrative Claims against the Debtors or their property and such Administrative Claims shall be deemed discharged as of the Effective Date. Objections to such requests, if any, must be Filed and served on the Reorganized Debtors and the requesting party by the later of (a) 180 days after the Effective Date and (b) 180 days after the Filing of the applicable request for payment of Administrative Claims, if applicable, in each case, unless otherwise extended by the Bankruptcy Court, at the request of the Reorganized Debtors.

B. Accrued Professional Compensation Claims

1. Professional Fee Escrow

On the Effective Date, the Debtors shall establish the Professional Fee Escrow and fund the Professional Fee Escrow with Cash equal to the Professional Fee Escrow Amount. The Professional Fee Escrow shall be maintained in trust for the Debtors' Professionals and shall not be considered property of the Debtors' Estates; *provided* that New Holdco (if applicable) and Reorganized Sabine shall have a reversionary interest in the excess, if any, of the amount of the Professional Fee Escrow over the aggregate Allowed Accrued Professional Compensation Claims of the Debtors' Professionals to be paid from the Professional Fee Escrow.

2. Final Fee Applications and Payment of Accrued Professional Compensation Claims

All final requests for payment of Accrued Professional Compensation Claims incurred during the period from the Petition Date through the Effective Date shall be Filed no later than thirty (30) days after the Effective Date. After notice and a hearing in accordance with the procedures established by the Bankruptcy Code, Bankruptcy Rules and prior Court orders, the Allowed amounts of such Accrued Professional Compensation Claims shall be determined by the Court. The amount of Accrued Professional Compensation Claims owing to the Professionals shall be paid in Cash to such Professionals when such Claims are Allowed by a Final Order by the Professional Fee Escrow in the case of the Debtors' Professionals and by the Reorganized Debtors in the case of all other Professionals.

To the extent that funds held in the Professional Fee Escrow are unable to satisfy the amount of Accrued Professional Compensation Claims owing to the Debtors' Professionals, such Professionals shall have an Allowed Administrative Claim for any such deficiency, which shall be satisfied in accordance with Article II.A of the Plan. After all Accrued Professional Compensation Claims of the Debtors have been paid in full, the Final Order allowing such Accrued Professional Compensation Claims shall direct the escrow agent to return any excess amounts to Reorganized Sabine. Notwithstanding the foregoing, the RBL Agent and Second Lien Agent shall not be required to File or serve any request for payment or application for allowance of Accrued Professional Compensation Claims.

3. Estimation of Fees and Expenses

To receive payment for unbilled fees and expenses incurred through the Confirmation Date, the Debtors' Professionals shall estimate their Accrued Professional Compensation Claims before and as of the Confirmation Date and shall deliver such estimate to the Debtors and the RBL Agent no later than ten (10) days prior to the Effective Date (it being understood that it shall not be a condition precedent to the occurrence of the Effective Date that such estimates have been provided); *provided, however*, that such estimate shall not be considered an admission with respect to the fees and expenses of such Professional, and such Professionals are not bound to any extent by the estimates. If any of the Debtors' Professionals fails to provide an estimate or does not provide a timely estimate, the

Debtors may estimate the unbilled fees and expenses of such Professional. The total amount so estimated shall be utilized by the Debtors to determine the Professional Fee Escrow Amount; *provided* that nothing herein shall be deemed to be a waiver of any right of the RBL Agent and the RBL Lenders to object to the Professional Fee Escrow Amount or the amount of the fees and expenses sought by any Professional.

4. Post-Confirmation Date Fees and Expenses

Except as otherwise specifically provided in the Plan, from and after the Confirmation Date, the Debtors shall, in the ordinary course of business and without any further notice to or action, order, or approval of the Court, pay in Cash the reasonable and documented legal, professional, or other fees and expenses incurred by the Debtors, the Committee, the RBL Agent, and the Second Lien Agent. Upon the Confirmation Date, any requirement that Professionals comply with sections 327 through 331 and 1103 of the Bankruptcy Code or the Interim Compensation Order in seeking retention or compensation for services rendered after such date shall terminate, and the Debtors may employ and pay any Professional or Ordinary Course Professional in the ordinary course of business without any further notice to or action, order, or approval of the Court. The RBL Agent and the Second Lien Agent shall be entitled to be reimbursed any fees and expenses incurred from and after the Confirmation Date in accordance with the Cash Collateral Order.

C. Priority Tax Claims

Except to the extent that a Holder of an Allowed Priority Tax Claim agrees to a less favorable treatment, in full and final satisfaction, settlement, release, and discharge of and in exchange for each Allowed Priority Tax Claim, each Holder of such Allowed Priority Tax Claim shall be treated in accordance with the terms set forth in section 1129(a)(9)(C) of the Bankruptcy Code. In the event an Allowed Priority Tax Claim is also a Secured Tax Claim, such Claim shall, to the extent it is Allowed, be treated as an Other Secured Claim if such Claim is not otherwise paid in full.

D. Statutory Fees

All fees due and payable pursuant to section 1930 of Title 28 of the U.S. Code prior to the Effective Date shall be paid by the Debtors. On and after the Effective Date, the Reorganized Debtors shall pay any and all such fees when due and payable, and shall file with the Court quarterly reports in a form reasonably acceptable to the U.S. Trustee. Each Debtor shall remain obligated to pay quarterly fees to the U.S. Trustee until the earliest of that particular Debtor's case being closed, dismissed, or converted to a case under Chapter 7 of the Bankruptcy Code.

ARTICLE III.
CLASSIFICATION AND TREATMENT OF CLAIMS AND INTERESTS

In accordance with section 1123(a)(1) of the Bankruptcy Code, Administrative Claims, Accrued Professional Compensation Claims and Priority Tax Claims have not been classified and thus are excluded from the Classes of Claims and Interests set forth in this Article III.

A. Summary of Classification

All Claims and Interests, other than Administrative Claims (including Accrued Professional Compensation Claims) and Priority Tax Claims, are classified in the Classes set forth in this Article III for all purposes, including voting, Confirmation, and distributions pursuant hereto and pursuant to sections 1122 and 1123(a)(1) of the Bankruptcy Code. A Claim or Interest is classified in a particular Class only to the extent that the Claim or Interest qualifies within the description of that Class and is classified in other Classes to the extent that any portion of the Claim or Interest qualifies within the description of such other Classes. A Claim or Interest is also classified in a particular Class for the purpose of receiving distributions pursuant to the Plan only to the extent that such Claim or Interest is an Allowed Claim or Allowed Interest in that Class and has not been paid, released, or otherwise satisfied prior to the Effective Date.

Except as provided below, the Plan constitutes a separate chapter 11 plan of reorganization for each Debtor and the classifications set forth in Classes 1 through 10 shall be deemed to apply to each Debtor, except for Class 11, which only applies to Sabine. Each Class of Claims against or Interests in the Debtors shall be deemed to constitute separate sub-Classes of Claims against and Interests in each of the Debtors, as applicable, and each such sub-Class shall vote as a single separate Class for each of the Debtors, as applicable, and the confirmation requirements of section 1129 of the Bankruptcy Code must be satisfied separately with respect to each of the Debtors.

1. Class Identification

The classification of Claims and Interests against each Debtor (as applicable) pursuant to the Plan is as set forth below. The Plan shall apply as a separate Plan for each of the Debtors, and the classification of Claims and Interests set forth herein shall apply separately to each of the Debtors. All of the potential Classes for the Debtors are set forth herein. Certain of the Debtors may not have Holders of Claims or Interests in a particular Class or Classes, and such Classes shall be treated as set forth in Article III.H hereof.

Class	Claims and Interests	Status	Voting Rights
1	Other Priority Claims	Unimpaired	Not Entitled to Vote (Presumed to Accept)
2	Other Secured Claims	Unimpaired	Not Entitled to Vote (Presumed to Accept)
3	RBL Secured Claims	Impaired	Entitled to Vote
4a	Second Lien Adequate Protection Claims	Impaired	Not Entitled to Vote
4b	Second Lien Deficiency Claims	Impaired	Entitled to Vote
5a	2017 Senior Notes Claims	Impaired	Entitled to Vote
5b	2019 Senior Notes Claims	Impaired	Entitled to Vote
5c	2020 Senior Notes Claims	Impaired	Entitled to Vote
6	General Unsecured Claims	Impaired	Entitled to Vote
7	Convenience Claims	Impaired	Entitled to Vote
8	Section 510(b) Claims	Impaired	Not Entitled to Vote (Deemed to Reject)
9	Intercompany Claims	Impaired/Unimpaired	Not Entitled to Vote (Presumed to Accept/Deemed to Reject)
10	Intercompany Interests	Impaired/Unimpaired	Not Entitled to Vote (Presumed to Accept/Deemed to Reject)
11	Sabine Equity Interests	Impaired	Not Entitled to Vote (Deemed to Reject)

B. Treatment of Claims and Interests

The treatment and voting rights provided to each Class for distribution purposes is specified below:

1. Class 1 – Other Priority Claims

a. *Classification*: Class 1 consists of all Allowed Other Priority Claims.

b. *Treatment*: Except to the extent that a Holder of an Allowed Other Priority Claim agrees to a less favorable treatment, in full and final satisfaction, compromise, settlement, release, and discharge of and in exchange for each Allowed Other Priority Claim, each such Holder shall receive payment in full, in Cash, of the unpaid portion of its Allowed Other Priority Claim on the Effective Date or as soon thereafter as reasonably practicable (or, if payment is not then due, shall be paid in accordance with its terms) or pursuant to such other terms as may be agreed to by the Holder of an Allowed Other Priority Claim and the Debtors.

c. *Voting*: Class 1 is Unimpaired under the Plan. Each Holder of an Allowed Other Priority Claim will be conclusively presumed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, each Holder of an Allowed Other Priority Claim is not entitled to vote to accept or reject the Plan.

2. Class 2 – Other Secured Claims

a. *Classification*: Class 2 consists of all Allowed Other Secured Claims.

b. *Treatment*: On the Effective Date, except to the extent that a Holder of an Allowed Other Secured Claim agrees to a less favorable treatment, in full and final satisfaction, compromise, settlement, release, and discharge of and in exchange for each Allowed Other Secured Claim, each such Holder shall receive either (i) payment in full in Cash of the unpaid portion of its Allowed Other Secured Claim on the Effective Date or as soon thereafter as reasonably practicable (or if payment is not then due, shall be paid in accordance with its terms), (ii) Reinstatement of its Claims, or (iii) such other recovery necessary to satisfy section 1129 of the Bankruptcy Code.

c. *Voting*: Class 2 is Unimpaired under the Plan. Each Holder of an Allowed Other Secured Claim will be conclusively presumed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, each Holder of an Allowed Other Secured Claim is not entitled to vote to accept or reject the Plan.

3. Class 3 - RBL Secured Claims

a. *Classification*: Class 3 consists of all Allowed RBL Secured Claims.

b. *Allowance*: The RBL Secured Claims shall be Allowed in the aggregate amount of $926,779,412.40 plus post-petition interest, fees, costs, and charges in an amount to be determined.

c. *Treatment*: On the Effective Date, or as soon thereafter as reasonably practicable, in full and final satisfaction, compromise, settlement, release, and discharge of and in exchange for each Allowed RBL Secured Claim, each Holder of an Allowed RBL Secured Claim shall receive its Pro Rata share of:

i. the Segregated Cash Collateral (as defined in the Cash Collateral Order) and any other Cash on the Debtors' balance sheet as of the Effective Date;

ii. the Exit Revolver Credit Facility as set forth in Article IV.B.2;

iii. the New Second Lien Credit Facility as set forth in Article IV.B.3; and

iv. the RBL Equity Pool.

d. *Voting*: Class 3 is Impaired under the Plan. Each Holder of an Allowed RBL Secured Claim is entitled to vote to accept or reject the Plan.

e. *Turnover by Holders of Second Lien Claims*. If Classes 3 and 4b vote to accept the Plan by the Voting Deadline, each Holder of an RBL Secured Claim and a First Lien Adequate Protection Claim (as defined in the Cash Collateral Order) shall have conclusively waived as of the Effective Date any right to enforce the lien subordination or other turnover rights under the Intercreditor Agreement and the Cash Collateral Order against any Holder of either a Second Lien Adequate Protection Claim or a Second Lien Deficiency Claim in respect of such Holder's recoveries under Classes 4a and 4b of the Plan; *provided* that if Class 4b does not vote to accept the Plan, then such waiver shall be null and void and deemed to be of no force and effect for purposes of distributions under this Plan.

f. *Waiver*: By operation of the Plan and acceptance of the Plan by Holders of RBL Secured Claims in Class 3, the RBL Lenders shall be deemed to have waived as of the Effective Date any distributions from Class 6 on account of the Allowed RBL Secured Claims (and any deficiency claim) in order to facilitate the Settlement and Confirmation of the Plan on a consensual basis.

4. Class 4a - Second Lien Adequate Protection Claims

a. *Classification*: Class 4a consists of all Allowed Second Lien Adequate Protection Claims.

b. *Allowance*: The Second Lien Adequate Protection Claims shall be Allowed in the aggregate amount of $50 million, after taking into account the payments made under the Cash Collateral Order as provided in Article II.A.

c. *Treatment*: On the Effective Date, or as soon thereafter as reasonably practicable, in full and final satisfaction, compromise, settlement, release, and discharge of and in exchange for each Allowed Second Lien Adequate Protection Claim, each Holder of an Allowed Second Lien Adequate Protection Claim shall receive its Pro Rata share of the Second Lien Equity Pool.

d. *Voting*: Class 4a is not entitled to vote to accept or reject the Plan.

e. *Turnover by Holders of Second Lien Claims*. If Classes 3 and 4b vote to accept the Plan by the Voting Deadline, each Holder of an RBL Secured Claim and a First Lien Adequate Protection Claim (as defined in the Cash Collateral Order) shall have conclusively waived as of the Effective Date any right to enforce the lien subordination or other turnover rights under the Intercreditor Agreement and the Cash Collateral Order against any Holder of either a Second Lien Adequate Protection Claim or a Second Lien Deficiency Claim in respect of such Holder's recoveries under Classes 4a and 4b of the Plan; *provided* that if Class 4b does not vote to accept the Plan, then such waiver shall be null and void and deemed to be of no force and effect for purposes of distributions under this Plan.

5. Class 4b - Second Lien Deficiency Claims

a. *Classification*: Class 4b consists of all Allowed Second Lien Deficiency Claims.

b. *Allowance*: The Second Lien Deficiency Claims shall be Allowed in the aggregate amount of the Second Lien Claims minus the Allowed amount of the Second Lien Adequate Protection Claim and any payments made to the Second Lien Agent under the Cash Collateral Order through the Effective Date.[3]

c. *Treatment*: On the Effective Date, or as soon thereafter as reasonably practicable, in full and final satisfaction, compromise, settlement, release, and discharge of and in exchange for each Allowed Second Lien Deficiency Claim, each Holder of an Allowed Second Lien Deficiency Claim shall receive its Pro Rata share of the Unsecured Equity Pool. The New Common Stock and Tranche 2 Warrants in the Unsecured Equity Pool shall be distributed Pro Rata to Holders of Claims in Classes 4b, 5a, 5b, 5c and 6.

d. *Voting*: Class 4b is Impaired under the Plan. Each Holder of an Allowed Second Lien Deficiency Claim is entitled to vote to accept or reject the Plan.

[3] The Debtors estimate that the Allowed Amount of the Second Lien Deficiency Claim shall be approximately $668 million.

e. *Turnover by Holders of Second Lien Claims*. If Classes 3 and 4b vote to accept the Plan by the Voting Deadline, each Holder of an RBL Secured Claim and a First Lien Adequate Protection Claim (as defined in the Cash Collateral Order) shall have conclusively waived as of the Effective Date any right to enforce the lien subordination or other turnover rights under the Intercreditor Agreement and the Cash Collateral Order against any Holder of either a Second Lien Adequate Protection Claim or a Second Lien Deficiency Claim in respect of such Holder's recoveries under Classes 4a and 4b of the Plan; *provided* that if Class 4b does not vote to accept the Plan, then such waiver shall be null and void and deemed to be of no force and effect for purposes of distributions under this Plan.

6. Class 5a - 2017 Senior Notes Claims

a. *Classification*: Class 5a consists of all Allowed 2017 Senior Notes Claims.

b. *Allowance*: The 2017 Senior Notes Claims shall be Allowed in the aggregate amount of $364,123,958.33, which amount includes all other obligations related thereto, including any accrued unpaid prepetition interest, costs, fees, and indemnities, as calculated in accordance with the 2017 Senior Notes Indenture.

c. *Treatment*: On the Effective Date, or as soon thereafter as reasonably practicable, in full and final satisfaction, compromise, settlement, release, and discharge of and in exchange for each Allowed 2017 Senior Notes Claim, each Holder of an Allowed 2017 Senior Notes Claim shall receive its Pro Rata share of the Unsecured Equity Pool. The New Common Stock and Tranche 2 Warrants in the Unsecured Equity Pool shall be distributed Pro Rata to Holders of Claims in Classes 4b, 5a, 5b, 5c and 6.

d. *Voting*: Class 5a is Impaired under the Plan. Each Holder of an Allowed 2017 Senior Notes Claim is entitled to vote to accept or reject the Plan.

7. Class 5b - 2019 Senior Notes Claims

a. *Classification*: Class 5b consists of all Allowed 2019 Senior Notes Claims.

b. *Allowance*: The 2019 Senior Notes Claims shall be Allowed in the aggregate amount of $602,238,560.79, which amount includes all other obligations related thereto, including any accrued unpaid prepetition interest, costs, fees, and indemnities, as calculated in accordance with the 2019 Senior Notes Indenture.

c. *Treatment*: On the Effective Date, or as soon thereafter as reasonably practicable, in full and final satisfaction, compromise, settlement, release, and discharge of and in exchange for each Allowed 2019 Senior Notes Claim, each Holder of an Allowed 2019 Senior Notes Claim shall receive its Pro Rata share of the Unsecured Equity Pool. The New Common Stock and Tranche 2 Warrants in the Unsecured Equity Pool shall be distributed Pro Rata to Holders of Claims in Classes 4b, 5a, 5b, 5c and 6.

d. *Voting*: Class 5b is Impaired under the Plan. Each Holder of an Allowed 2019 Senior Notes Claim is entitled to vote to accept or reject the Plan.

8. Class 5c - 2020 Senior Notes Claims

a. *Classification*: Class 5c consists of all Allowed 2020 Senior Notes Claims.

b. *Allowance*: The 2020 Senior Notes Claims shall be Allowed in the aggregate amount of $227,592,906.88, which amount includes all other obligations related thereto, including

any accrued unpaid prepetition interest, costs, fees, and indemnities, as calculated in accordance with the 2020 Senior Notes Indenture.

c. *Treatment*: On the Effective Date, or as soon thereafter as reasonably practicable, in full and final satisfaction, compromise, settlement, release, and discharge of and in exchange for each Allowed 2020 Senior Notes Claim, each Holder of an Allowed 2020 Senior Notes Claim shall receive its Pro Rata share of the Unsecured Equity Pool. The New Common Stock and Tranche 2 Warrants in the Unsecured Equity Pool shall be distributed Pro Rata to Holders of Claims in Classes 4b, 5a, 5b, 5c and 6.

d. *Voting*: Class 5c is Impaired under the Plan. Each Holder of an Allowed 2020 Senior Notes Claim is entitled to vote to accept or reject the Plan

9. Class 6 - General Unsecured Claims

a. *Classification*: Class 6 consists of all Allowed General Unsecured Claims. For the avoidance of doubt, Class 6 shall not include any Claim that would otherwise be a General Unsecured Claim if the Holder of such Claim has elected to have such Claim treated as a Convenience Claim.

b. *Allowance*: Each General Unsecured Claim shall be Allowed in an amount to be determined in accordance with the Plan.

c. *Treatment*: On the Effective Date or as soon thereafter as reasonably practicable, except to the extent that a Holder of an Allowed General Unsecured Claim agrees to less favorable treatment, in full and final satisfaction, compromise, settlement, release, and discharge of and in exchange for each Allowed General Unsecured Claim, each Holder of an Allowed General Unsecured Claim shall receive, subject to applicable law, its Pro Rata share of the Unsecured Equity Pool. The New Common Stock and Tranche 2 Warrants in the Unsecured Equity Pool shall be distributed Pro Rata to Holders of Claims in Classes 4b, 5a, 5b, 5c and 6.

d. *Voting*: Class 6 is Impaired under the Plan. Each Holder of an Allowed General Unsecured Claim is entitled to vote to accept or reject the Plan.

10. Class 7 - Convenience Claims

a. *Classification*: Class 7 consists of all Allowed Convenience Claims.

b. *Treatment*: On the Effective Date, or as soon as reasonably practicable thereafter, except to the extent that a Holder of an Allowed Convenience Claim agrees to less favorable treatment, in full and final satisfaction, compromise, settlement, release, and discharge of and in exchange for each Allowed Convenience Claim, each Holder of an Allowed Convenience Claim shall receive, subject to applicable law, Cash in an amount equal to three percent (3%) of such Holder's Allowed Convenience Claim.

c. *Voting*: Class 7 is Impaired under the Plan. Each Holder of an Allowed Convenience Claim is entitled to vote to accept or reject the Plan.

11. Class 8 - Section 510(b) Claims

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

b. *Treatment*: Holders of Section 510(b) Claims shall not be entitled to and shall not receive any distribution on account of such Claims, and Section 510(b) Claims shall be discharged, cancelled, released, and extinguished as of the Effective Date.

c. *Voting*: Class 8 is Impaired under the Plan. Each Holder of a 510(b) Claim will be conclusively deemed to have rejected the Plan pursuant to section 1126(g) of the Bankruptcy Code. Therefore, each Holder of a 510(b) Claim is not entitled to vote to accept or reject the Plan.

12. Class 9 - Intercompany Claims

a. *Classification*: Class 9 consists of all Intercompany Claims.

b. *Treatment*: On the Effective Date, at the Debtors' option, but in each case subject to the consent of the RBL Agent, which consent shall not be unreasonably withheld, each Intercompany Claim shall either be (i) cancelled (or otherwise eliminated) and receive no distribution under the Plan or (ii) Reinstated.

c. *Voting*: Holders of Intercompany Claims are either Unimpaired, and such Holders of Intercompany Claims conclusively are presumed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code, or Impaired, and such Holders of Intercompany Claims are deemed to have rejected the Plan pursuant to section 1126(g) of the Bankruptcy Code. Therefore, each Holder of an Intercompany Claim is not entitled to vote to accept or reject the Plan.

13. Class 10 - Intercompany Interests

a. *Classification*: Class 10 consists of all Intercompany Interests.

b. *Treatment*: On the Effective Date, at the Debtors' option, but in each case subject to the consent of the RBL Agent, which consent shall not be unreasonably withheld, each Intercompany Interest shall either be (i) cancelled (or otherwise eliminated) and receive no distribution under the Plan or (ii) Reinstated.

c. *Voting*: Holders of Intercompany Interests are either Unimpaired, and such Holders of Intercompany Interests conclusively are presumed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code, or Impaired, and such Holders of Intercompany Interests are deemed to have rejected the Plan pursuant to section 1126(g) of the Bankruptcy Code. Therefore, each Holder of an Intercompany Interest is not entitled to vote to accept or reject the Plan.

14. Class 11- Sabine Equity Interests

a. *Classification*: Class 11 consists of all existing Interests in Sabine.

b. *Treatment*: On the Effective Date, Equity Interests in Sabine shall be deemed canceled and extinguished, and shall be of no further force and effect, whether surrendered for cancelation or otherwise, and there shall be no distribution to Holders of Sabine Equity Interests on account of such Interests.

c. *Voting*: Class 11 is Impaired under the Plan. Each Holder of a Sabine Equity Interest will be conclusively deemed to have rejected the Plan pursuant to section 1126(g) of the Bankruptcy Code. Therefore, each Holder of a Sabine Equity Interest is not entitled to vote to accept or reject the Plan.

C. No Substantive Consolidation

Although the Plan is presented as a joint plan of reorganization, this Plan does not provide for the substantive consolidation of the Debtors' Estates, and on the Effective Date, the Debtors' Estates shall not be deemed to be substantively consolidated for any reason. Nothing in this Plan or the Disclosure Statement shall constitute or be deemed to constitute an admission that any one or all of the Debtors is subject to or liable for any Claims against any other Debtor. A Claim against multiple Debtors will be treated as a separate Claim against each applicable Debtor's Estate for all purposes including voting and distribution; *provided* that no Claim will receive value in excess of one hundred percent (100%) of the Allowed amount of such Claim.

D. Confirmation of Certain, But Not All Cases

If the Plan is not confirmed as to one or more of the Debtors, but the other Debtors determine to proceed with the Plan, then the Debtor(s) as to which the Plan may not be confirmed shall be severed from, and the Plan shall not apply to, such Debtor(s).

E. Special Provision Governing Unimpaired Claims

Nothing under the Plan shall affect the Debtors' rights in respect of any Unimpaired Claims, including all rights in respect of legal and equitable defenses to or setoffs or recoupment against any such Unimpaired Claims.

F. Special Provision Regarding Settled Claims

Any and all Settled Claims shall be settled and compromised pursuant to Article VIII.A of the Plan. Distributions on account of the Allowed Claims resulting from such settlement and compromise shall be effected through the distributions to Holders of Allowed Claims pursuant to this Plan.

G. Confirmation Pursuant to Sections 1129(a)(10) and 1129(b) of the Bankruptcy Code

The Debtors shall seek Confirmation of the Plan pursuant to section 1129(b) of the Bankruptcy Code with respect to any rejecting Class of Claims or Interests. The Debtors reserve the right to modify the Plan in accordance with Article X hereof to the extent, if any, that Confirmation pursuant to section 1129(b) of the Bankruptcy Code requires modification.

H. Elimination of Vacant Classes

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

I. Voting Classes; Presumed Acceptance by Non-Voting Classes

If a Class contains Claims or Interests eligible to vote and no Holders of Claims or Interests eligible to vote in such Class vote to accept or reject the Plan, the Plan shall be presumed accepted by the Holders of such Claims or Interests in such Class.

J. Intercompany Interests

To the extent Reinstated under the Plan, distributions on account of Intercompany Interests are being Reinstated solely for the purpose of maintaining the existing corporate structure of the Debtors, but subject to the Restructuring Transactions described in Section IV.A. For the avoidance of doubt, any Interest in Non-Debtor Subsidiaries owned by a Debtor shall continue to be owned by the applicable Reorganized Debtor.

K. Subordinated Claims

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

ARTICLE IV.
MEANS FOR IMPLEMENTATION OF THE PLAN

A. Restructuring Transactions

On the Effective Date, or as soon as reasonably practicable thereafter, with the consent of the RBL Agent, and, where applicable, the Second Lien Agent, which consents shall not be unreasonably withheld, the Reorganized Debtors may take all actions as may be necessary or appropriate to effect any transaction described in, approved by, contemplated by, or necessary to effectuate the Plan (the "Restructuring Transactions"), including: (1) the execution and delivery of any appropriate agreements or other documents of merger, consolidation, restructuring, conversion, disposition, transfer, dissolution, or liquidation containing terms that are consistent with the terms of the Plan, and that satisfy the requirements of applicable law and any other terms to which the applicable Entities may agree; (2) the formation of New Holdco (the steps for which will be described in the Plan Supplement); (3) the execution and delivery of appropriate instruments of transfer, assignment, assumption, or delegation of any asset, property, right, liability, debt, or obligation on terms consistent with the terms of the Plan and having other terms for which the applicable parties agree; (4) the filing of appropriate certificates or articles of incorporation, reincorporation, merger, consolidation, conversion, or dissolution pursuant to applicable state law; (5) the execution and delivery of the applicable documents included in the Plan Supplement, including but not limited to the Exit Revolver Credit Facility Agreement, the New Second Lien Credit Facility Agreement, the Stockholders' Agreement, and the Warrant Agreements; (6) the Settlement; and (7) all other actions that the applicable Entities determine to be necessary or appropriate, including making filings or recordings that may be required by applicable law. For the purposes of effectuating the Plan, none of the Restructuring Transactions (including the formation of New Holdco) contemplated herein shall constitute a change of control under any agreement, contract, or document of the Debtors.

B. Sources of Consideration for Plan Distributions

The Reorganized Debtors shall fund distributions under the Plan as follows:

1. Equity Interests in New Holdco

a. Issuance and Distribution of New Common Stock and Warrants

On the Effective Date, all Sabine Equity Interests shall be canceled and New Holdco shall issue New Common Stock for distribution. All of the shares of New Common Stock issued pursuant to the Plan shall be duly authorized, validly issued, fully paid, and non-assessable. Each distribution and issuance of the New Common Stock under the Plan shall be governed by the terms and conditions set forth in the Plan applicable to such distribution or issuance and by the terms and conditions of the instruments evidencing or relating to such distribution or issuance, which terms and conditions shall bind each Entity receiving such distribution or issuance.

All shares of New Common Stock issued pursuant to the Plan as of the Effective Date shall be subject to dilution by the Warrants, and both the New Common Stock and Warrants shall be diluted by shares issued in connection with the Management Incentive Plan. The issuance of the New Common Stock and Warrants, including options, or other equity awards, if any, reserved under the Management Incentive Plan, shall be authorized without the need for any further corporate action and without any further action by the Holders of Claims or Interests.

On the Effective Date, New Holdco will issue the Tranche 1 Warrants Pro Rata to Holders of Claims in Class 4a and Tranche 2 Warrants Pro Rata to Holders of Claims in Classes 4b, 5a, 5b, 5c and 6, as described in Article III above. The New Common Stock and Tranche 2 Warrants in the Unsecured Equity Pool shall be distributed Pro Rata to Holders of Claims in Classes 4b, 5a, 5b, 5c and 6.

b. Warrant Agreements

On the Effective Date, New Holdco will enter into the Warrant Agreements, which shall be substantially in the form included in the Plan Supplement, and issue the Warrants to Holders of Claims in Classes 4a, 4b, 5a, 5b, 5c and 6, each in accordance with Articles III and IV(B)(1) of the Plan. The Warrant Agreements shall include (i) standard anti-dilution protections relating to future dividends and distributions of New Common Stock in New Holdco to the holders of New Common Stock in New Holdco, (ii) protections requiring New Holdco to redeem the Warrants upon the occurrence of a "Change of Control" (as defined in the Warrant Agreement; *provided* that a "Change of Control" shall mean any person or group (within the meaning of the Securities Act of 1934 and the rules of the SEC thereunder), other than a person or group issued New Common Stock from the RBL Equity Pool on the Effective Date, acquiring at least a majority of the New Common Stock in New Holdco) of New Holdco at a valuation of the Warrants calculated by the Approved Broker-Dealer, provided that such redemption may be in the same form of, and in the same proportion of cash and equity, as the consideration paid to the holders of the majority of New Common Stock in such Change of Control transaction, and (iii) protections requiring New Holdco to redeem the Warrants for cash at a valuation of the Warrants calculated by the Approved Broker-Dealer using the Black-Scholes Method upon either (x) the sale of all or substantially all of the assets of New Holdco or Reorganized Sabine in a single transaction or a series of related transactions or (y) the sale, transfer or other disposition in a single transaction or a series of related transactions of all or substantially all of the oil and gas properties located in East Texas and owned by Reorganized Sabine and Reorganized Sabine East Basin LLC as of the Effective Date followed by a dividend or distribution of all or substantially all of the net cash proceeds of such sale, transfer or other disposition to the holders of New Common Stock in New Holdco (it being understood and agreed that (A) for purposes of clause (iii) "net cash proceeds" shall be net of amounts used to repay the obligations outstanding under each of the Exit Revolver Credit Facility, the New Second Lien Facility, any other indebtedness for borrowed money and any refinancing thereof and certain other customary amounts to be set forth in the Warrant Agreements, and (B) nothing herein shall create an obligation to declare a dividend or distribution of any net cash proceeds). Holders of the Warrants shall not have any "put" rights. The calculation of the value of the Warrants by the Approved Broker-Deal shall be conclusive, final and binding on New Holdco, the Reorganized Debtors and the holders of the Warrants.

c. Deemed Execution of the Stockholders' Agreement, Registration Rights Agreement, and Warrant Agreements

On the Effective Date, (i) each Holder of an Allowed Claim that receives New Common Stock shall be deemed to have executed, without any further action by any party, the Stockholders' Agreement and the Registration Rights Agreement; (ii) each Holder of an Allowed Second Lien Adequate Protection Claim that receives Tranche 1 Warrants shall be deemed to have executed, without any further action by any party, the Tranche 1 Warrant Agreement; and (iii) each Holder of an Allowed Claim that receives Tranche 2 Warrants shall be deemed to have executed, without any further action by any party, the Tranche 2 Warrant Agreement.

2. Exit Revolver Credit Facility

On the Effective Date, New Holdco and the Reorganized Debtors will enter into the Exit Revolver Credit Facility Agreement and other Exit Revolver Credit Facility Documents. The Exit Revolver Credit Facility will be provided by each of the RBL Lenders on account of its Pro Rata share of the Allowed RBL Secured Claims. The Exit Revolver Credit Facility shall be a new reserve-based revolving credit facility under the Exit Revolver Credit Facility Agreement secured by first priority security interests in and liens on substantially all of New Holdco's and the Reorganized Debtors' assets (including Cash, which Cash shall be held in an account subject to a deposit account control agreement in form and substance reasonably satisfactory to the Exit Revolver Agent), with (a) initial commitments equal to $200 million; (b) deemed borrowings equal to $100 million on the Effective Date, of which up to $100 million shall be repaid by the Reorganized Debtors in Cash on the Effective Date; (c) an initial borrowing base of approximately $150 million on the Effective Date; (d) an interest rate of LIBOR plus three to four

percent (3% to 4%), as determined by an utilization grid agreed by the Debtors and the RBL Agent; (e) a maturity date of December 31, 2020; and (f) such other terms as provided in the Exit Revolver Credit Facility Documents, which shall be acceptable to the Debtors and the RBL Agent; *provided* that to the extent Cash on the Debtors' balance sheet on the Effective Date is insufficient to repay the deemed draw described in clause (b), then the shortfall shall result in a drawn amount that remains outstanding under the Exit Revolver Credit Facility on and after the Effective Date until the Reorganized Debtors repay such amount in accordance with the Exit Revolver Credit Facility; *provided, further*, that if the Cash on the Debtors' balance sheet on the Effective Date exceeds the deemed draw described in clause (b), then such Cash shall be applied to reduce the principal amount of the New Second Lien Credit Facility on the Effective Date in accordance with Article IV.B.3

The Confirmation Order shall include approval of the Exit Revolver Credit Facility (including the transactions contemplated thereby, such as any supplementation or additional syndication of the Exit Revolver Credit Facility, and all actions to be taken, undertakings to be made, and obligations to be incurred by New Holdco and the Reorganized Debtors in connection therewith, including the payment of all fees, indemnities, and expenses provided for therein), the granting of any liens and security interests in favor of the lenders under the Exit Revolver Credit Facility securing such obligations, and authorization for New Holdco and the Reorganized Debtors to enter into and execute the Exit Revolver Credit Facility Documents and such other documents as may be required to effectuate the treatment afforded to the lenders under the Exit Revolver Credit Facility pursuant to the Exit Revolver Credit Facility Documents, including any and all documents that serve to evidence and secure New Holdco's and the Reorganized Debtors' respective obligations under the Exit Revolver Credit Facility and any liens and security interests in favor of the lenders under the Exit Revolver Credit Facility securing such obligations. The Reorganized Debtors may use the Exit Revolver Credit Facility for any purpose permitted thereunder, including the funding of obligations under the Plan and satisfaction of ongoing working capital needs.

On the Effective Date, (1) the Reorganized Debtors are authorized to execute and deliver the Exit Revolver Credit Facility Documents and any and all security agreements, guarantees, mortgages or extensions of mortgages, certificates, control agreements, insurance documents, opinions, and other instruments, agreements, assignments, and documents contemplated or required by the Exit Revolver Credit Facility, including any and all such documents that serve to evidence and secure the Reorganized Debtors' respective obligations under the Exit Revolver Credit Facility and any liens and security interests in favor of the lenders under the Exit Revolver Credit Facility securing such obligations, and perform their obligations thereunder including the payment or reimbursement of any fees, expenses, losses, damages, or indemnities, and (2) subject to the occurrence of the Effective Date, the Exit Revolver Credit Facility Documents and any and all security agreements, guarantees, mortgages or extensions of mortgages, certificates, control agreements, insurance documents, opinions, and other instruments, agreements, assignments, and documents contemplated or required by the Exit Revolver Credit Facility, including any and all such documents that serve to evidence and secure the Reorganized Debtors' respective obligations under the Exit Revolver Credit Facility and any liens and security interests in favor of the lenders under the Exit Revolver Credit Facility securing such obligation, shall constitute the legal, valid, and binding obligations of the Reorganized Debtors and be enforceable in accordance with their respective terms.

3. New Second Lien Credit Facility

On the Effective Date, New Holdco and the Reorganized Debtors will enter into the New Second Lien Credit Facility Agreement and other New Second Lien Credit Facility Documents. The New Second Lien Credit Facility shall be a term loan under the New Second Lien Credit Facility Agreement secured by second priority security interests in and liens on substantially all of the New Holdco's and the Reorganized Debtors' assets (including Cash, which Cash shall be held in an account subject to a deposit account control agreement), with (a) a principal amount of $150 million; (b) an interest rate of LIBOR plus ten percent (10%), subject to a one percent (1%) floor; (c) annual amortization of one percent (1%); (d) a maturity date of December 31, 2021; and (e) such other terms as provided in the New Second Lien Credit Facility Documents, which shall be acceptable to the Debtors and the RBL Agent; *provided* that if Cash on the Debtors' balance sheet exceeds $100 million on the Effective Date, then the first $100 million shall be used to repay the deemed draw described in clause (b) of Article IV.B.2 and any excess amount thereafter shall be used to reduce the principal amount of the New Second Lien Credit Facility on the Effective Date (with such payment to be distributed Pro Rata to each of the RBL Lenders); *provided further* that no interest, fees or other amounts shall accrue or be charged with respect to the principal

amounts deemed borrowed and repaid on the Effective Date using the Debtors' Cash on its balance sheet as set forth herein.

The Confirmation Order shall include approval of the New Second Lien Credit Facility (including the transactions contemplated thereby, such as any supplementation or additional syndication of the New Second Lien Credit Facility, and all actions to be taken, undertakings to be made, and obligations to be incurred by the Reorganized Debtors in connection therewith, including the payment of all fees, indemnities, and expenses provided for therein), the granting of any liens and security interests in favor of the lenders under the New Second Lien Credit Facility securing such obligations, and authorization for New Holdco and the Reorganized Debtors to enter into and execute the New Second Lien Credit Facility Documents and such other documents as may be required to effectuate the treatment afforded to the lenders under the New Second Lien Credit Facility pursuant to the New Second Lien Credit Facility Documents, including any and all documents that serve to evidence and secure New Holdco's and the Reorganized Debtors' respective obligations under the New Second Lien Credit Facility and any liens and security interests in favor of the lenders under the New Second Lien Credit Facility securing such obligations.

On the Effective Date, (1) the Reorganized Debtors are authorized to execute and deliver the New Second Lien Credit Facility Documents and any and all security agreements, guarantees, mortgages or extensions of mortgages, certificates, control agreements, insurance documents, opinions, and other instruments, agreements, assignments, and documents contemplated or required by the New Second Lien Credit Facility, including any and all such documents that serve to evidence and secure the Reorganized Debtors' respective obligations under the New Second Lien Credit Facility and any liens and security interests in favor of the lenders under the New Second Lien Credit Facility securing such obligations, and perform their obligations thereunder including the payment or reimbursement of any fees, expenses, losses, damages, or indemnities, and (2) subject to the occurrence of the Effective Date, the New Second Lien Credit Facility Documents and any and all security agreements, guarantees, mortgages or extensions of mortgages, certificates, control agreements, insurance documents, opinions, and other instruments, agreements, assignments, and documents contemplated or required by the New Second Lien Credit Facility, including any and all such documents that serve to evidence and secure the Reorganized Debtors' respective obligations under the New Second Lien Credit Facility and any liens and security interests in favor of the lenders under the New Second Lien Credit Facility securing such obligations, shall constitute the legal, valid, and binding obligations of the Reorganized Debtors and be enforceable in accordance with their respective terms.

4. The Settlement of Claims

On the Effective Date, the Reorganized Debtors shall enter into the Settlement, pursuant to which distributions of New Common Stock and Warrants can be made in accordance with Article III.

C. Corporate Existence

Except as otherwise provided in the Plan or any agreement, instrument, or other document incorporated in the Plan or the Plan Supplement, on the Effective Date, each Debtor shall continue to exist after the Effective Date as a separate corporation, limited liability company, partnership, or other form of entity, as the case may be, with all the powers of a corporation, limited liability company, partnership, or other form of entity, as the case may be, pursuant to the applicable law in the jurisdiction in which each applicable Debtor is incorporated or formed and pursuant to the respective certificate of incorporation and by-laws (or other analogous formation documents) in effect before the Effective Date, except to the extent such certificate of incorporation and bylaws (or other analogous formation documents) are amended by the Plan or otherwise, and to the extent such documents are amended, such documents are deemed to be amended pursuant to the Plan and require no further action or approval (other than any requisite filings required under applicable state, provincial, or federal law).

D. Vesting of Assets in the Reorganized Debtors

Except as otherwise provided in the Plan or any agreement, instrument, or other document incorporated in the Plan or the Plan Supplement, on the Effective Date, all property in each Estate, all Causes of Action, and any property acquired by any of the Debtors, including Interests held by the Debtors in Non-Debtor Subsidiaries, pursuant to the Plan shall vest in each respective Reorganized Debtor, free and clear of all Liens, Claims, charges, or other encumbrances. On and after the Effective Date, except as otherwise provided in the Plan, New Holdco and

each Reorganized Debtor may operate its business and may use, acquire, or dispose of property, and compromise or settle any Claims, Interests, or Causes of Action without supervision or approval by the Court and free of any restrictions of the Bankruptcy Code or Bankruptcy Rules.

E. Cancellation of Existing Securities and Agreements

Except as otherwise provided in the Plan or any agreement, instrument, or other document incorporated in the Plan or the Plan Supplement, on the Effective Date: (1) the obligations of the Debtors under the RBL Credit Agreement, the Second Lien Credit Agreement, the Senior Notes Indentures, and any other certificate, share, note, bond, indenture, purchase right, option, warrant, or other instrument or document, directly or indirectly, evidencing or creating any indebtedness or obligation of or ownership interest in the Debtors giving rise to any Claim or Interest (except such certificates, notes, or other instruments or documents evidencing indebtedness or obligations of the Debtors that are specifically Reinstated pursuant to the Plan) shall be cancelled as to the Debtors and the Reorganized Debtors shall not have any continuing obligations thereunder and (2) the obligations of the Debtors pursuant, relating, or pertaining to any agreements, indentures, certificates of designation, bylaws, or certificate or articles of incorporation or similar documents governing the shares, certificates, notes, bonds, purchase rights, options, warrants, or other instruments or documents evidencing or creating any indebtedness or obligation of the Debtors (except such agreements, certificates, notes, or other instruments evidencing indebtedness or obligations of the Debtors that are specifically Reinstated pursuant to the Plan) shall be released and discharged; *provided* that notwithstanding Confirmation or the occurrence of the Effective Date, any such indenture or agreement that governs the rights of the Holder of a Claim or Interest shall continue in effect solely for purposes of enabling Holders of Allowed Claims and Allowed Interests to receive distributions under the Plan as provided herein; *provided further* that the preceding proviso shall not affect the discharge of Claims or Interests pursuant to the Bankruptcy Code, the Confirmation Order, or the Plan or result in any expense or liability to the Reorganized Debtors, except to the extent set forth in or provided for under this Plan; *provided further* that nothing in this section shall effect a cancellation of any New Common Stock, Warrants or Intercompany Interests; *provided further* that all indemnification obligations and expense reimbursement obligations of the Debtors arising under the RBL Credit Facility Documents in favor of the RBL Agent, the RBL Lenders, or their respective directors, officers, employees, agents, affiliates, controlling persons, and legal and financial advisors, shall survive, remain in full force and effect, and be enforceable against the Reorganized Debtors on and after the Effective Date; *provided further* that the RBL Credit Facility shall continue in effect with respect to any obligations thereunder governing the relationship between the RBL Agent and the RBL Lenders (including those provisions relating to the RBL Agent's rights to seek expense reimbursement, indemnification and similar amounts from the RBL Lenders) or that may survive termination or maturity of the RBL Credit Facility in accordance with the terms thereof; *provided further* that all indemnification obligations and expense reimbursement obligations of the Debtors arising under the Second Lien Credit Facility Documents in favor of the Second Lien Agent, the Second Lien Lenders, or their respective directors, officers, employees, agents, affiliates, controlling persons, and legal and financial advisors, shall survive, remain in full force and effect, and be enforceable against the Reorganized Debtors on and after the Effective Date; *provided further* that the Second Lien Credit Facility Documents shall continue in effect with respect to any obligations thereunder governing the relationship between the Second Lien Agent and the Second Lien Lenders (including those provisions relating to the Second Lien Agent's rights to seek expense reimbursement, indemnification and similar amounts from the Second Lien Lenders) or that may survive termination or maturity of the Second Lien Credit Facility in accordance with the terms thereof.

On and after the Effective Date, all duties and responsibilities of the RBL Agent under the RBL Credit Agreement, the Second Lien Agent under the Second Lien Credit Agreement, and each Senior Notes Indenture Trustee under each Senior Notes Indenture, as applicable, shall be discharged unless otherwise specifically set forth in or provided for under the Plan or the Plan Supplement.

If the record Holder of any Senior Notes is DTC or its nominee or another securities depository or custodian thereof, and such Holder of Senior Notes is represented by a global security held by or on behalf of DTC or such other securities depository or custodian, then each such Holder of the Senior Notes shall be deemed to have surrendered such Holder's note, debenture or other evidence of indebtedness upon surrender of such global security by DTC or such other securities depository or custodian thereof.

F. Corporate Action

On the Effective Date, or as soon thereafter as is reasonably practicable, all actions contemplated by the Plan shall be deemed authorized and approved by the Court in all respects, including, as applicable: (1) the issuance of the New Common Stock and the Warrants by New HoldCo; (2) the selection of the directors and officers for New HoldCo, Reorganized Sabine and the other Reorganized Debtors; (3) the execution and delivery of the Exit Revolver Credit Facility Documents; (4) the execution and delivery of the New Second Lien Credit Facility Documents; (5) the execution and delivery of the Stockholders' Agreement, the Registration Rights Agreement and the Warrant Agreements, (6) the adoption and implementation of the Management Incentive Plan by the New Board of New Holdco; (7) the implementation of the Restructuring Transactions; and (8) all other actions contemplated by the Plan (whether to occur before, on, or after the Effective Date). On the Effective Date, all matters provided for in the Plan involving the corporate structure of New Holdco, Reorganized Sabine and the other Reorganized Debtors, and any corporate action required by the Debtors, New Holdco, Reorganized Sabine, or the other Reorganized Debtors in connection with the Plan, shall be deemed to have occurred and shall be in effect, without any requirement of further action by the security Holders, directors, or officers of the Debtors, New Holdco, Reorganized Sabine or the other Reorganized Debtors.

On or (as applicable) before the Effective Date, the appropriate officers of the Debtors, New Holdco, or the Reorganized Debtors shall be authorized and (as applicable) directed to issue, execute, and deliver the agreements, documents, securities, and instruments contemplated by the Plan (or necessary or desirable to effect the transactions contemplated by the Plan) in the name of and on behalf of New Holdco and the Reorganized Debtors, including the Exit Revolver Credit Facility Agreement and the other Exit Revolver Credit Facility Documents, the New Second Lien Credit Facility Agreement and the other New Second Lien Credit Facility Documents, the Stockholders' Agreement, the Registration Rights Agreement and the Warrant Agreements, and any and all other agreements, documents, securities, and instruments relating to the foregoing, to the extent not previously authorized by the Court. The authorizations and approvals contemplated by this Article IV.F shall be effective notwithstanding any requirements under non-bankruptcy law.

G. New Organizational Documents

To the extent required under the Plan or applicable nonbankruptcy law, New Holdco and the Reorganized Debtors will file their respective New Organizational Documents with the applicable Secretaries of State or other applicable authorities in their respective states, provinces, or countries of incorporation in accordance with the corporate laws of the respective states, provinces, or countries of incorporation. Pursuant to section 1123(a)(6) of the Bankruptcy Code, the New Organizational Documents of New Holdco and the Reorganized Debtors will prohibit the issuance of non-voting equity securities.

H. Directors and Officers of the Reorganized Debtors

On the Effective Date, all managers, directors, and other members of the existing boards or governance bodies of the Debtors, as applicable, shall cease to hold office or have any authority from and after such time to the extent not expressly included in the roster of the applicable New Board. Pursuant to section 1129(a)(5) of the Bankruptcy Code, the Debtors will disclose in advance of the Voting Deadline the identity and affiliations of the individuals selected to serve on the initial New Boards, as well as those Persons who will serve as an officer of New Holdco or any of the Reorganized Debtors.

On the Effective Date, the New Board of New Holdco shall consist of five members as follows:

1. one member appointed by Wells Fargo;

2. one member appointed by Barclays;

3. one member appointed by the RBL Lenders excluding Wells Fargo and Barclays; *provided* that such board member is reasonably acceptable to Wells Fargo and Barclays;

4. one member appointed by the RBL Lenders excluding Wells Fargo and Barclays; *provided* that such board member is reasonably acceptable to Wells Fargo, Barclays, and a majority of Second Lien Lenders; and

5. the chief executive officer of New Holdco.

Successors to the members appointed to the New Board of New Holdco shall be elected in accordance with the New Organizational Documents of New Holdco. To the extent any such director to be appointed to the New Board of New Holdco or an officer is an "insider" as defined under the Bankruptcy Code, the nature of any compensation to be paid to such director or officer from and after the Effective Date will also be disclosed. Each such director and officer shall serve from and after the Effective Date pursuant to the terms of the New Organizational Documents and other constituent documents of New Holdco and the Reorganized Debtors. Wells Fargo and Barclays shall each have board observer rights on and after the Effective Date in connection with the New Board of New Holdco.

I. Effectuating Documents; Further Transactions

On and after the Effective Date, New Holdco, the Reorganized Debtors, and the officers and members of the New Boards thereof, are authorized to and may issue, execute, deliver, file, or record such contracts, Securities, instruments, releases, and other agreements or documents and take such actions as may be necessary or appropriate to effectuate, implement, and further evidence the terms and conditions of the Plan, the Securities issued pursuant to the Plan, including the Exit Revolver Credit Facility Documents, the New Second Lien Credit Facility Documents, the New Common Stock and Warrants, in the name of and on behalf of New Holdco or the Reorganized Debtors, without the need for any approvals, authorization, or consents except those expressly required pursuant to the Plan.

J. Exemption from Certain Taxes and Fees

Pursuant to section 1146(a) of the Bankruptcy Code, any transfers of property pursuant hereto, the Exit Revolver Credit Facility Documents or the New Second Lien Credit Facility Documents shall not be subject to any document recording tax, stamp tax, conveyance fee, intangibles or similar tax, mortgage tax, stamp act, real estate transfer tax, sale or use tax, mortgage recording tax, or other similar tax or governmental assessment, and upon entry of the Confirmation Order, the appropriate state or local governmental officials or agents shall forgo the collection of any such tax or governmental assessment and accept for filing and recordation any of the foregoing instruments or other documents pursuant to such transfers of property without the payment of any such tax, recordation fee, or governmental assessment. Such exemption under section 1146(a) of the Bankruptcy Code specifically applies, without limitation, to (1) the creation of any mortgage, deed of trust, Lien, or other security interest; (2) the making or assignment of any lease or sublease; (3) any Restructuring Transaction; (4) the issuance, distribution, and/or sale of any of the New Common Stock and any other securities of New Holdco, the Debtors or the Reorganized Debtors; or (5) the making or delivery of any deed or other instrument of transfer under, in furtherance of or in connection with the Plan, including: (a) any merger agreements; (b) agreements of consolidation, restructuring, disposition, liquidation, or dissolution; (c) deeds; (d) bills of sale; or (e) assignments executed in connection with any Restructuring Transaction occurring under the Plan.

K. Preservation of Causes of Action

In accordance with section 1123(b) of the Bankruptcy Code, but subject in all respects to Article VIII hereof and the terms of the Settlement, and as otherwise may be set forth in the Plan Supplement, the Reorganized Debtors shall retain and may enforce all rights to commence and pursue, as appropriate, any and all Causes of Action (including, for the avoidance of doubt, Avoidance Actions), whether arising before or after the Petition Date, including any actions specifically enumerated in the Plan Supplement, and such rights to commence, prosecute, or settle such Causes of Action and Avoidance Actions shall be preserved notwithstanding the occurrence of the Effective Date. The Reorganized Debtors may pursue such Causes of Action or Avoidance Actions, as appropriate, in accordance with the best interests of the Reorganized Debtors. **No Entity may rely on the absence of a specific reference in the Plan, the Plan Supplement, or the Disclosure Statement to any Causes of Action against it as any indication that the Debtors or the Reorganized Debtors will not pursue any and all available Causes of Action against it. The Debtors or the Reorganized Debtors, as applicable, expressly reserve all rights to**

prosecute any and all Causes of Action against any Entity, except as otherwise expressly provided in the Plan or Plan Supplement. Unless any Causes of Action against an Entity are expressly waived, relinquished, exculpated, released, compromised, or settled in the Plan or a Court order, the Debtors or Reorganized Debtors, as applicable, expressly reserve all Causes of Action, for later adjudication, and, therefore, no preclusion doctrine, including the doctrines of res judicata, collateral estoppel, issue preclusion, claim preclusion, estoppel (judicial, equitable, or otherwise), or laches, shall apply to such Causes of Action upon, after, or as a consequence of the Confirmation or Consummation. Neither the Debtors nor the Reorganized Debtors shall preserve, retain, commence, prosecute or otherwise reserve any of the Settled Claims or Released Claims against the RBL Agent, the RBL Lenders, any other RBL Released Party, the Second Lien Agent or the Second Lien Lenders.

Except as expressly provided to the contrary in the Plan, including with respect to the settlement and release provisions set forth in Article VIII, the Reorganized Debtors reserve and shall retain the Causes of Action (including Avoidance Actions) notwithstanding the rejection or repudiation of any Executory Contract or Unexpired Lease during the Chapter 11 Cases or pursuant to the Plan or Plan Supplement. In accordance with section 1123(b)(3) of the Bankruptcy Code, except as otherwise provided herein, any Causes of Action that a Debtor may hold against any Entity shall vest in the Reorganized Debtors. The applicable Reorganized Debtors, through their authorized agents or representatives, shall retain and may exclusively enforce any and all such Causes of Action. The Reorganized Debtors shall have the exclusive right, authority, and discretion to determine and to initiate, file, prosecute, enforce, abandon, settle, compromise, release, withdraw, or litigate to judgment any such Causes of Action, and to decline to do any of the foregoing without the consent or approval of any third party or further notice to or action, order, or approval of the Court.

L. Director and Officer Liability Insurance

To the extent that the D&O Liability Insurance Policies are considered to be Executory Contracts, notwithstanding anything in the Plan to the contrary, effective as of the Effective Date, the Reorganized Debtors shall be deemed to have assumed all unexpired D&O Liability Insurance Policies with respect to the Debtors' directors, managers, officers, and employees serving on or prior to the Petition Date pursuant to section 365(a) of the Bankruptcy Code. Entry of the Confirmation Order will constitute the Court's approval of the Reorganized Debtors' assumption of each of the unexpired D&O Liability Insurance Policies. Notwithstanding anything to the contrary contained in the Plan, Confirmation of the Plan shall not discharge, impair, or otherwise modify any indemnity obligations assumed by the foregoing assumption of the D&O Liability Insurance Policies, and each such indemnity obligation will be deemed and treated as an Executory Contract that has been assumed by the Reorganized Debtors under the Plan as to which no Proof of Claim need be filed.

Before the Petition Date, the Debtors obtained reasonably sufficient tail coverage (*i.e.*, director, manager, and officer insurance coverage that extends beyond the end of the policy period) under a D&O Liability Insurance Policy for the current and former directors, officers, and managers. After the Effective Date, the Reorganized Debtors shall not terminate or otherwise reduce the coverage under any D&O Liability Insurance Policy (including such tail coverage liability insurance) in effect and all members, managers, directors, and officers of the Debtors who served in such capacity at any time prior to the Effective Date of the Plan shall be entitled to the full benefits of any such policy for the full term of such policy regardless of whether such members, managers, directors, or officers remain in such positions after the Effective Date of the Plan.

M. Management Incentive Plan

On the Effective Date, New Holdco shall be authorized to adopt the Management Incentive Plan, substantially in the form of the Management Incentive Plan Documents. The Management Incentive Plan shall reserve for issuance equity grants equal to seven percent (7%) of the New Common Stock (the "MIP Pool") on a fully diluted and fully distributed basis, of which five percent (5%) will be granted in the form of restricted stock awards or restricted stock unit awards within sixty (60) days of the Effective Date and allocated to management and employees within pre-determined allocation ranges at the discretion of the New Board of New Holdco (or an authorized committee of such New Board). Members of management, employees and directors of New Holdco may receive the remaining two percent (2%) of the MIP Pool in the form of restricted stock, restricted stock units, stock options or a combination thereof under the Management Incentive Plan as is determined from time to time by the New Board of New Holdco (or an authorized committee of such New Board).

N. Employee and Retiree Benefits

Unless otherwise set forth in the Schedule of Rejected Executory Contracts and Unexpired Leases included in the Plan Supplement, all employment, severance, retirement, indemnification, and other similar employee-related agreements or arrangements in place as of the Effective Date with the Debtors and the Non-Debtor Subsidiaries shall be assumed by the Reorganized Debtors and shall remain in place after the Effective Date, as may be amended by agreement between the beneficiaries of such agreements, plans, or arrangements, on the one hand, and the Debtors, on the other hand, or, after the Effective Date, by agreement with the Reorganized Debtors, and the Reorganized Debtors will continue to honor such agreements, arrangements, programs, and plans. Nothing in the Plan shall limit, diminish, or otherwise alter the Reorganized Debtors' defenses, Claims, Causes of Action, or other rights with respect to any such contracts, agreements, policies, programs, and plans. Notwithstanding the foregoing, pursuant to section 1129(a)(13) of the Bankruptcy Code, on and after the Effective Date, all retiree benefits (as that term is defined in section 1114 of the Bankruptcy Code), if any, shall continue to be paid in accordance with applicable law.

O. Claims Administration Responsibilities

Except as otherwise specifically provided in the Plan, after the Effective Date, the Reorganized Debtors or any party administering the Claims shall have the sole authority: (1) to File, withdraw or litigate to judgment objections to Claims or Interests; (2) to settle or compromise any Disputed Claim without any further notice to or action, order or approval by the Court; and (3) to administer and adjust the Claims Register to reflect any such settlements or compromises without any further notice to or action, order or approval by the Court.

P. Listing of New Common Stock; Reporting Obligations

On the Effective Date, none of the New Common Stock will be listed on a national securities exchange. New Holdco and any of the Reorganized Debtors shall take all necessary action immediately after the Effective Date to suspend any requirement to (i) be a reporting company under the Securities Exchange Act and (ii) file reports with the Securities and Exchange Commission or any other entity or party. Furthermore, neither New Holdco nor any of the Reorganized Debtors shall be required to file monthly operating reports, or any other type of report, with the Court after the Effective Date; *provided*, that notwithstanding anything to the contrary contained herein, each of the Reorganized Debtors shall provide to the U.S. Trustee a calculation of their disbursements on a quarterly basis until the entry of a final decree pursuant to Bankruptcy Rule 3022 to close the chapter 11 case of such Reorganized Debtor. In order to prevent New Holdco from becoming subject to the reporting requirements of the Securities Exchange Act, except in connection with a public offering, the New Organizational Documents may impose certain trading restrictions, and the New Common Stock will be subject to certain transfer and other restrictions pursuant to the New Organizational Documents.

Q. Preservation of Royalty and Working Interests

Notwithstanding any other provision in the Plan, on and after the Effective Date, all Royalty and Working Interests shall be preserved and remain in full force and effect in accordance with the terms of the granting instruments or other governing documents applicable to such Royalty and Working Interests, and no Royalty and Working Interests shall be compromised or discharged by the Plan.

R. Payment of Certain Fees and Expenses

On the Effective Date, the Reorganized Debtors shall pay in Cash the reasonable fees and expenses (to the extent not already paid and without duplication of payments) of the RBL Agent under the RBL Credit Facility and the Second Lien Agent under the Second Lien Credit Facility.

ARTICLE V.
TREATMENT OF EXECUTORY CONTRACTS AND UNEXPIRED LEASES

A. Assumption and Rejection of Executory Contracts and Unexpired Leases

On the Effective Date, except as otherwise provided herein, all Executory Contracts or Unexpired Leases will be deemed assumed and assigned to the Reorganized Debtors in accordance with the provisions and requirements of sections 365 and 1123 of the Bankruptcy Code, other than: (1) those that are identified on the Schedule of Rejected Executory Contracts and Unexpired Leases; (2) those that have been previously rejected by a Final Order; (3) those that are the subject of a motion to reject Executory Contracts or Unexpired Leases that is pending on the Confirmation Date; or (4) those that are subject to a motion to reject an Executory Contract or Unexpired Lease pursuant to which the requested effective date of such rejection is after the Effective Date.

Entry of the Confirmation Order shall constitute a Court order approving the assumptions, assumptions and assignments, or rejections of such Executory Contracts or Unexpired Leases as set forth in the Plan or the Schedule of Rejected Executory Contracts and Unexpired Leases, pursuant to sections 365(a) and 1123 of the Bankruptcy Code. Unless otherwise indicated, assumptions or rejections of Executory Contracts and Unexpired Leases pursuant to the Plan are effective as of the Effective Date. Each Executory Contract or Unexpired Lease assumed pursuant to the Plan or by Court order but not assigned to a third party before the Effective Date shall re-vest in and be fully enforceable by the applicable contracting Reorganized Debtor in accordance with its terms, except as such terms may have been modified by the provisions of the Plan or any order of the Court authorizing and providing for its assumption under applicable federal law. Any motions to assume Executory Contracts or Unexpired Leases pending on the Effective Date shall be subject to approval by a Final Order of the Court on or after the Effective Date.

To the maximum extent permitted by law, to the extent any provision in any Executory Contract or Unexpired Lease assumed pursuant to the Plan restricts or prevents, or purports to restrict or prevent, or is breached or deemed breached by, the assumption of such Executory Contract or Unexpired Lease (including any "change of control" provision), then such provision shall be deemed modified such that the transactions contemplated by the Plan shall not entitle the non-Debtor party thereto to terminate such Executory Contract or Unexpired Lease or to exercise any other default-related rights with respect thereto.

B. Claims Based on Rejection of Executory Contracts or Unexpired Leases

Proofs of Claim with respect to Claims arising from the rejection of Executory Contracts or Unexpired Leases, if any, must be filed with the Court within thirty (30) days after the date of entry of an order of the Court (including the Confirmation Order) approving such rejection. **Any Claims arising from the rejection of an Executory Contract or Unexpired Lease not Filed within such time will be automatically Disallowed, forever barred from assertion, and shall not be enforceable against, as applicable, the Debtors, the Reorganized Debtors, the Estates, or property of the foregoing parties, without the need for any objection by the Debtors or the Reorganized Debtors, as applicable, or further notice to, or action, order, or approval of the Court or any other Entity, and any Claim arising out of the rejection of the Executory Contract or Unexpired Lease shall be deemed fully satisfied, released, and discharged, notwithstanding anything in the Schedules or a Proof of Claim to the contrary**. Claims arising from the rejection of the Debtors' Executory Contracts or Unexpired Leases shall be classified as General Unsecured Claims and shall be treated in accordance with Article III.B.9 of the Plan, as applicable.

C. Cure of Defaults for Assumed Executory Contracts and Unexpired Leases

Any monetary defaults under an Executory Contract or Unexpired Lease, as reflected on the Cure Notice shall be satisfied, pursuant to section 365(b)(1) of the Bankruptcy Code, by payment of the default amount in Cash on the Effective Date or as soon as reasonably practicable thereafter, subject to the limitations described below, or on such other terms as the parties to such Executory Contracts or Unexpired Leases may otherwise agree. In the event of a dispute regarding (1) the amount of any payments to cure such a default; (2) the ability of the Reorganized Debtors or any assignee to provide "adequate assurance of future performance" (within the meaning of section 365 of the Bankruptcy Code) under the Executory Contract or Unexpired Lease to be assumed; or (3) any other matter

pertaining to assumption, the cure payments required by section 365(b)(1) of the Bankruptcy Code shall be made following the entry of a Final Order or orders resolving the dispute and approving the assumption.

At least 14 days before the Confirmation Hearing, the Debtors shall distribute, or cause to be distributed, Cure Notices of proposed assumption and proposed amounts of Cure Claims to the applicable third parties. Any objection by a counterparty to an Executory Contract or Unexpired Lease to a proposed assumption or related cure amount must be Filed, served and actually received by the Debtors at least seven (7) days before the Confirmation Hearing. Any counterparty to an Executory Contract or Unexpired Lease that fails to object timely to the proposed assumption or cure amount will be deemed to have assented to such assumption or cure amount. Notwithstanding anything herein to the contrary, in the event that any Executory Contract or Unexpired Lease is removed from the Schedule of Rejected Executory Contracts and Unexpired Leases after such 14-day deadline, a Cure Notice of proposed assumption and proposed amounts of Cure Claims with respect to such Executory Contract or Unexpired Lease will be sent promptly to the counterparty thereof and a noticed hearing set to consider whether such Executory Contract or Unexpired Lease can be assumed.

In any case, if the Court determines that the Allowed Cure Claim with respect to any Executory Contract or Unexpired Lease is greater than the amount set forth in the applicable Cure Notice, the Debtors or Reorganized Debtors, as applicable, will have the right to add such Executory Contract or Unexpired Lease to the Schedule of Rejected Executory Contracts and Unexpired Leases, in which case such Executory Contract or Unexpired Lease will be deemed rejected as the Effective Date.

Assumption of any Executory Contract or Unexpired Lease pursuant to the Plan or otherwise shall result in the full release and satisfaction of any Claims or defaults, whether monetary or nonmonetary, including defaults of provisions restricting the change in control or ownership interest composition or other bankruptcy-related defaults, arising under any assumed Executory Contract or Unexpired Lease at any time before the date that the Debtors assume such Executory Contract or Unexpired Lease. Any Proofs of Claim Filed with respect to an Executory Contract or Unexpired Lease that has been assumed shall be deemed Disallowed and expunged, without further notice to or action, order, or approval of the Court.

D. Preexisting Obligations to the Debtors Under Executory Contracts and Unexpired Leases

The Debtors reserve their right to assert that rejection or repudiation of any Executory Contract or Unexpired Lease pursuant to the Plan or otherwise shall not constitute a termination of preexisting obligations owed to the Debtors under such contracts or leases. Notwithstanding any non-bankruptcy law to the contrary, the Debtors expressly reserve and do not waive any right to receive, or any continuing obligation of a counterparty to provide, warranties or continued maintenance obligations on goods previously purchased, or services previously received, by the contracting Debtors from counterparties to rejected or repudiated Executory Contracts or Unexpired Leases.

E. Indemnification Obligations

Except to the extent inconsistent with the Plan, the obligation of each Debtor to indemnify any individual who is serving or served as one of such Debtor's directors, officers or employees on or after the Petition Date will be deemed and treated as Executory Contracts that are assumed by each Reorganized Debtor pursuant to the Plan as of the Effective Date on the terms provided in the applicable certificates of incorporation, by-laws or similar constituent documents, by statutory law or by written agreement, policies or procedures of or with such Debtor. Accordingly, such indemnification obligations will survive and be unaffected by entry of the Confirmation Order, irrespective of whether such indemnification is owed for an act or event occurring before or after the Petition Date; *provided* that none of the Reorganized Debtors shall amend or restate any New Organizational Documents before or after the Effective Date to terminate or adversely affect any such indemnification obligations.

F. Insurance Policies

Without limiting Article IV.L, all of the Debtors' insurance policies and any agreements, documents, or instruments relating thereto, are treated as and deemed to be Executory Contracts under the Plan. On the Effective Date, the Debtors shall be deemed to have assumed all insurance policies and any agreements, documents, and instruments related thereto.

G. Modifications, Amendments, Supplements, Restatements, or Other Agreements

Unless otherwise provided in the Plan, each Executory Contract or Unexpired Lease that is assumed shall include all modifications, amendments, supplements, restatements, or other agreements that in any manner affect such Executory Contract or Unexpired Lease, and Executory Contracts and Unexpired Leases related thereto, if any, including easements, licenses, permits, rights, privileges, immunities, options, rights of first refusal, and any other interests, unless any of the foregoing agreements has been previously rejected or repudiated or is rejected or repudiated under the Plan.

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

H. Reservation of Rights

Neither the exclusion nor inclusion of any Executory Contract or Unexpired Lease on the Schedule of Rejected Executory Contracts and Unexpired Leases, nor anything contained in the Plan, shall constitute an admission by the Debtors that any such contract or lease is in fact an Executory Contract or Unexpired Lease or that any Reorganized Debtor has any liability thereunder. If there is a dispute regarding whether a contract or lease is or was executory or unexpired at the time of assumption or rejection, the Debtors, or, after the Effective Date, the Reorganized Debtors shall have thirty (30) days following entry of a Final Order resolving such dispute to alter their treatment of such contract or lease.

I. Nonoccurrence of Effective Date

In the event that the Effective Date does not occur, the Court shall retain jurisdiction with respect to any request to extend the deadline for assuming or rejecting Unexpired Leases pursuant to section 365(d)(4) of the Bankruptcy Code.

J. Contracts and Leases Entered into After the Effective Date

Contracts and leases entered into after the Petition Date by any Debtor, including any Executory Contracts and Unexpired Leases assumed by such Debtor, will be performed by the applicable Debtor or Reorganized Debtor liable thereunder in the ordinary course of its business. Accordingly, such contracts and leases (including any assumed Executory Contracts and Unexpired Leases) that have not been rejected as of the date of Confirmation will survive and remain unaffected by entry of the Confirmation Order.

ARTICLE VI.
PROVISIONS GOVERNING DISTRIBUTIONS

A. Timing and Calculation of Amounts to Be Distributed

Unless otherwise provided in the Plan, on the Effective Date or as soon as reasonably practicable thereafter (or, if a Claim is not an Allowed Claim on the Effective Date, on the date that such Claim becomes Allowed or as soon as reasonably practicable thereafter), each Holder of an Allowed Claim (or such Holder's affiliate) shall receive the full amount of the distributions that the Plan provides for Allowed Claims in each applicable Class. In the event that any payment or act under the Plan is required to be made or performed on a date that is not a Business Day, then the making of such payment or the performance of such act may be completed on the next succeeding Business Day, but shall be deemed to have been completed as of the required date. If and to the extent that there are Disputed Claims, distributions on account of any such Disputed Claims shall be made pursuant to the provisions set forth in Article VII of the Plan. Except as otherwise provided in the Plan, Holders of Claims shall not be entitled to interest, dividends, or accruals on the distributions provided for in the Plan, regardless of whether such distributions are delivered on or at any time after the Effective Date.

B. Distributions on Account of Obligations of Multiple Debtors

For all purposes associated with distributions under the Plan, all guarantees by any Debtor of the obligations of any other Debtor, as well as any joint and several liability of any Debtor with respect to any other Debtor, shall be deemed eliminated so that any obligation that could otherwise be asserted against more than one Debtor shall result in a single distribution under the Plan. Any such Claims against Sabine and any Debtor Subsidiaries shall receive the treatment set forth in Article III of the Plan. Any such Claims shall be released and discharged pursuant to Article VIII.I of the Plan and shall be subject to all potential objections, defenses, and counterclaims, and to estimation pursuant to section 502(c) of the Bankruptcy Code; *provided* that, for the avoidance of doubt, this shall not affect the obligation of each and every Debtor to pay U.S. Trustee Fees until such time as a particular case is closed, dismissed, or converted.

C. Delivery of Distributions and Undeliverable or Unclaimed Distributions

1. Delivery of Distributions

a. Delivery of Distributions to RBL Agent

Except as otherwise provided in the Plan, all distributions to Holders of RBL Secured Claims shall be made by the Reorganized Debtors to the Holders of RBL Secured Claims of record as of the Distribution Record Date.

b. Delivery of Distributions to Second Lien Agent

Except as otherwise provided in the Plan, all distributions to Holders of Second Lien Claims shall be made by the Reorganized Debtors to the Holders of Second Lien Claims of record as of the Distribution Record Date.

c. Delivery of Distributions to Senior Notes Indenture Trustees

Except as otherwise provided in the Plan or reasonably requested by the Senior Notes Indenture Trustees, all distributions to Holders of Senior Notes Claims shall be deemed completed when made to the Senior Notes Indenture Trustees, which shall be deemed to be the Holder of all Senior Notes Claims for purposes of distributions to be made hereunder. The Senior Notes Indenture Trustees shall hold or direct such distributions for the benefit of the Holders of Allowed Senior Notes Claims, as applicable. As soon as practicable in accordance with the requirements set forth in this Article VI, each Senior Notes Indenture Trustee shall arrange to deliver such distributions to or on behalf of such Holders of Allowed Senior Notes Claims.

d. Delivery of Distributions in General

Except as otherwise provided in the Plan, distributions to Holders of Allowed Claims (other than Holders of RBL Secured Claims, Second Lien Claims, or Senior Notes Claims) or Interests shall be made to Holders of record as of the Distribution Record Date by the Reorganized Debtors: (1) to the signatory set forth on any of the Proofs of Claim Filed by such Holder or other representative identified therein (or at the last known addresses of such Holder if no Proof of Claim is Filed or if the Debtors have been notified in writing of a change of address); (2) at the addresses set forth in any written notices of address changes delivered to the Reorganized Debtors after the date of any related Proof of Claim; (3) at the addresses reflected in the Schedules if no Proof of Claim has been Filed and the Reorganized Debtors have not received a written notice of a change of address; or (4) on any counsel that has appeared in the Chapter 11 Cases on the Holder's behalf. Subject to this Article VI, distributions under the Plan on account of Allowed Claims shall not be subject to levy, garnishment, attachment, or like legal process, so that each Holder of an Allowed Claim shall have and receive the benefit of the distributions in the manner set forth in the Plan. New Holdco, the Debtors and the Reorganized Debtors shall not incur any liability whatsoever on account of any distributions under the Plan except in the event of gross negligence or willful misconduct, as determined by a Final Order of a court of competent jurisdiction.

2. Minimum Distributions

No fractional shares of New Common Stock or fractional Warrants shall be distributed. Any such fractional interests shall be rounded down. No Cash shall be distributed in lieu of such fractional amounts and such fractional amounts shall be deemed to be zero.

Holders of Allowed Claims entitled to Cash distributions of $100 or less or entitled to New Common Stock or Warrants valued at $100.00 or less (as estimated by the Reorganized Debtors in good faith), shall not receive distributions, and each such Claim to which this limitation applies shall be discharged pursuant to Article VIII and its Holder is forever barred pursuant to Article VIII from asserting that Claim against the Reorganized Debtors or their property.

3. Undeliverable Distributions and Unclaimed Property

In the event that any distribution to any Holder is returned as undeliverable, no distribution to such Holder shall be made unless and until the Reorganized Debtors have determined the then-current address of such Holder, at which time such distribution shall be made to such Holder without interest; *provided* that such distributions shall be deemed unclaimed property under section 347(b) of the Bankruptcy Code at the expiration of one year from the Effective Date. After such date, all unclaimed property or interests in property shall be redistributed Pro Rata (it being understood that, for purposes of this Article VI.C.3, "Pro Rata" shall be determined as if the Claim underlying such unclaimed distribution had been Disallowed) without need for a further order by the Court (notwithstanding any applicable federal, provincial, or state escheat, abandoned, or unclaimed property laws to the contrary), and the Claim of any Holder to such property or Interest in property shall be released, settled, compromised, and forever barred.

4. Manner of Payment Pursuant to the Plan

Payments shall be made through distributions of New Common Stock or Warrants. Any payment in Cash to be made pursuant to the Plan shall be made at the election of the Reorganized Debtors by check or by wire transfer.

D. Securities Registration Exemption

Pursuant to section 1145 of the Bankruptcy Code, the issuance of New Common Stock and the Warrants as contemplated by the Plan is exempt from, among other things, the registration requirements of Section 5 of the Securities Act and any other applicable U.S. state or local law requiring registration prior to the offering, issuance, distribution, or sale of Securities. The New Common Stock and Warrants issued pursuant to section 1145 of the Bankruptcy Code (a) are not "restricted securities" as defined in Rule 144(a)(3) under the Securities Act, and (b) are freely tradable and transferable by any initial recipient thereof that (i) is not an "affiliate" of the Reorganized Debtors as defined in Rule 144(a)(1) under the Securities Act, (ii) has not been such an "affiliate" within 90 days of such transfer, (iii) has not acquired the New Common Stock or the Warrants from an "affiliate" within one year of such transfer, and (iv) is not an entity that is an "underwriter" as defined in subsection (b) of Section 1145 of Title 11 of the United States Code.

Should New Holdco or the Reorganized Debtors elect on or after the Effective Date to reflect any ownership of the New Common Stock or Warrants through the facilities of the DTC, the Reorganized Debtors need not provide any further evidence other than the Plan or the Confirmation Order with respect to the treatment of the New Common Stock or Warrants under applicable securities laws.

The DTC shall be required to accept and conclusively rely upon the Plan and Confirmation Order in lieu of a legal opinion regarding whether the New Common Stock or Warrants are exempt from registration and/or eligible for DTC book-entry delivery, settlement, and depository services.

Notwithstanding anything to the contrary in the Plan, no entity (including, for the avoidance of doubt, the DTC) may require a legal opinion regarding the validity of any transaction contemplated by the Plan, including, for

the avoidance of doubt, whether the New Common Stock or Warrants are exempt from registration and/or eligible for DTC book-entry delivery, settlement, and depository services.

E. Compliance with Tax Requirements/Allocations

In connection with the Plan, to the extent applicable, Reorganized Sabine and the Reorganized Debtors shall comply with all tax withholding and reporting requirements imposed on them by any Governmental Unit, and all distributions pursuant to the Plan shall be subject to such withholding and reporting requirements. Notwithstanding any provision in the Plan to the contrary, the Reorganized Debtors shall be authorized to take all actions necessary or appropriate to comply with such withholding and reporting requirements, including liquidating a portion of the distribution to be made under the Plan to generate sufficient funds to pay applicable withholding taxes, withholding distributions pending receipt of information necessary to facilitate such distributions or establishing any other mechanisms they believe are reasonable and appropriate. The Reorganized Debtors reserve the right to allocate all distributions made under the Plan in compliance with applicable wage garnishments, alimony, child support, and other spousal awards, liens, and encumbrances.

Distributions in respect of Allowed Claims shall be allocated first to the principal amount of such Claims (as determined for federal income tax purposes) and then, to the extent the consideration exceeds the principal amount of the Claims, to any portion of such Claims for accrued but unpaid interest as Allowed herein.

F. No Postpetition Interest on Claims

Unless otherwise specifically provided for in an order of the Court, the Plan, or the Confirmation Order, or required by applicable bankruptcy law, postpetition interest shall not accrue or be paid on any Claims or Interests and no Holder of a Claim or Interest shall be entitled to interest accruing on or after the Petition Date on any such Claim.

G. Claims Paid or Payable by Third Parties

1. Claims Paid by Third Parties

The Debtors or the Reorganized Debtors, as applicable, shall reduce in full a Claim, and such Claim shall be Disallowed without a Claim objection having to be Filed and without any further notice to or action, order, or approval of the Court, to the extent that the Holder of such Claim receives payment in full on account of such Claim from a party that is not a Debtor or a Reorganized Debtor; *provided* that the Debtors shall provide 21 days' notice to the Holder prior to any disallowance of such Claim during which period the Holder may object to such disallowance, and if the parties cannot reach an agreed resolution, the matter shall be decided by the Court. Subject to the last sentence of this paragraph, to the extent a Holder of a Claim receives a distribution on account of such Claim and receives payment from a party that is not a Debtor or a Reorganized Debtor on account of such Claim, such Holder shall, within fourteen days of receipt thereof, repay or return the distribution to the Reorganized Debtors to the extent the Holder's total recovery on account of such Claim from the third party and under the Plan exceeds the amount of such Claim as of the date of any such distribution under the Plan. The failure of such Holder to timely repay or return such distribution shall result in the Holder owing the Reorganized Debtors annualized interest at the Federal Judgment Rate on such amount owed for each Business Day after the fourteen-day grace period specified above until the amount is repaid.

2. Claims Payable by Third Parties

No distributions under the Plan shall be made on account of an Allowed Claim that is payable pursuant to one of the Debtors' insurance policies until the Holder of such Allowed Claim has exhausted all remedies with respect to such insurance policy. To the extent that one or more of the Debtors' insurers agrees to satisfy in full or in part a Claim (if and to the extent adjudicated by a court of competent jurisdiction), then immediately upon such insurers' agreement, the applicable portion of such Claim may be expunged without a Claim objection having to be Filed and without any further notice to or action, order, or approval of the Court; *provided* that the Debtors shall provide 21 days' notice to the Holder of such Claim prior to any disallowance of such Claim during which period

the Holder may object to such disallowance, and if the parties cannot reach an agreed resolution, the matter shall be decided by the Court.

3. Applicability of Insurance Policies

Except as otherwise provided in the Plan, distributions to Holders of Allowed Claims shall be in accordance with the provisions of any applicable insurance policy. Nothing contained in the Plan shall constitute or be deemed a waiver of any Cause of Action that the Debtors or any Entity may hold against any other Entity, including insurers under any policies of insurance, nor shall anything contained herein constitute or be deemed a waiver by such insurers of any defenses, including coverage defenses, held by such insurers.

ARTICLE VII.
PROCEDURES FOR RESOLVING CONTINGENT, UNLIQUIDATED, AND DISPUTED CLAIMS

A. Resolution of Disputed Claims

1. Allowance of Claims

After the Effective Date, each of the Debtors and the Reorganized Debtors shall have and retain any and all rights and defenses such Debtor had with respect to any Claim immediately before the Effective Date. Except as expressly provided in the Plan or in any order entered in the Chapter 11 Cases before the Effective Date (including the Confirmation Order), no Claim shall become an Allowed Claim unless and until such Claim is deemed Allowed under the Plan or the Bankruptcy Code, or the Court has entered a Final Order, including the Confirmation Order (when it becomes a Final Order), in the Chapter 11 Cases allowing such Claim.

2. Claims and Interests Administration Responsibilities

Except as otherwise specifically provided in the Plan and notwithstanding any requirements that may be imposed pursuant to Bankruptcy Rule 9019, after the Effective Date, the Reorganized Debtors by order of the Court, shall have the sole authority: (1) to File, withdraw, or litigate to judgment objections to Claims; (2) to settle or compromise any Disputed Claim without any further notice to or action, order, or approval by the Court; and (3) to administer and adjust the Claims Register to reflect any such settlements or compromises without any further notice to or action, order, or approval by the Court.

3. Estimation of Claims

Before or after the Effective Date, the Debtors or the Reorganized Debtors may (but are not required to) at any time request that the Court estimate any Disputed Claim or Disputed Interest that is contingent or unliquidated pursuant to section 502(c) of the Bankruptcy Code for any reason, regardless of whether any party previously has objected to such Claim or whether the Court has ruled on any such objection, and the Court shall retain jurisdiction to estimate any such Claim, including during the litigation of any objection to any Claim or during the appeal relating to such objection. Notwithstanding any provision otherwise in the Plan, a Claim that has been expunged from the Claims Register, but that either is subject to appeal or has not been the subject of a Final Order, shall be deemed to be estimated at zero, unless otherwise ordered by the Court. In the event that the Court estimates any Disputed, contingent, or unliquidated Claim, that estimated amount shall constitute a maximum limitation on such Claim for all purposes under the Plan (including for purposes of distributions), and the relevant Debtor may elect to pursue any supplemental proceedings to object to any ultimate distribution on such Claim. If the estimated amount constitutes a maximum limitation on such Claim, the Debtors or the Reorganized Debtors, as applicable, may elect to pursue any supplemental proceedings to object to any ultimate distribution on account of such Claim. Notwithstanding section 502(j) of the Bankruptcy Code, in no event shall any Holder of a Claim that has been estimated pursuant to section 502(c) of the Bankruptcy Code or otherwise be entitled to seek reconsideration of such estimation unless such Holder has Filed a motion requesting the right to seek such reconsideration on or before 21 days after the date on which such Claim is estimated. All of the aforementioned Claims and objection, estimation, and resolution procedures are cumulative and not exclusive of one another. Claims may be estimated and subsequently compromised, settled, withdrawn, or resolved by any mechanism approved by the Court.

4. Adjustment to Claims Without Objection

Any Claim that has been paid or satisfied, or any Claim that has been amended or superseded, may be adjusted or expunged on the Claims Register by the Debtors or the Reorganized Debtors without a Claims objection having to be Filed and without any further notice to or action, order, or approval of the Court.

5. Time to File Objections to Claims

Any objections to Claims shall be Filed on or before the Claims Objection Deadline.

B. Disallowance of Claims

Any Claims held by Entities from which property is recoverable under section 542, 543, 550, or 553 of the Bankruptcy Code or that is a transferee of a transfer avoidable under section 522(f), 522(h), 544, 545, 547, 548, 549, or 724(a) of the Bankruptcy Code, shall be deemed Disallowed pursuant to section 502(d) of the Bankruptcy Code, and Holders of such Claims may not receive any distributions on account of such Claims until such time as such Causes of Action against that Entity have been settled or a Court order with respect thereto has been entered and all sums due, if any, to the Debtors by that Entity have been turned over or paid to the Debtors or the Reorganized Debtors. All Proofs of Claim Filed on account of an indemnification obligation to a director, officer, or employee shall be deemed satisfied and expunged from the Claims Register as of the Effective Date to the extent such indemnification obligation is assumed (or honored or reaffirmed, as the case may be) pursuant to the Plan, without any further notice to or action, order, or approval of the Court.

Except as provided herein or otherwise agreed, any and all Proofs of Claim filed after the applicable Claims Bar Date shall be deemed Disallowed and expunged as of the Effective Date without any further notice to or action, order, or approval of the Court, and Holders of such Claims may not receive any distributions on account of such Claims, unless on or before the Confirmation Hearing such late Filed Claim has been deemed timely Filed by a Final Order.

C. Amendments to Claims

On or after the Effective Date, except as provided in the Plan or the Confirmation Order, a Claim may not be Filed or amended without the prior authorization of the Court and the Reorganized Debtors and any such new or amended Claim Filed shall be deemed Disallowed in full and expunged without any further action, order, or approval of the Court.

D. No Distributions Pending Allowance

If an objection to a Claim or portion thereof is Filed as set forth in Article VII, no payment or distribution provided under the Plan shall be made on account of such Claim or portion thereof unless and until such Disputed Claim becomes an Allowed Claim.

E. Distributions After Allowance

To the extent that a Disputed Claim ultimately becomes an Allowed Claim, distributions (if any) shall be made to the Holder of such Allowed Claim in accordance with the provisions of the Plan. As soon as reasonably practicable after the date that the order or judgment of the Court allowing any Disputed Claim becomes a Final Order, the Reorganized Debtors shall provide to the Holder of such Claim the distribution (if any) to which such Holder is entitled under the Plan as of the Effective Date, less any previous distribution (if any) that was made on account of the undisputed portion of such Claim, without any interest, dividends, or accruals to be paid on account of such Claim unless required under applicable bankruptcy law or as otherwise provided in Article III.B.

F. Reserve of New Common Stock and Tranche 2 Warrants

On the Effective Date (or as soon thereafter as is reasonably practicable), the Reorganized Debtors shall withhold a reserve for issuable shares of New Common Stock and Tranche 2 Warrants to pay Holders of Disputed Claims that are General Unsecured Claims that may become Allowed Claims pursuant to the terms of the Plan, with the amount of such Allowed Claims to be determined, solely for the purposes of establishing reserves and for maximum distribution purposes, to be the lesser of (a) the asserted amount of the Disputed Claim filed with the Court, or (if no proof of such Claim was filed) listed by the Debtors in the Schedules, (b) the amount, if any, estimated by the Court pursuant to section 502(c) of the Bankruptcy Code, (c) the amount otherwise agreed to by Sabine and the Holder of such Disputed Claim for reserve purposes, or (d) the lesser of the Disputed Claim Amount and the amount otherwise approved by the Court for purposes of establishing such reserve and setting maximum distributions. All shares of New Common Stock and Tranche 2 Warrants reserved under this paragraph F shall remain unissued unless and until issued in satisfaction of a Disputed Claim that becomes an Allowed Claim and shall therefore be disregarded in both the numerator and denominator in the calculation of any vote by shareholders of New Holdco under any New Organizational Document.

ARTICLE VIII.
SETTLEMENT, RELEASE, INJUNCTION, AND RELATED PROVISIONS

A. Settled and Released Claims

Pursuant to section 1123 of the Bankruptcy Code and Bankruptcy Rule 9019, the Plan incorporates an integrated compromise and settlement of the Settled Claims, and releases the Released Claims, to achieve a beneficial and efficient resolution of these Chapter 11 Cases for all parties in interest. If the Plan is accepted by Class 3 and the Plan becomes effective in accordance with its terms, then the RBL Lenders shall be deemed to have accepted the Settlement for all purposes in these Chapter 11 Cases. Pursuant to the Settlement, the RBL Lenders waive any right to a recovery or distribution of New Common Stock and Warrants in the Second Lien Equity Pool and the Unsecured Equity Pool on account of its RBL Secured Claims and its First Lien Adequate Protection Claim (as defined in the Cash Collateral Order). In addition, the RBL Lenders shall agree that, pursuant to the Plan, the creditors in Classes 4 through 6 shall receive their Pro Rata share of New Common Stock and Warrants as provided in Article III.

The Settlement provided for herein and the distributions and other benefits provided for under the Plan, including the releases set forth in Article VIII.B, Article VIII.F and Article VIII.G and the exculpation set forth in Article VIII.H**,** shall be in full satisfaction of any and all potential Claims or Causes of Action that could have been asserted, regardless of whether any of the foregoing Settled Claims are identified herein or could have been asserted. The RBL Agent and the RBL Lenders are permitting distributions of the New Common Stock and Warrants set aside in the Second Lien Equity Pool and the Unsecured Equity Pool to be made to Holders of Allowed Second Lien Claims, Allowed Senior Notes Claims and Allowed General Unsecured Claims in order to settle the Settled Claims in exchange for the releases provided herein.

The entry of the Confirmation Order shall constitute the Court's approval, as of the Effective Date, of the compromise or settlement of all such Settled Claims and the Court's determination that such compromises and settlements are in the best interests of the Debtors, their estates, the Reorganized Debtors, creditors and all other parties in interest, and are fair, equitable and within the range of reasonableness. The compromises, settlements and releases described herein shall be deemed nonseverable from each other and from all other terms of the Plan.

In consideration of the distributions and other benefits provided under the Plan, the provisions of the Plan, **including the releases set forth in Article VIII.B, Article VIII.F and Article VIII.G and the exculpation set forth in Article VIII.H,** shall constitute a good-faith compromise and settlement of all Settled Claims and a release of all Released Claims.

*B. **Release in Favor of RBL Released Parties***

Except as otherwise provided in the Plan, as of the Effective Date and to the fullest extent authorized by applicable law, the Debtors, the Reorganized Debtors, the Estates, the Second Lien Agent, the Second Lien Lenders, the Senior Notes Indenture Trustees, the Senior Notes Holders, the Committee and Committee Members, current direct and indirect Interest Holders in Sabine, and any Holder of a Claim or Interest, expressly, unconditionally, generally and individually and collectively releases, acquits and discharges the RBL Released Parties from any and all Claims, Settled Claims, Released Claims, obligations, rights, suits, damages, Causes of Action, remedies and liabilities whatsoever, including any derivative Claims asserted or assertable on behalf of the Debtors, any Claims asserted or assertable on behalf of any Holder of any Claim against or Interest in the Debtors and any Claims asserted or assertable on behalf of any other entity, whether known or unknown, foreseen or unforeseen, matured or unmatured, existing or hereinafter arising, in law, equity, contract, tort or otherwise, by statute or otherwise, that such party or parties (whether individually or collectively), ever had, now has or hereafter can, shall or may have, based on or relating to, or in any manner arising from, in whole or in part, the Debtors, the Debtors' restructuring efforts, the Debtors' intercompany transactions (including dividends paid), any preference or avoidance claim pursuant to sections 544, 547, 548, and 549 of the Bankruptcy Code, the purchase, sale or rescission of the purchase or sale of any security of the Debtors, or any other transaction relating to any security of the Debtors, or any other transaction or other arrangement with the Debtors whether before or during the Restructuring Transactions, the subject matter of, or the transactions or events giving rise to, any Claim or Interest that is affected by or classified in the Plan, the business or contractual arrangements between the Debtors, on the one hand, and any of such party or parties, on the other hand, the restructuring of Claims and Interests before or during the Restructuring Transactions implemented by the Plan, the negotiation, formulation or preparation of the Restructuring Transactions, the Plan, the Plan Supplement, the Disclosure Statement or any related agreements, any asset purchase agreement, instruments or other documents created or entered into in connection with the Disclosure Statement, the Plan, the Chapter 11 Cases, the Filing of the Chapter 11 Cases, the pursuit of Confirmation, the pursuit of Consummation, the administration and implementation of the Plan, including the issuance or distribution of Securities pursuant to the Plan, or the distribution of property under the Plan, or any other related agreement, or upon any other act or omission, transaction, agreement, event, or other occurrence taking place or arising on or before the Effective Date related or relating to any of the foregoing, except for any act or omission that constitutes fraud, gross negligence, or willful misconduct as determined by a Final Order of a court of competent jurisdiction (it being understood and agreed that to the extent any of the Released Claims involve allegations of fraud, gross negligence or willful misconduct by any of the RBL Released Parties, then the RBL Released Parties shall be forever released and discharged from such Released Claims notwithstanding anything to the contrary contained herein). Notwithstanding anything to the contrary in the foregoing, the releases set forth above do not release any post-Effective Date obligations of any party or Entity under the Plan, any of the Restructuring Transactions, or any document, instrument, or agreement (including those set forth in the Plan Supplement) executed to implement the Plan.

C. Discharge of Claims and Termination of Interests

Pursuant to section 1141(d) of the Bankruptcy Code, and except as otherwise specifically provided in the Plan or in any contract, instrument, or other agreement or document created pursuant to the Plan, including the Plan Supplement, the distributions, rights, and treatment that are provided in the Plan shall be in complete satisfaction, discharge, and release, effective as of the Effective Date, of Claims (including any Intercompany Claims resolved or compromised after the Effective Date by the Reorganized Debtors), Interests, and Causes of Action of any nature whatsoever, including any interest accrued on Claims or Interests from and after the Petition Date, whether known or unknown, against, liabilities of, liens on, obligations of, rights against, and interests in, the Debtors or any of their assets or properties, regardless of whether any property shall have been distributed or retained pursuant to the Plan on account of such Claims and Interests, including demands, liabilities, and Causes of Action that arose before the Effective Date, any contingent or non-contingent liability on account of representations or warranties issued on or before the Effective Date, and all debts of the kind specified in sections 502(g), 502(h), or 502(i) of the Bankruptcy Code, in each case whether or not: (a) a Proof of Claim based upon such debt or right is Filed or deemed Filed pursuant to section 501 of the Bankruptcy Code; (b) a Claim or Interest based upon such debt, right, or Interest is Allowed pursuant to section 502 of the Bankruptcy Code; or (c) the Holder of such a Claim or Interest has accepted

the Plan. Any default or "event of default" by the Debtors or Affiliates with respect to any Claim or Interest that existed immediately before or on account of the Filing of the Chapter 11 Cases shall be deemed cured (and no longer continuing) as of the Effective Date. The Confirmation Order shall be a judicial determination of the discharge of all Claims and Interests subject to the Effective Date occurring.

D. Term of Injunctions or Stays

Unless otherwise provided herein or in a Final Order, all injunctions or stays arising under or entered during the Chapter 11 Cases under section 362 of the Bankruptcy Code or otherwise and in existence on the Confirmation Date, shall remain in full force and effect until the later of the Effective Date and the date set forth in the order providing for such injunction or stay.

*E. **Release of Liens***

Except as otherwise specifically provided in the Plan, the Exit Revolver Credit Facility Documents or the New Second Lien Credit Facility Documents (including in connection with any express written amendment of any mortgage, deed of trust, Lien, pledge, or other security interest under the Exit Revolver Credit Facility Documents and the New Second Lien Credit Facility Documents), or in any contract, instrument, release, or other agreement or document created pursuant to the Plan, on the Effective Date and concurrently with the applicable distributions made pursuant to the Plan and, in the case of a Secured Claim, satisfaction in full of the portion of the Secured Claim that is Allowed as of the Effective Date, all mortgages, deeds of trust, Liens, pledges, or other security interests against any property of the Estates shall be fully released and discharged, and all of the right, title, and interest of any Holder of such mortgages, deeds of trust, Liens, pledges, or other security interests shall revert to the Reorganized Debtors and their successors and assigns, in each case, without any further approval or order of the Court and without any action or Filing being required to be made by the Debtors. In addition, at the sole cost of the Debtors or the Reorganized Debtors, the RBL Agent and the Second Lien Agent shall execute and deliver all documents reasonably requested by the Debtors, Reorganized Debtors, the Exit Revolver Agent, or the New Second Lien Agent to evidence the release of such mortgages, deeds of trust, Liens, pledges, and other security interests and shall authorize the Reorganized Debtors to file UCC-3 termination statements (to the extent applicable) with respect thereto.

*F. **Debtor Release***

Pursuant to section 1123(b) of the Bankruptcy Code, and except as otherwise specifically provided in the Plan, on and after the Effective Date, the RBL Released Parties and the Released Parties are deemed expressly, unconditionally, generally, and individually and collectively, acquitted, released and discharged by the Debtors, the Reorganized Debtors, and the Estates, each on behalf of itself and its predecessors, successors, and assigns, subsidiaries, affiliates, current and former officers, directors, principals, shareholders, members, partners, employees, agents, advisory board members, financial advisors, attorneys, accountants, investment bankers, consultants, representatives, management companies, fund advisors and other professionals, from any and all Claims, Settled Claims, Released Claims, obligations, rights, suits, damages, Causes of Action, remedies and liabilities whatsoever, including any derivative Claims asserted or assertable on behalf of the Debtors, any Claims asserted or assertable on behalf of any Holder of any Claim against or Interest in the Debtors and any Claims asserted or assertable on behalf of any other entity, whether known or unknown, foreseen or unforeseen, matured or unmatured, existing or hereinafter arising, in law, equity, contract, tort or otherwise, by statute or otherwise, that such Releasing Party (whether individually or collectively), ever had, now has or hereafter can, shall or may have, based on or relating to, or in any manner arising from, in whole or in part, the Debtors, the Debtors' restructuring efforts, the Debtors' intercompany transactions (including dividends paid), any preference or avoidance claim pursuant to sections 544, 547, 548, 549, 550 and 551 of the Bankruptcy Code, the purchase, sale or rescission of the purchase or sale of, or any other transaction relating to any security of the Debtors, the subject matter of, or the transactions or events giving rise to, any Claim or Interest that is affected by or classified in the Plan, the business or contractual arrangements between the Debtors, on the one hand, and the Releasing Parties, on the other hand, the restructuring of Claims and Interests before or during the Restructuring Transactions implemented by the Plan or any other transaction or other arrangement with the Debtors whether before or

during the Restructuring Transactions, the negotiation, formulation or preparation of the Restructuring Transactions, the Plan, the Plan Supplement, the Disclosure Statement or any related agreements, any asset purchase agreement, instruments or other documents (including, for the avoidance of doubt, providing any legal opinion requested by any entity regarding any transaction, contract, instrument, document, or other agreement contemplated by the Plan or the reliance by any RBL Released Party or Released Party on the Plan or the Confirmation Order in lieu of such legal opinion) created or entered into in connection with the Disclosure Statement, the Plan, the Chapter 11 Cases, the Filing of the Chapter 11 Cases, the pursuit of Confirmation, the pursuit of Consummation, the administration and implementation of the Plan, including the issuance or distribution of Securities pursuant to the Plan, or the distribution of property under the Plan, or any other related agreement, or upon any other act or omission, transaction, agreement, event, or other occurrence taking place or arising on or before the Effective Date related or relating to any of the foregoing, except for any act or omission that constitutes fraud, gross negligence or willful misconduct as determined by a Final Order of a court of competent jurisdiction (it being understood and agreed that to the extent any of the Released Claims involve allegations of fraud, gross negligence or willful misconduct by any of the RBL Released Parties, the RBL Released Parties shall be forever released and discharged from such Released Claims notwithstanding anything to the contrary contained herein); *provided* that nothing in the foregoing shall (x) result in any of the Debtors' officers and directors waiving any indemnification Claims against the Debtors or any of their insurance carriers or any rights as beneficiaries of any insurance policies, which indemnification obligations and insurance policies shall be assumed by the Reorganized Debtors; or (y) release any indemnities (or any liabilities or obligations thereunder) set forth in the RBL Credit Agreement or the Second Lien Credit Agreement that are intended to survive the termination thereof. Notwithstanding anything to the contrary in the foregoing, the releases set forth above do not release any post-Effective Date obligations of any party or Entity under the Plan, any of the Restructuring Transactions, or any document, instrument, or agreement (including those set forth in the Plan Supplement) executed to implement the Plan.

G. Third Party Release

Except as otherwise provided in the Plan, as of the Effective Date and to the fullest extent authorized by applicable law, each Releasing Party expressly, unconditionally, generally and individually and collectively releases, acquits and discharges the Debtors, Reorganized Debtors, and Released Parties from any and all Claims, Settled Claims, Released Claims, obligations, rights, suits, damages, Causes of Action, remedies and liabilities whatsoever, including any derivative Claims asserted or assertable on behalf of the Debtors, any Claims asserted or assertable on behalf of any Holder of any Claim against or Interest in the Debtors and any Claims asserted or assertable on behalf of any other entity, whether known or unknown, foreseen or unforeseen, matured or unmatured, existing or hereinafter arising, in law, equity, contract, tort or otherwise, by statute or otherwise, that such Releasing Party (whether individually or collectively), ever had, now has or hereafter can, shall or may have, based on or relating to, or in any manner arising from, in whole or in part, the Debtors, the Debtors' restructuring efforts, the Debtors' intercompany transactions (including dividends paid), any preference or avoidance claim pursuant to sections 544, 547, 548, and 549 of the Bankruptcy Code, the purchase, sale or rescission of the purchase or sale of any security of the Debtors, or any other transaction relating to any security of the Debtors, or any other transaction or other arrangement with the Debtors whether before or during the Restructuring Transactions, the subject matter of, or the transactions or events giving rise to, any Claim or Interest that is affected by or classified in the Plan, the business or contractual arrangements between the Debtors, on the one hand, and any of the Releasing Parties, on the other hand, the restructuring of Claims and Interests before or during the Restructuring Transactions implemented by the Plan, the negotiation, formulation or preparation of the Restructuring Transactions, the Plan, the Plan Supplement, the Disclosure Statement or any related agreements, any asset purchase agreement, instruments or other documents (including, for the avoidance of doubt, providing any legal opinion requested by any entity regarding any transaction, contract, instrument, document, or other agreement contemplated by the Plan or the reliance by any Released Party on the Plan or the Confirmation Order in lieu of such legal opinion) created or entered into in connection with the Disclosure Statement, the Plan, the Chapter 11 Cases, the Filing of the Chapter 11 Cases, the pursuit of Confirmation, the pursuit of Consummation, the administration and implementation of the Plan, including the issuance or distribution of Securities pursuant to the Plan, or the distribution of property under the Plan, or any other related agreement, or upon any other act or omission, transaction, agreement, event, or other occurrence taking place or arising on or before the Effective Date related or relating to any of the foregoing, except for any act or omission that constitutes

fraud, gross negligence, willful misconduct, or insider trading as determined by a Final Order of a court of competent jurisdiction; *provided* that nothing in the foregoing shall (x) result in any of the Debtors' officers and directors waiving any indemnification Claims against the Debtors or any of their insurance carriers or any rights as beneficiaries of any insurance policies, which indemnification obligations and insurance policies shall be assumed by the Reorganized Debtors; or (y) release any indemnities (or any liabilities or obligations thereunder) set forth in the Second Lien Credit Agreement that are intended to survive the termination thereof. Notwithstanding anything to the contrary in the foregoing, the releases set forth above do not release any post-Effective Date obligations of any party or Entity under the Plan, any of the Restructuring Transactions, or any document, instrument, or agreement (including those set forth in the Plan Supplement) executed to implement the Plan.

H. ***Exculpation***

Except as otherwise specifically provided in the Plan, no Exculpated Party shall have or incur, and each Exculpated Party is hereby released and exculpated from, any Exculpated Claim; *provided* that the foregoing "Exculpation" shall have no effect on the liability of any entity that results from any such act or omission that is determined by a Final Order to have constituted fraud, gross negligence, willful misconduct, or insider trading; *provided further* that it is understood and agreed that to the extent any of the Exculpated Claims involve allegations of fraud, gross negligence, willful misconduct, or insider trading by any of the RBL Released Parties, the RBL Released Parties shall be forever released and exculpated from such Exculpated Claims notwithstanding anything to the contrary contained herein. The Exculpated Parties have participated in any and all activities potentially underlying any Exculpated Claim in good faith and in compliance with the applicable laws.

I. ***Injunction***

Except as otherwise expressly provided in the Plan or for obligations issued or required to be paid pursuant to the Plan or Confirmation Order, all Entities who have held, hold, or may hold Claims or Interests that have been settled pursuant to Article VIII.A of the Plan, released pursuant to Article VIII.B, Article VIII.F, or Article VIII.G of the Plan, discharged pursuant to Article VIII.C of the Plan, or are subject to exculpation pursuant to Article VIII.H of the Plan, are permanently enjoined, from and after the Effective Date, from taking any of the following actions against, as applicable, the Debtors, the Non-Debtor Subsidiaries, the Reorganized Debtors, the Released Parties, the RBL Released Parties, or the Exculpated Parties: (a) commencing or continuing in any manner any action or other proceeding of any kind on account of or in connection with or with respect to any such Claims or Interests; (b) enforcing, attaching, collecting, or recovering by any manner or means any judgment, award, decree, or order against such Entities on account of or in connection with or with respect to any such Claims or Interests; (c) creating, perfecting, or enforcing any lien or encumbrance of any kind against such Entities or the property or the estates of such Entities on account of or in connection with or with respect to any such Claims or Interests; (d) asserting any right of setoff, subrogation, or recoupment of any kind against any obligation due from such Entities or against the property of such Entities on account of or in connection with or with respect to any such Claims or Interests; and (e) commencing or continuing in any manner any action or other proceeding of any kind on account of or in connection with or with respect to any such Claims or Interests released or settled pursuant to the Plan. Notwithstanding anything to the contrary in the foregoing, the injunction does not enjoin any party under the Plan or under any document, instrument, or agreement (including those attached to the Disclosure Statement or set forth in the Plan Supplement) executed to implement the Plan from bringing an action to enforce the terms of the Plan or such document, instrument, or agreement (including those attached to the Disclosure Statement or set forth in the Plan Supplement) executed to implement the Plan.

J. ***Waiver of Statutory Limitations on Releases***

Each Releasing Party in each of the releases contained in the Plan (including under Article VIII of the Plan) expressly acknowledges that although ordinarily a general release may not extend to Claims which the Releasing Party does not know or suspect to exist in his favor, which if known by it may have materially affected its settlement with the party released, each Releasing Party has carefully considered and taken into account in determining to enter into the above releases the possible existence of such unknown losses or

Claims. Without limiting the generality of the foregoing, each Releasing Party expressly waives any and all rights conferred upon it by any statute or rule of law which provides that a release does not extend to Claims which the claimant does not know or suspect to exist in its favor at the time of executing the release, which if known by it may have materially affected its settlement with the Released Party, including the provisions of California Civil Code Section 1542. The releases contained in Article VIII of the Plan are effective regardless of whether those released matters are presently known, unknown, suspected or unsuspected, foreseen or unforeseen.

K. Protection Against Discriminatory Treatment

Consistent with section 525 of the Bankruptcy Code and the Supremacy Clause of the U.S. Constitution, all Entities, including Governmental Units, shall not discriminate against the Reorganized Debtors or deny, revoke, suspend, or refuse to renew a license, permit, charter, franchise, or other similar grant to, condition such a grant to, discriminate with respect to such a grant against, the Reorganized Debtors, or another Entity with whom the Reorganized Debtors have been associated, solely because each Debtor has been a debtor under chapter 11 of the Bankruptcy Code, has been insolvent before the commencement of the Chapter 11 Cases (or during the Chapter 11 Cases but before the Debtors are granted or denied a discharge), or has not paid a debt that is dischargeable in the Chapter 11 Cases.

L. Subordination

Except as otherwise provided in the Plan, any distributions under the Plan to Holders shall be received and retained free from any obligations to hold or transfer the same to any other Holder and shall not be subject to levy, garnishment, attachment, or other legal process by any Holder by reason of claimed contractual subordination rights. Any such subordination rights shall be waived, and the Confirmation Order shall constitute an injunction enjoining any Entity from and after the Effective Date from enforcing or attempting to enforce any contractual, legal, or equitable subordination rights to property distributed under the Plan, in each case other than as provided in the Plan.

Subject to entry of the Confirmation Order and Article VIII.A and VIII.C, the allowance, classification, and treatment of all Allowed Claims and Interests and the respective distributions and treatments under the Plan take into account and conform to the relative priority and rights of the Claims and Interests in each Class in connection with any contractual, legal, and equitable subordination rights relating thereto, whether arising under general principles of equitable subordination, section 510(b) of the Bankruptcy Code, or otherwise, except as specifically provided for under the Plan. Notwithstanding anything herein to the contrary, and as provided in Article III of the Plan, no Holder of a Section 510(b) Claim shall receive any distribution on account of such Section 510(b) Claim, and all Section 510(b) Claims shall be extinguished.

M. Setoffs

Except as otherwise provided herein and subject to applicable law, the Debtors may, pursuant to the Bankruptcy Code (including section 553 of the Bankruptcy Code), applicable non-bankruptcy law, or as may be agreed to by the Holder of a Claim or Interest, set off against any Allowed Claim or Interest (which setoff shall be made against the Allowed Claim or Interest, not against any distributions to be made under the Plan with respect to such Allowed Claim or Interest), any Claims, rights, and Causes of Action of any nature that such Debtor may hold against the Holder of such Allowed Claim or Interest, to the extent such Claims, rights, or Causes of Action against such Holder have not been otherwise released, waived, relinquished, exculpated, compromised, or settled on or prior to the Effective Date (whether pursuant to the Plan or otherwise), and any distribution to which a Holder is entitled under the Plan shall be made on account of the Claim or Interest, as reduced after application of the setoff described above. In no event shall any Holder of Claims or Interests be entitled to setoff any Claim or Interest against any Claim, right, or Cause of Action of the Debtors unless such Holder obtains entry of a Final Order entered by the Court authorizing such setoff or unless such setoff is otherwise agreed to in writing by the Debtors and a Holder of a Claim or Interest; *provided* that, where there is no written agreement between the Debtors and a Holder of a Claim authorizing such setoff, nothing herein shall prejudice or be deemed to have prejudiced the Debtors' rights to assert that any Holder's setoff rights were required to have been asserted by motion to the Court prior to the Effective Date.

N. Special Provision Governing Accrued Professional Compensation Claims and Final Fee Applications

For the avoidance of doubt, the releases in Article VIII of the Plan shall not waive, affect, limit, restrict, or otherwise modify the right of any party in interest to object to any Accrued Professional Compensation Claim or final fee application Filed by any Professional in the Chapter 11 Cases.

ARTICLE IX.
CONDITIONS PRECEDENT TO CONFIRMATION AND CONSUMMATION OF THE PLAN

A. Conditions Precedent to Confirmation

It shall be a condition to confirmation of the Plan that the following conditions shall have been satisfied (or waived pursuant to Article IX.C hereof):

1. The Disclosure Statement shall have been in form and substance reasonably acceptable to the Debtors and the RBL Agent (which consent shall not be unreasonably withheld), and an order finding that the Disclosure Statement contains adequate information pursuant to section 1125 of the Bankruptcy Code shall have been entered by the Court; and

2. The proposed Confirmation Order shall be in form and substance reasonably satisfactory to the Debtors, the RBL Agent (which consent shall not be unreasonably withheld), and the Second Lien Agent (but only with respect to the terms of the Plan that adversely affects the recoveries of Holders of Second Lien Claims in a manner that is disproportionate to other similarly situated minority holders of New Common Stock).

B. Conditions Precedent to the Effective Date

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

1. The Confirmation Order shall have become a Final Order that has not been stayed or modified or vacated on appeal;

2. The Professional Fee Escrow shall have been established and funded in Cash in accordance with Article II.B.1 of the Plan;

3. The Exit Revolver Credit Facility Documents shall have been executed and delivered by all of the Entities that are parties thereto, and all conditions precedent to the consummation of the Exit Revolver Credit Facility shall have been waived or satisfied in accordance with the terms thereof, and the closing of the Exit Revolver Credit Facility shall have occurred;

4. The New Second Lien Credit Facility Documents shall have been executed and delivered by all of the Entities that are parties thereto, and all conditions precedent to the consummation of the New Second Lien Credit Facility shall have been waived or satisfied in accordance with the terms thereof and the closing of the New Second Lien Credit Facility shall have occurred;

5. All actions and all agreements, instruments or other documents necessary to implement the Plan (including the Stockholders' Agreement, the Registration Rights Agreement, and the Warrant Agreements) shall have been effected or executed and delivered, as applicable, by no later than June 30, 2016, and shall be reasonably acceptable to the Debtors and the RBL Agent; and

6. The Debtors shall have received any authorizations, consents, regulatory approvals, rulings, letters, no-action letters, opinions or documents that are necessary to implement the Plan and that are required by law, regulation or order.

C. Waiver of Conditions

The conditions to the confirmation of the Plan and Effective Date of the Plan set forth in this Article IX may be waived only by the Debtors with the consent of the RBL Agent, which consent shall not be unreasonably withheld, without notice, leave, or order of the Court or any formal action other than proceedings to confirm or consummate the Plan.

D. Substantial Consummation

"Substantial Consummation" of the Plan, as defined in 11 U.S.C. § 1101(2), shall be deemed to occur on the Effective Date.

E. Effect of Non-Occurrence of Conditions to the Effective Date

If the Effective Date does not occur, then: (1) the Plan shall be null and void in all respects; (2) any settlement or compromise embodied in the Plan (including the fixing or limiting to an amount certain of any Claim or Interest or Class of Claims or Interests), assumption or rejection of Executory Contracts or Unexpired Leases effected by the Plan, and any document or agreement executed pursuant to the Plan, shall be deemed null and void; and (3) nothing contained in the Plan or the Disclosure Statement shall: (a) constitute a waiver or release of any Claims or Interests; (b) prejudice in any manner the rights of the Debtors or any other Person or Entity; or (c) constitute an admission, acknowledgement, offer, or undertaking of any sort by the Debtors or any other Person or Entity.

ARTICLE X.
MODIFICATION, REVOCATION, OR WITHDRAWAL OF THE PLAN

A. Modification and Amendments

Subject to the limitations contained herein, the Debtors, with the consent of the RBL Agent, which consent shall not be unreasonably withheld, and the Second Lien Agent (but only with respect to (i) amendments to the terms of the Warrant Agreements and (ii) amendments to any other documents only to the extent that such amendment adversely affects the recoveries of Holders of Second Lien Claims in a manner that is disproportionate to other similarly situated minority holders of New Common Stock), which consent shall not be unreasonably withheld, reserve the right to modify the Plan and seek Confirmation consistent with the Bankruptcy Code and, as appropriate, not resolicit votes on such modified Plan. Subject to certain restrictions and requirements set forth in section 1127 of the Bankruptcy Code and Bankruptcy Rule 3019 and those restrictions on modifications set forth in the Plan, the Debtors, with the consent of the RBL Agent, which consent shall not be unreasonably withheld, and the Second Lien Agent (but only with respect to (i) amendments to the terms of the Warrant Agreements and (ii) amendments to any other documents only to the extent that such amendment adversely affects the recoveries of Holders of Second Lien Claims in a manner that is disproportionate to other similarly situated minority holders of New Common Stock), which consent shall not be unreasonably withheld, expressly reserve their rights to alter, amend, or modify materially the Plan with respect to the Debtors, one or more times, after Confirmation, and, to the extent necessary, may initiate proceedings in the Court to so alter, amend, or modify the Plan, or remedy any defect or omission, or reconcile any inconsistencies in the Plan, the Disclosure Statement, or the Confirmation Order, in such matters as may be necessary to carry out the purposes and intent of the Plan.

B. Effect of Confirmation on Modifications

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

C. Revocation or Withdrawal of the Plan

The Debtors reserve the right to revoke or withdraw the Plan prior to the Confirmation Date, subject to the consent of the RBL Agent, which consent shall not be unreasonably withheld; *provided*, *however*, that notwithstanding the forgoing, the Debtors shall be permitted to revoke or withdraw the Plan without such consent if doing so is required to satisfy their fiduciary duties. If the Debtors revoke or withdraw the Plan, or if Confirmation and Consummation does not occur, then: (1) the Plan shall be null and void in all respects; (2) any settlement or compromise embodied in the Plan (including the fixing or limiting to an amount certain of any Claim or Interest or Class of Claims or Interests), assumption or rejection of Executory Contracts or Unexpired Leases effected by the Plan, and any document or agreement executed pursuant to the Plan, shall be deemed null and void; and (3) nothing contained in the Plan shall: (i) constitute a waiver or release of any Claims or Interests; (ii) prejudice in any manner the rights of the Debtors or any other Entity, including the Holders of Claims or the Non-Debtor Subsidiaries; or (iii) constitute an admission, acknowledgement, offer, or undertaking of any sort by the Debtors or any other Entity, including the Non-Debtor Subsidiaries.

ARTICLE XI.
RETENTION OF JURISDICTION

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

1. Allow, Disallow, determine, liquidate, classify, estimate, or establish the priority, Secured or unsecured status, or amount of any Claim or Interest, including the resolution of any request for payment of any Administrative Claim and the resolution of any and all objections to the Secured or unsecured status, priority, amount, or allowance of Claims or Interests;

2. decide and resolve all matters related to the granting and denying, in whole or in part, any applications for allowance of compensation or reimbursement of expenses to Professionals authorized pursuant to the Bankruptcy Code or the Plan;

3. resolve any matters related to: (a) the assumption and assignment or rejection of any Executory Contract or Unexpired Lease to which a Debtor is a party or with respect to which a Debtor may be liable in any manner and to hear, determine, and, if necessary, liquidate, any Claims arising therefrom, including Claims related to the rejection of an Executory Contract or Unexpired Lease, Cure Costs pursuant to section 365 of the Bankruptcy Code, or any other matter related to such Executory Contract or Unexpired Lease; (b) the Reorganized Debtors amending, modifying, or supplementing, after the Confirmation Date, pursuant to Article V hereof, any Executory Contracts or Unexpired Leases to the list of Executory Contracts and Unexpired Leases to be assumed and assigned or rejected or otherwise; and (c) any dispute regarding whether a contract or lease is or was executory or expired;

4. ensure that distributions to Holders of Allowed Claims and Interests are accomplished pursuant to the provisions of the Plan;

5. adjudicate, decide, or resolve any motions, adversary proceedings, contested, or litigated matters, and any other matters, and grant or deny any applications involving a Debtor that may be pending on the Effective Date;

6. adjudicate, decide, or resolve any and all matters related to Causes of Action;

7. adjudicate, decide, or resolve any and all matters related to section 1141 of the Bankruptcy Code;

8. enter and implement such orders as may be necessary or appropriate to execute, implement, or consummate the provisions of the Plan and all contracts, instruments, releases, indentures, and other agreements or documents created in connection with the Plan or the Disclosure Statement;

9. enter and enforce any order for the sale of property pursuant to sections 363, 1123, or 1146(a) of the Bankruptcy Code;

10. resolve any cases, controversies, suits, disputes, or Causes of Action that may arise in connection with the Consummation, interpretation, or enforcement of the Plan or any Entity's obligations incurred in connection with the Plan;

11. issue injunctions, enter and implement other orders, or take such other actions as may be necessary or appropriate to restrain interference by any Entity with Consummation or enforcement of the Plan;

12. resolve any cases, controversies, suits, disputes, or Causes of Action with respect to the settlements, compromises, discharges, releases, injunctions, exculpations, and other provisions contained in Article VIII hereof and enter such orders as may be necessary or appropriate to implement such releases, injunctions, and other provisions;

13. resolve any cases, controversies, suits, disputes, or Causes of Action with respect to the repayment or return of distributions and the recovery of additional amounts owed by the Holder of a Claim or Interest for amounts not timely repaid pursuant to Article VI.G.1 hereof;

14. enter and implement such orders as are necessary or appropriate if the Confirmation Order is for any reason modified, stayed, reversed, revoked, or vacated;

15. determine any other matters that may arise in connection with or relate to the Plan, the Disclosure Statement, the Confirmation Order, or the Plan Supplement; *provided* that the Court shall not retain jurisdiction over disputes concerning documents contained in the Plan Supplement that have a jurisdictional, forum selection or dispute resolution clause that refers disputes to a different court;

16. adjudicate any and all disputes arising from or relating to distributions under the Plan or any transactions contemplated therein;

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

18. determine requests for the payment of Claims and Interests entitled to priority pursuant to section 507 of the Bankruptcy Code;

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

20. hear and determine all disputes involving the existence, nature, or scope of the release provisions set forth in the Plan, including any dispute relating to any liability arising out of the termination of employment or the termination of any employee or retiree benefit program, regardless of whether such termination occurred prior to or after the Effective Date;

21. enforce all orders previously entered by the Court;

22. hear any other matter not inconsistent with the Bankruptcy Code;

23. enter an order concluding or closing the Chapter 11 Cases;

24. enforce all orders previously entered by the Court, resolve any cases, controversies, suits, or disputes that may arise in connection with the consummation, interpretation, or any contract, instrument, release, or other agreement or document that is entered into or delivered pursuant thereto or any Entity's rights arising from or obligations incurred in connection with the Plan or such documents; and

25. enforce the injunction, release, and exculpation provisions set forth in Article VIII hereof.

As of the Effective Date, notwithstanding anything in this Article XI to the contrary, the Exit Revolver Credit Facility Documents, the New Second Lien Credit Facility Documents and any documents set forth in the Plan Supplement shall be governed by the respective jurisdictional provisions therein.

ARTICLE XII.
MISCELLANEOUS PROVISIONS

A. Immediate Binding Effect

Subject to Article IX.A hereof and notwithstanding Bankruptcy Rules 3020(e), 6004(h), or 7062 or otherwise, upon the occurrence of the Effective Date, the terms of the Plan, the final versions of the documents contained in the Plan Supplement, and the Confirmation Order shall be immediately effective and enforceable and deemed binding upon the Debtors, the Reorganized Debtors, and any and all Holders of Claims or Interests (regardless of whether such Claims or Interests are deemed to have accepted or rejected the Plan), all Entities that are parties to or are subject to the settlements, compromises, releases, and injunctions described in the Plan, each Entity acquiring property under the Plan or the Confirmation Order, and any and all non-Debtor parties to Executory Contracts and Unexpired Leases with the Debtors. All Claims and debts shall be as fixed, adjusted, or compromised, as applicable, pursuant to the Plan regardless of whether any Holder of a Claim or debt has voted on the Plan.

B. Additional Documents

On or before the Effective Date, the Debtors may File with the Court such agreements and other documents as may be necessary or appropriate to effectuate and further evidence the terms and conditions of the Plan. The Debtors and all Holders of Claims or Interests receiving distributions pursuant to the Plan and all other parties in interest shall, from time to time, prepare, execute, and deliver any agreements or documents and take any other actions as may be necessary or advisable to effectuate the provisions and intent of the Plan.

C. Dissolution of the Committee

On the Effective Date, the Committee shall dissolve and all members, employees, or agents thereof shall be released and discharged from all rights and duties arising from or related to the Chapter 11 Cases. The Reorganized Debtors shall not be responsible for paying any fees or expenses incurred by the members of or advisors to the Committee after the Effective Date.

D. Reservation of Rights

Except as expressly set forth in the Plan, the Plan shall have no force or effect unless the Court shall enter the Confirmation Order. Neither the Plan, any statement or provision contained in the Plan, nor any action taken or not taken by any Debtor with respect to the Plan, the Disclosure Statement, the Confirmation Order, or the Plan Supplement shall be or shall be deemed to be an admission or waiver of any rights of the Debtors, with respect to the Holders of Claims or Interests prior to the Effective Date.

E. Successors and Assigns

The rights, benefits, and obligations of any Entity named or referred to in the Plan or the Confirmation Order shall be binding on, and shall inure to the benefit of any heir, executor, administrator, successor or assign, affiliate, officer, director, manager, agent, representative, attorney, beneficiaries, or guardian, if any, of each Entity.

F. Service of Documents

Any pleading, notice, or other document required by the Plan to be served on or delivered to the Debtors, Reorganized Debtors, RBL Agent or Second Lien Agent shall be served on:

If to the Debtors, to:

Sabine Oil & Gas Corporation
1415 Louisiana, Suite 1600
Houston, Texas 77002
Attn.: Michael Magilton

With copies to:

Kirkland & Ellis LLP
Kirkland & Ellis International LLP
601 Lexington Avenue
New York, New York 10022
Attn.: Jonathan S. Henes, P.C., Christopher Marcus, P.C. and Cristine Pirro

Kirkland & Ellis LLP
Kirkland & Ellis International LLP
300 North LaSalle Drive
Chicago, Illinois 60654
Attn.: Ryan B. Bennett and Brad Weiland

If to the RBL Agent:

Linklaters LLP
1345 Avenue of the Americas
New York, New York 10105
Attn.: Margot B. Schonholtz and Robert H. Trust

If to the Second Lien Agent:

Paul, Weiss, Rifkind, Wharton & Garrison LLP
1285 Avenue of the Americas
New York, New York 10019
Attn.: Brian S. Hermann, Kyle J. Kimpler and Kellie A. Cairns

G. Term of Injunctions or Stays

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

H. Entire Agreement

Except as otherwise indicated, the Plan, the Confirmation Order, the documents set forth in the Plan Supplement, the Exit Revolver Credit Facility Documents and the New Second Lien Credit Facility Documents, supersede all previous and contemporaneous negotiations, promises, covenants, agreements, understandings, and representations on such subjects, all of which have become merged and integrated into the Plan.

I. Exhibits

All exhibits and documents included in the Plan Supplement are incorporated into and are a part of the Plan as if set forth in full in the Plan. After the exhibits and documents are Filed, copies of such exhibits and documents shall be available upon written request to the Debtors' counsel at the address above or by downloading such exhibits and documents from the Debtors' restructuring website at https://cases.primeclerk.com/sabine/ or the Court's website at http://www.nysb.uscourts.gov/. To the extent any exhibit or document is inconsistent with the terms of the Plan, unless otherwise ordered by the Court, the non-exhibit or non-document portion of the Plan shall control.

J. Nonseverability of Plan Provisions

If, prior to Confirmation, any term or provision of the Plan is held by the Court to be invalid, void, or unenforceable, the Court shall be prohibited from altering or interpreting such term or provision to make it valid or enforceable, *provided* that at the request of the Debtors, the Court shall have the power to alter and interpret such term or provision to make it valid or enforceable to the maximum extent practicable, consistent with the original purpose of the term or provision held to be invalid, void or unenforceable, and such terms or provision shall then be applicable as altered or interpreted; *provided further* that any such alteration or interpretation shall be acceptable to the Debtors. The Confirmation Order shall constitute a judicial determination and shall provide that each term and provision of the Plan, as it may have been altered or interpreted in accordance with the foregoing, is: (1) valid and enforceable pursuant to its terms; (2) integral to the Plan and may not be deleted or modified without the Debtors' consent; and (3) nonseverable and mutually dependent.

K. Votes Solicited in Good Faith

Upon entry of the Confirmation Order, the Debtors will be deemed to have solicited votes on the Plan in good faith and in compliance with the Bankruptcy Code, and pursuant to section 1125(e) of the Bankruptcy Code, the Debtors and each of their respective Affiliates, agents, representatives, members, principals, shareholders, officers, directors, employees, advisors, and attorneys will be deemed to have participated in good faith and in compliance with the Bankruptcy Code in the offer, issuance, sale, and purchase of Securities offered and sold under the Plan and any previous plan, and, therefore, neither any of such parties or individuals or the Reorganized Debtors will have any liability for the violation of any applicable law, rule, or regulation governing the solicitation of votes on the Plan or the offer, issuance, sale, or purchase of the Securities offered and sold under the Plan and any previous plan.

L. Closing of Chapter 11 Cases

The Reorganized Debtors shall, promptly after the full administration of the Chapter 11 Cases, File with the Court all documents required by Bankruptcy Rule 3022 and any applicable order of the Court to close the Chapter 11 Cases.

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

Sabine Oil & Gas Corporation (for itself and all Debtors)

By: */s/ Michael Magilton*
Name: Michael Magilton
Title: Senior Vice President and Chief Financial Officer

EXHIBIT B

Disclosure Statement Order

[To Come]

EXHIBIT C

Financial Projections

Financial Projections

PROJECTIONS OF CERTAIN FINANCIAL DATA FOLLOWING CONSUMMATION OF PLAN[1]

In connection with the Disclosure Statement, the Debtors' management team ("Management") prepared Financial Projections for the six months ending December 31, 2016 and fiscal years 2017 through 2020 (the "Projection Period"). The Financial Projections were prepared by Management and are based on a number of assumptions made by Management with respect to the future performance of the Reorganized Debtors' operations. Although Management has prepared the Financial Projections in good faith and believes the assumptions to be reasonable, it is important to note that the Debtors can provide no assurance that such assumptions will be realized. As described in detail in the Disclosure Statement, a variety of risk factors could affect the Reorganized Debtors' financial results and must be considered. Accordingly, the Financial Projections should be reviewed in conjunction with a review of the risk factors set forth in the Disclosure Statement and the assumptions described herein, including all relevant qualifications and footnotes.

The following Financial Projections were not prepared with a view toward compliance with published rules of the Securities and Exchange Commission or the American Institute of Certified Public Accountants regarding projections. The Reorganized Debtors' independent auditor has not examined, compiled or performed any procedures with respect to the prospective financial information contained in this exhibit and, accordingly, it does not express an opinion or any other form of assurance on such information or its achievability. The Debtors' independent auditor assumes no responsibility for, and denies any association with, the prospective financial information.

Principal Assumptions for the Financial Projections

The Financial Projections are based on, and assume the successful implementation of, the Reorganized Debtors' business plan. Both the business plan and the Financial Projections reflect numerous assumptions, including various assumptions regarding the anticipated future performance of the Reorganized Debtors, industry performance, general business and economic conditions, and other matters, many of which are beyond the control of the Reorganized Debtors. In addition, the assumptions do not take into account the uncertainty and disruption of business that may accompany a restructuring in Bankruptcy Court. Therefore, although the Financial Projections are necessarily presented with numerical specificity, the actual results achieved during the Projection Period will likely vary from the projected results. These variations may be material. Accordingly, no representation can be or is being made with respect to the accuracy of the Financial Projections or the ability of the Reorganized Debtors to achieve the projected results of operations. See *"Risk Factors"*.

In deciding whether to vote to accept or reject the Plan, creditors must make their own determinations as to the reasonableness of such assumptions and the reliability of the Financial

[1] All capitalized terms used by not otherwise defined herein shall have the meanings ascribed to them in the *Disclosure Statement for Amended Joint Chapter 11 Plan of Reorganization of Sabine Oil & Gas Corporation and Its Debtor Affiliates* to which the Financial Projections are attached.

Projections. See *"Risk Factors"*. Moreover, the Financial Projections were prepared solely in connection with the restructuring pursuant to the Plan.

Under Accounting Standards Codification "ASC" 852, "Reorganizations" ("ASC 852"), the Reorganized Debtors note that the Financial Projections reflect the operational emergence from chapter 11 but not the impact of fresh start accounting that will likely be required upon emergence. The Financial Projections account for the reorganization and related transactions pursuant to the Plan. While the Company expects that it will be required to implement fresh start accounting upon emergence, it has not yet completed the work required to quantify the impact to its Financial Projections. When the Company does fully implement fresh start accounting, differences from the depiction presented are anticipated and those differences could be material. Fresh start accounting requires all assets, liabilities, and equity instruments to be valued at "fair value."

Safe Harbor Under The Private Securities Litigation Reform Act of 1995

These projections contain statements which constitute "forward-looking statements" within the meaning of the Securities Act of 1933, as amended (the "Securities Act") and the Securities Exchange Act of 1934, as amended by the Private Securities Litigation Reform Act of 1995 (the "Exchange Act"). Forward-looking statements in these projections include the intent, belief or current expectations of the Reorganized Debtors and members of its management team with respect to the timing of, completion of and scope of the current restructuring, reorganization plan, strategic business plan, bank financing, and debt and equity market conditions and the Reorganized Debtors' future liquidity, as well as the assumptions upon which such statements are based.

While the Debtors believe that the expectations are based on reasonable assumptions within the bounds of their knowledge of their business and operations, parties in interest are cautioned that any such forward-looking statements are not guarantees of future performance, and involve risks and uncertainties, and that actual results may differ materially from those contemplated by such forward-looking statements.

Select Risk Factors Related to the Financial Projections

The Debtors recently completed their 5-year business plan, covering the six months ending December 31, 2016 and fiscal years 2017 through 2020 (the Debtors operate on a December fiscal year-end). The business plan was developed on an operational rather than legal entity basis.

Another potential impact of a chapter 11 filing, which is not incorporated into the Financial Projections, is employee turnover at the management, production, and field operations levels. Loss of employees from these and other parts of the Reorganized Debtors could have an adverse impact on the Reorganized Debtors' financial performance.

The Financial Projections are subject to inherent risks and uncertainties, most of which are difficult to predict and many of which are beyond management's control, incident to the exploration for and development, production, gathering, and sale of oil, natural gas, and natural gas liquids. Factors that may cause actual results to differ from expected results include, but are not limited to:

- fluctuations in oil and natural gas prices and the Debtors ability to hedge against movements in prices;
- the uncertainty inherent in estimating reserves, future net revenues, and discounted future cash flows;
- the timing and amount of future production of oil and natural gas;
- changes in the availability and cost of capital;
- environmental, drilling and other operating risks, including liability claims as a result of oil and natural gas operations;
- proved and unproved drilling locations and future drilling plans; and
- the effects of existing and future laws and governmental regulations, including environmental, hydraulic fracturing, and climate change regulation.

The foregoing assumptions and resulting computations were made solely for purposes of preparing the Financial Projections. Upon emergence from any chapter 11 case, the Reorganized Debtors will be required to determine the amount by which its reorganization value as of the Effective Date exceeds, or is less than, the fair value of its assets as of the Effective Date. Such determination will be based upon the fair values at that time, which may be based on, among other things, a different methodology than the above-mentioned valuation. In any event, such valuations, as well as the determination of the fair value of the Reorganized Debtors' assets and liabilities, will be made as of the Effective Date. The changes between the amounts of any or all of the foregoing items as assumed in the Financial Projections and the actual amounts thereof as of the Effective Date may be material.

Financial Projections

The Projections set forth below have been prepared based on the assumption that the Effective Date is June 30, 2016. Although the Debtors will seek the Effective Date to occur as soon as practicable, there can be no assurance as to when the Effective Date will actually occur. The Debtors' Consolidated Financial Projections for the Projection Period set forth on the following pages present the projected consolidated position of the Reorganized Debtors after giving effect to confirmation and the consummation of the transactions contemplated by the Plan, as of the end of each fiscal year in the Projection Period.

Assumptions with Respect to the Financial Projections

A. Net Production
- Oil and gas production volumes are estimates based on decline curves for existing producing wells and wells expected to be drilled and completed during the Projection Period.

B. Commodity Pricing

- Based on March 22, 2016 New York Mercantile Exchange ("NYMEX") strip pricing for crude oil and natural gas. Natural gas liquids ("NGLs") prices are based on NYMEX strip pricing of Mont Belvieu propane as of March 22, 2016.
- Management estimates realized pricing based on forecasted oil and gas differentials on a field basis.

Realized Pricing	2H 2016	2017	2018	2019	2020
Gas ($/mmbtu, HHUB)	$2.27	$2.67	$2.73	$2.76	$2.84
Oil ($/bbl, WTI)	$39.31	$41.14	$42.81	$43.90	$44.65
NGL ($/BBL, MTB Propane)	$14.71	$14.60	$14.63	$14.63	$12.73

C. Operating Expenses

- Operating expenses include lease operating expenses, marketing, transport & processing expenses, production and property taxes.
- Management has assumed certain gathering agreements have been terminated and are therefore not included in operating expenses.

D. General & Administrative

- G&A is primarily comprised of senior management and other personnel costs, rent, insurance, and corporate overhead necessary to manage the business and comply with any regulatory requirements. Projected G&A is based on current development plans and includes certain adjustments for cost reduction initiatives.

E. Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA")

- EBITDA is anticipated to improve over the forecast period due to the following factors:
  - Increased market pricing due to the upward sloping price curve for the Company's products
  - Increased production with the addition of one rig in 2017
  - Reduced operating and G&A expenses based on cost savings targeted by the Debtors

F. Capital Expenditures

- Capital Expenditures for drilling and completion activities, land spending, capitalized G&A, and other activities are projected to total $10.1 million during the six months ending December 31, 2016. From 2017 through 2020, spending is projected to be $57.2 million, $64.3 million, $77.1 million, and $110.3 million, respectively.
- Currently, the Company is operating no drilling rigs. Management expects to resume active drilling with an addition of one rig in 2017.
- Capital Expenditures are projected to increase during the Projection Period as commodity prices and, correspondingly, rates of return on capital investment opportunities improve.

G. Working Capital

- As of the Effective Date, Management projects an immaterial change to working capital over the Projection Period.

H. Legacy Retiree & Other Costs

- Includes obligations arising from legacy pension plans, supplemental retirement plans and minimum volume commitments.

I. Capital Structure and Liquidity

- The Projections assume that the Debtors will obtain exit financing (the "Exit Facility") with (a) initial commitments equal to $200 million; (b) borrowings equal to $100 million on the Effective Date, of which up to $100 million shall be repaid by the Reorganized Debtors in Cash on the Effective Date; (c) an initial borrowing base of approximately $150 million on the Effective Date; (d) a rate of LIBOR plus 300-400 basis points determined by a utilization grid agreed by the Debtors and the RBL Agent.
- For purposes of Projection Period, management assumes $90 million of cash will be available to repay the $100 million drawn on the Exit Facility, leaving $10 million drawn on the Effective Date.
- Additionally, the Reorganized Debtors will enter into a New Second Lien Credit Agreement with a principal amount of $150 million and a rate of LIBOR plus 1,000 basis points with a LIBOR floor of 100 basis points.
- Management expects to have approximately $140 million of liquidity at the Effective Date.

Reorganized Debtors Financial Projections

Sabine Oil & Gas Corporation
Reorganized Debtors' Financial Projections
$ in millions

	2H 2016	2017	2018	2019	2020
Revenue	**$92.4**	**$187.0**	**$185.3**	**$193.7**	**$232.7**
- Lease Operating Expenses	32.3	60.9	58.7	57.8	58.2
- Other Operating Expenses	18.4	35.3	34.8	37.7	50.2
- General & Adminsitrative	8.6	9.4	9.4	9.4	9.4
EBITDA	**33.0**	**81.3**	**82.4**	**88.8**	**114.9**
- Capital Expenditures	10.1	57.2	64.3	77.1	110.3
- Net Change in Working Capital	-	-	-	-	-
- Legacy Retiree & Other Costs	1.1	2.8	1.1	1.0	0.9
Unlevered Operating Cash Flow	**21.8**	**21.2**	**16.9**	**10.7**	**3.7**
- Cash Interest	8.7	17.2	17.4	17.5	17.9
- Second Lien Amortization	0.8	1.5	1.5	1.5	1.5
Levered Cash Flow	**12.3**	**2.5**	**(2.0)**	**(8.3)**	**(15.6)**
EBITDA	$33.0	$81.3	$82.4	$88.8	$114.9
Total Debt	149.3	147.8	146.3	150.1	164.3
Net Debt	146.9	142.9	143.4	150.1	164.3
Borrowing Base Availability	150.0	150.0	150.0	144.6	129.0
Total Liquidity	152.3	154.9	152.9	144.6	129.0
Total Debt/EBITDA	2.3x	1.8x	1.8x	1.7x	1.4x
EBITDA/Interest Expense	3.8x	4.7x	4.7x	5.1x	6.4x

Notes:

1. Exit Revolver Credit Facility: (i) Initial commitments set at $200 million; (ii) an initial borrowing base set at $150 million on the Effective Date; (iii) interest rate of LIBOR plus 3.0 - 4.0%; (v) maturity date of December 31, 2020.
2. New Second Lien Credit Facility: (i) principal amount of $150 million; (ii) an interest rate of LIBOR (subject to a 1.0% floor) plus 10.0%; (iii) annual amortization of 1.0%; (iv) maturity date of December 31, 2021.
3. Available liquidity assumes no increase or decrease in the borrowing base.
4. Changes in net working capital expected to be immaterial.
5. Legacy Retiree & Other Costs include pension contributions, split dollar life insurance premiums, and minimum volume commitment payments on three gathering agreements.

EXHIBIT D

Valuation Analysis

Valuation Analysis with respect to the Reorganized Debtors

THE INFORMATION CONTAINED HEREIN IS NOT A PREDICTION OR GUARANTEE OF THE ACTUAL MARKET VALUE THAT MAY BE REALIZED THROUGH THE SALE OF ANY SECURITIES TO BE ISSUED PURSUANT TO THE PLAN. THE INFORMATION IS PRESENTED SOLELY FOR THE PURPOSE OF PROVIDING ADEQUATE INFORMATION UNDER SECTION 1125 OF THE BANKRUPTCY CODE TO ENABLE THE HOLDERS OF CLAIMS ENTITLED TO VOTE TO ACCEPT OR REJECT THE PLAN TO MAKE AN INFORMED JUDGMENT ABOUT THE PLAN AND SHOULD NOT BE USED OR RELIED UPON FOR ANY OTHER PURPOSE, INCLUDING THE PURCHASE OR SALE OF CLAIMS AGAINST THE DEBTORS OR ANY OF THEIR AFFILIATES.[1]

Solely for the purposes of the *Amended Joint Chapter 11 Plan of Reorganization of Sabine Oil & Gas Corporation and Its Debtor Affiliates* (the "Plan" and Sabine Oil & Gas Corporation and its Debtor affiliates, the "Debtors") and the Disclosure Statement, Lazard Frères & Co. LLC ("Lazard"), as Investment Banker to the Debtors, has estimated a range of total enterprise value ("Enterprise Value") and implied equity value ("Equity Value") of the Reorganized Debtors and their direct and indirect subsidiaries on a consolidated going-concern basis and pro forma for the transactions contemplated by the Plan (the "Valuation Analysis"). The Valuation Analysis was based on reserve information, development schedules, and financial information provided by the Debtors' management, as well as the Financial Projections attached to the Disclosure Statement as **Exhibit C** (collectively with the reserve information, development schedules and financial information, the "Projections"), and information provided by other sources. The Valuation Analysis assumed that the Effective Date occurs on June 30, 2016.

Based on the Projections and other information described herein and solely for purposes of the Plan, Lazard estimated that the potential range of the Enterprise Value of the Reorganized Debtors is approximately $450 million to $650 million (with the midpoint of such range being approximately $550 million).

In addition, based on the Projections and other information described herein and solely for purposes of the Plan, Lazard estimated a potential range of total Equity Value of the Reorganized Debtors which consists of the Enterprise Value, less debt balance plus balance sheet cash on the assumed Effective Date. The Debtors have assumed that the Debtors will have a debt balance of $160 million and a pro forma cash balance of $0 as of the Effective Date. Based upon the estimated range of Enterprise Value of the Reorganized Debtors of between $450 million and $650 million described above, assumed net debt of $160 million, and an assumed pro forma cash balance of $0, Lazard estimated that the potential range of Equity Value for the Reorganized Debtors is between approximately $290 million and $490 million (with the midpoint of such range being approximately $390 million).

[1] All capitalized terms used but not otherwise defined herein shall have the meanings ascribed to them in the *Disclosure Statement for the Amended Joint Chapter 11 Plan of Reorganization of Sabine Oil & Gas Corporation and Its Debtor Affiliates* (the "Disclosure Statement"), to which this Valuation Analysis is attached as **Exhibit D**.

The valuation estimates set forth herein represent a valuation analysis of the Reorganized Debtors generally based on the application of customary valuation techniques, including risked net asset value analysis and public comparable company analyses. For purposes of the Valuation Analysis, Lazard assumed that no material changes that would affect estimated value occur between the date of filing of the Disclosure Statement and the assumed Effective Date. Lazard's Valuation Analysis does not constitute an opinion as to fairness from a financial point of view of the consideration to be received or paid under the Plan, of the terms and provisions of the Plan, or with respect to any other matters.

THE VALUATION ANALYSIS REFLECTS WORK PERFORMED BY LAZARD ON THE BASIS OF INFORMATION IN RESPECT OF THE BUSINESS AND ASSETS OF THE DEBTORS AVAILABLE TO LAZARD AS OF MARCH 22, 2016. IT SHOULD BE UNDERSTOOD THAT, ALTHOUGH SUBSEQUENT DEVELOPMENTS MAY AFFECT LAZARD'S CONCLUSIONS, LAZARD DOES NOT HAVE ANY OBLIGATION TO UPDATE, REVISE OR REAFFIRM ITS VALUATION ANALYSIS AND DOES NOT INTEND TO DO SO.

LAZARD DID NOT INDEPENDENTLY VERIFY THE PROJECTIONS OR OTHER INFORMATION THAT LAZARD USED IN THE VALUATION ANALYSIS, AND NO INDEPENDENT VALUATIONS OR APPRAISALS OF THE DEBTORS WERE SOUGHT OR OBTAINED IN CONNECTION THEREWITH. THE VALUATION ANALYSIS WAS DEVELOPED SOLELY FOR PURPOSES OF THE PLAN AND THE ANALYSIS OF POTENTIAL RELATIVE RECOVERIES TO CREDITORS THEREUNDER. THE VALUATION ANALYSIS REFLECTS THE APPLICATION OF VARIOUS VALUATION TECHNIQUES, DOES NOT PURPORT TO BE AN OPINION AND DOES NOT PURPORT TO REFLECT OR CONSTITUTE APPRAISALS, LIQUIDATION VALUES, OR ESTIMATES OF THE ACTUAL MARKET VALUE THAT MAY BE REALIZED THROUGH THE SALE OF ANY SECURITIES TO BE ISSUED OR ASSETS TO BE SOLD PURSUANT TO THE PLAN, WHICH MAY BE SIGNIFICANTLY DIFFERENT THAN THE AMOUNTS SET FORTH IN THE VALUATION ANALYSIS.

THE VALUE OF AN OPERATING BUSINESS IS SUBJECT TO NUMEROUS UNCERTAINTIES AND CONTINGENCIES WHICH ARE DIFFICULT TO PREDICT AND WILL FLUCTUATE WITH CHANGES IN FACTORS AFFECTING THE FINANCIAL CONDITION AND PROSPECTS OF SUCH A BUSINESS. AS A RESULT, THE VALUATION ANALYSIS IS NOT NECESSARILY INDICATIVE OF ACTUAL OUTCOMES, WHICH MAY BE SIGNIFICANTLY MORE OR LESS FAVORABLE THAN THOSE SET FORTH HEREIN. BECAUSE SUCH ESTIMATES ARE INHERENTLY SUBJECT TO UNCERTAINTIES, NEITHER THE DEBTORS, LAZARD, NOR ANY OTHER PERSON ASSUMES RESPONSIBILITY FOR THEIR ACCURACY. IN ADDITION, THE POTENTIAL VALUATION OF NEWLY ISSUED SECURITIES IS SUBJECT TO ADDITIONAL UNCERTAINTIES AND CONTINGENCIES, ALL OF WHICH ARE DIFFICULT TO PREDICT. ACTUAL MARKET PRICES OF SUCH SECURITIES AT ISSUANCE WILL DEPEND UPON, AMONG OTHER THINGS, PREVAILING INTEREST RATES, CONDITIONS IN THE FINANCIAL AND COMMODITY MARKETS, THE ANTICIPATED INITIAL SECURITIES HOLDINGS OF PREPETITION CREDITORS, SOME OF WHICH MAY PREFER TO LIQUIDATE THEIR INVESTMENT RATHER THAN HOLD

IT ON A LONG-TERM BASIS, THE POTENTIALLY DILUTIVE IMPACT OF CERTAIN EVENTS, INCLUDING THE ISSUANCE OF EQUITY SECURITIES UPON THE EXERCISE OF WARRANTS OR PURSUANT TO ANY MANAGEMENT INCENTIVE COMPENSATION PLAN, AND OTHER FACTORS WHICH GENERALLY INFLUENCE THE PRICES OF SECURITIES.

Lazard assumed that the Projections were reasonably prepared in good faith and on a basis reflecting the Debtors' best estimates and judgments as to the future operating and financial performance of the Reorganized Debtors. The Valuation Analysis assumed that the actual performance of the Reorganized Debtors will correspond to the Projections in all material respects. If the business performs at levels below or above those set forth in the Projections, such performance may have a materially negative or positive impact, respectively, on the Valuation Analysis and estimated potential ranges of Enterprise Value and Equity Value therein.

In preparing the Valuation Analysis, Lazard: (a) reviewed certain historical financial information of the Debtors for recent years and interim periods; (b) reviewed certain financial and operating data of the Debtors, including the Projections; (c) discussed the Debtors' operations and future prospects with the Debtors' senior management team and third-party advisors; (d) reviewed certain publicly available financial data for, and considered the market value of, public companies that Lazard deemed generally relevant in analyzing the value of the Reorganized Debtors; (e) considered certain economic and industry information that Lazard deemed generally relevant to the Reorganized Debtors; and (f) conducted such other studies, analyses, inquiries and investigations as Lazard deemed appropriate. Lazard assumed and relied on the accuracy and completeness of all financial and other information furnished to it by the Debtors' management and other parties as well as publicly available information.

The Valuation Analysis does not constitute a recommendation to any holder of Allowed Claims or any other person as to how such person should vote or otherwise act with respect to the Plan. Lazard has not been requested to and does not express any view as to the potential trading value of the Reorganized Debtors' securities on issuance or at any other time.

The Projections include assumptions and estimates regarding the value of tax attributes and the impact of any cancellation of indebtedness income on the Reorganized Debtors. Such matters are subject to many uncertainties and contingencies that are difficult to predict. Any changes to the assumptions on the availability of tax attributes or the impact of cancellation of indebtedness income could materially impact the Valuation Analysis.

THE SUMMARY SET FORTH ABOVE DOES NOT PURPORT TO BE A COMPLETE DESCRIPTION OF THE VALUATION ANALYSIS PERFORMED BY LAZARD. THE PREPARATION OF A VALUATION ANALYSIS INVOLVES VARIOUS DETERMINATIONS AS TO THE MOST APPROPRIATE AND RELEVANT METHODS OF FINANCIAL ANALYSIS AND THE APPLICATION OF THESE METHODS IN THE PARTICULAR CIRCUMSTANCES AND, THEREFORE, SUCH AN ANALYSIS IS NOT READILY SUITABLE TO SUMMARY DESCRIPTION. THE VALUATION ANALYSIS PERFORMED BY LAZARD IS NOT NECESSARILY INDICATIVE OF ACTUAL VALUES OR FUTURE RESULTS, WHICH MAY BE SIGNIFICANTLY MORE OR LESS FAVORABLE THAN THOSE DESCRIBED HEREIN.

LAZARD IS ACTING AS INVESTMENT BANKER TO THE DEBTORS, AND HAS NOT BEEN, WILL NOT BE RESPONSIBLE FOR AND WILL NOT PROVIDE ANY TAX, ACCOUNTING, ACTUARIAL, LEGAL OR OTHER SPECIALIST ADVICE.

EXHIBIT E

Liquidation Analysis

INTRODUCTION

Under the "best interests" of creditors test set forth in section 1129(a)(7) of the Bankruptcy Code, the Bankruptcy Court may not confirm a plan of reorganization unless the plan provides each holder of a claim or interest who does not otherwise vote in favor of the plan with property of a value, as of the effective date of the plan, that is not less than the amount that such holder would receive or retain if the debtor was liquidated under Chapter 7 of the Bankruptcy Code. To demonstrate that the proposed Plan satisfies the "best interests" of creditors test, Sabine Oil & Gas Corporation (collectively with its debtor subsidiaries, the "Debtors"), with the assistance of its restructuring advisors, Zolfo Cooper, LLC ("Zolfo Cooper"), has prepared the following hypothetical liquidation analysis (the "Liquidation Analysis"), which is based upon certain assumptions discussed in the Disclosure Statement and in the accompanying notes to the Liquidation Analysis.

All capitalized terms used but not otherwise defined herein shall have the meanings ascribed to them in the *Disclosure Statement for Amended Joint Chapter 11 Plan of Reorganization of Sabine Oil & Gas Corporation and Its Debtor Affiliates* to which this Liquidation Analysis is attached.

Statement of Limitations:

The determination of the costs of, and proceeds from, the hypothetical liquidation of the Debtors' assets in a Chapter 7 case is an uncertain process involving the extensive use of significant estimates and assumptions that, although considered reasonable by the Debtors based upon their business judgment and input from their advisors, are inherently subject to significant business, economic, and competitive uncertainties and contingencies beyond the control of the Debtors, their management and their advisors. Inevitably, some assumptions in the Liquidation Analysis would not materialize in an actual Chapter 7 liquidation, and unanticipated events and circumstances could materially affect the ultimate results in an actual Chapter 7 liquidation. The Liquidation Analysis was prepared for the sole purpose of generating a reasonable good faith estimate of the proceeds that would be generated if the Debtors' assets were liquidated in accordance with Chapter 7 of the Bankruptcy Code. The Liquidation Analysis is not intended and should not be used for any other purpose. The underlying financial information in the Liquidation Analysis was not compiled or examined by any independent accountants. NEITHER THE DEBTORS NOR THEIR ADVISORS MAKE ANY REPRESENTATION OR WARRANTY THAT THE ACTUAL RESULTS WOULD OR WOULD NOT APPROXIMATE THE ESTIMATES AND ASSUMPTIONS REPRESENTED IN THE LIQUIDATION ANALYSIS. ACTUAL RESULTS COULD VARY MATERIALLY.

THE RECOVERIES SHOWN DO NOT CONTEMPLATE A SALE OR SALES OF THE DEBTORS' BUSINESS UNITS ON A GOING CONCERN BASIS. WHILE THE DEBTORS MAKE NO ASSURANCES, IT IS POSSIBLE THAT PROCEEDS RECEIVED FROM SUCH GOING CONCERN SALE(S) WOULD BE MORE THAN IN THE HYPOTHETICAL LIQUIDATION, THE COSTS ASSOCIATED WITH THE SALE(S) WOULD BE LESS, FEWER CLAIMS WOULD BE ASSERTED AGAINST THE BANKRUPTCY ESTATES

AND/OR CERTAIN ORDINARY COURSE CLAIMS WOULD BE ASSUMED BY THE BUYER(S) OF SUCH BUSINESS(ES).

In preparing the Liquidation Analysis, the Debtors estimated Allowed Claims based upon a review of Claims listed on the Debtors' Schedules of Assets and Liabilities and the Debtors' financial statements to account for other known liabilities, as necessary. In addition, the Liquidation Analysis includes estimates for Claims not currently asserted in the Chapter 11 cases, but which could be asserted and allowed in a Chapter 7 liquidation, including unpaid Chapter 11 Administrative Claims, and Chapter 7 administrative claims such as wind down costs, trustee fees, and tax liabilities. To date, the Bankruptcy Court has not estimated or otherwise fixed the total amount of Allowed Claims used for purposes of preparing this Liquidation Analysis. Therefore, the Debtors' estimate of Allowed Claims set forth in the Liquidation Analysis should not be relied on for any other purpose, including determining the value of any distribution to be made on account of Allowed Claims and Interests under the Plan. NOTHING CONTAINED IN THE LIQUIDATION ANALYSIS IS INTENDED TO BE OR CONSTITUTES A CONCESSION OR ADMISSION OF THE DEBTORS. THE ACTUAL AMOUNT OF ALLOWED CLAIMS IN THE CHAPTER 11 CASES COULD MATERIALLY DIFFER FROM THE ESTIMATED AMOUNTS SET FORTH IN THE LIQUIDATION ANALYSIS.

Conversion Date & Appointment of a Chapter 7 Trustee:

The Liquidation Analysis has been prepared assuming that the Debtors converted their cases from Chapter 11 cases to Chapter 7 cases on or about June 30, 2016 (the "Conversion Date"). Except as otherwise noted herein, the Liquidation Analysis is based upon the unaudited balance sheets of the Debtors as of February 29, 2016 and those values, in total, are assumed to be representative of the Debtors' assets and liabilities as of the Conversion Date. On the Conversion Date, it is assumed that the Bankruptcy Court would appoint a Chapter 7 trustee (the "Trustee") to oversee the liquidation of the Debtors' estates, during which time all of the Debtors' major assets would be sold or surrendered to the respective lien holders, and the cash proceeds, net of liquidation-related costs, would then be distributed to creditors in accordance with relevant law. There can be no assurance that the liquidation would be completed in a limited time frame, nor is there any assurance that the recoveries assigned to the assets would in fact be realized. Under section 704 of the Bankruptcy Code, a trustee must, among other duties, collect and convert the property of the estate as expeditiously (generally at distressed prices) as is compatible with the best interests of parties-in-interest. In addition, the Debtors' interests in various joint ventures and minority investments would be sold or otherwise monetized.

Additional Global Notes & Assumptions:

The Liquidation Analysis should be read in conjunction with the following notes and assumptions:

1. *Additional unsecured claims*. The cessation of business in a liquidation is likely to trigger certain Claims that otherwise would not exist under a Plan absent a liquidation. Examples of these kinds of Claims include various potential employee Claims (for such

items as severance and potential WARN Act Claims), tax liabilities, Claims related to the rejection of unexpired leases and executory contracts and other potential Allowed Claims. These additional Claims could be significant and some will be entitled to priority in payment over General Unsecured Claims. Those priority Claims may need to be paid in full from the liquidation proceeds before any balance would be made available to pay General Unsecured Claims or to make any distribution in respect of equity interests. No adjustment has been made for these potential Claims.

2. *Significant dependence on unaudited financial statements*. This Liquidation Analysis contains numerous estimates. Proceeds available for recovery are based upon the unaudited financial statements and balance sheets of the Debtors as of February 29, 2016, unless otherwise noted herein.

3. *Chapter 7 liquidation costs and length of liquidation process*. The Debtors have assumed that liquidation would occur over approximately 3 months in order to pursue orderly sales of substantially all the remaining assets and collect receivables as well as to arrange distributions. The Debtors have assumed that it would take 12 months to administer and wind down the Debtors' estate. In an actual liquidation the wind down process and time period(s) could vary significantly thereby impacting recoveries. For example, the potential for priority, contingent and other claims, litigation, rejection costs and the final determination of Allowed Claims could substantially impact both the timing and amount of the distribution of the asset proceeds to the creditors. Accordingly, there can be no assurance that the values reflected in this Liquidation Analysis would be realized if the Debtors were, in fact, to undergo such a liquidation.

   Pursuant to section 726 of the Bankruptcy Code, the allowed administrative expenses incurred by the Chapter 7 Trustee, including expenses affiliated with selling the Debtors' assets, will be entitled to payment in full prior to any distribution to Chapter 11 Administrative Claims and Other Priority Claims. The estimate used in the Liquidation Analysis for these expenses includes estimates for operational expenses and certain legal, accounting and other professionals, as well as an assumed 2% to 3% fee based upon liquidated assets payable to a Chapter 7 trustee. Since the majority of the net proceeds of the liquidation on non-cash assets would be for the benefit of holders of the First Lien Secured Claims, it is assumed that Chapter 7 administrative and other priority claims, post-conversion operational expenses and professional fees, and Chapter 7 trustee fees are entitled to payment in full prior to any distribution to holders of the First Lien Secured Claims.

4. *Distribution of net proceeds*. Chapter 11 Administrative Claim amounts and Priority Claim amounts, professional fees, trustee fees and other such claims that may arise in a liquidation scenario would be paid in full from the liquidation proceeds before the balance of those proceeds will be made available to pay General Unsecured Claims. Under the absolute priority rule, no junior creditor would receive any distribution until all senior creditors are paid in full, and no equity holder would receive any distribution until all creditors are paid in full. The assumed distributions to creditors as reflected in the Liquidation Analysis are estimated in accordance with the absolute priority rule.

Conclusion:

The Debtors have determined, as summarized in the following analysis, that Confirmation of the Plan will provide creditors with a recovery that is not less than what they would otherwise receive in connection with a liquidation of the Debtors under Chapter 7 of the Bankruptcy Code.

Sabine Oil & Gas Corporation
Liquidation Proceeds Summary
$ millions

			Potential Recovery			
		Pro Forma	Recovery Estimate %			
Assets	**Notes**	**Value at 6/30/16**	**Low**	**Mid**	**High**	**Mid**
Gross Liquidation Proceeds:						
Cash	[A]	$108.9	100%	100%	100%	$108.9
Accounts receivable	[B]	23.6	82%	90%	98%	21.3
Prepaid expenses and other current assets	[C]	9.3	32%	38%	43%	3.5
Property, plant and equipment:						
Oil & natural gas properties	[D]	487.7	53%	58%	63%	281.8
Gas gathering and processing equipment	[E]	12.2	10%	15%	20%	1.8
Office furniture and fixtures	[F]	3.3	27%	43%	60%	1.4
Other long-term assets:						
Other long-term assets	[G]	1.7	0%	0%	0%	-
Surety Bond Deposits	[H]	27.1	1%	2%	2%	0.5
Total Assets		$673.7	58%	62%	66%	$419.2
Less: Liquidation Costs						
Post-Conversion Cash Flow	[I]					$3.5
Retention Costs	[I]					(1.7)
Estate Wind Down Costs	[I]					(7.0)
Severance Costs	[I]					(2.8)
Ch. 7 Trustee Fees and Other Professional Fees	[I]					(7.8)
Royalty and Working Interest Payments	[I]					(33.5)
Force Bankruptcy Escrow Escheatment	[I]					(2.0)
Total Liquidation Adjustments						($51.3)
Net Liquidation Proceeds Available for Distribution to Creditors						**$367.9**

Sabine Oil & Gas
Liquidation Recovery Summary

$ millions

	Total Sabine Oil & Gas Corporation Debtors		
	Low	Mid	High
Gross Liquidation Proceeds	$391.2	$419.2	$447.1
Less: Liquidation Costs	59.8	51.3	42.5
Net Liquidation Proceeds	**$331.3**	**$367.9**	**$404.7**
Summary of Recovery (%)			
Other Secured Claims	100.0%	100.0%	100.0%
RBL Secured Claims	36.4%	40.5%	44.6%
Second Lien Secured Claims	0.0%	0.0%	0.0%
Administrative & Other Priority Claims	0.0%	0.0%	0.0%
2017 Senior Notes Claims	0.0%	0.0%	0.0%
2019 Senior Notes Claims	0.0%	0.0%	0.0%
2020 Senior Notes Claims	0.0%	0.0%	0.0%
General Unsecured Claims	0.0%	0.0%	0.0%
Convenience Claims	0.0%	0.0%	0.0%
Section 510(b) Claims	0.0%	0.0%	0.0%
Intercompany Claims	N/A	N/A	N/A
Intercompany Interests	N/A	N/A	N/A
Existing Equity Interests in Sabine	N/A	N/A	N/A

Sabine Oil & Gas Corporation
Distribution Summary
$ millions

	Claims			% Recovery			$ Recovery		
	Low	Mid	High	Low	Mid	High	Low	Mid	High
Net Liquidation Proceeds Available for Distribution to Creditors							**$331.3**	**$367.9**	**$404.7**
Less: Class 1 - Administrative & Other Priority Claims	20.4	20.4	20.4	0%	0%	0%	-	-	-
Proceeds Available for Other Secured Claims							**$331.3**	**$367.9**	**$404.7**
Less: Class 2 - Other Secured Claims	2.5	2.5	2.5	100%	100%	100%	2.5	2.5	2.5
Proceeds Available for RBL Secured Claims							**$328.8**	**$365.3**	**$402.1**
Less: Class 3 - RBL Secured Claims	902.1	902.1	902.1	36%	40%	45%	328.8	365.3	402.1
Proceeds Available for Second Lien Secured Claims							**$0.0**	**$0.0**	**$0.0**
Less: Class 4 - Second Lien Secured Claims	50.0	50.0	50.0	0%	0%	0%	-	-	-
Proceeds Available for Senior Notes Claims							**$0.0**	**$0.0**	**$0.0**
Less: Class 5a - 2017 Senior Notes Claims	364.1	364.1	364.1	0%	0%	0%	-	-	-
Proceeds Available for Senior Notes Claims							**$0.0**	**$0.0**	**$0.0**
Less: Class 5b - 2019 Senior Notes Claims	602.2	602.2	602.2	0%	0%	0%	-	-	-
Proceeds Available for Senior Notes Claims							**$0.0**	**$0.0**	**$0.0**
Less: Class 5c - 2020 Senior Notes Claims	227.6	227.6	227.6	0%	0%	0%	-	-	-
Proceeds Available for General Unsecured Claims							**$0.0**	**$0.0**	**$0.0**
Less: Class 6 - General Unsecured Claims	880.2	880.2	880.2	0%	0%	0%	-	-	-
Proceeds Available for Convenience Claims							**$0.0**	**$0.0**	**$0.0**
Less: Class 7 - Convenience Claims	-	-	-	0%	0%	0%	-	-	-
Proceeds Available for Section 510(b) Claims							**$0.0**	**$0.0**	**$0.0**
Less: Class 8 - Section 510(b) Claims	-	-	-	0%	0%	0%	-	-	-
Proceeds Available for Intercompany Claims							**$0.0**	**$0.0**	**$0.0**
Less: Class 9 - Intercompany Claims	N/A	N/A	N/A	N/A	N/A	N/A	-	-	-
Proceeds Available for Intercompany Interests							**$0.0**	**$0.0**	**$0.0**
Less: Class 10 - Intercompany Interests	N/A	N/A	N/A	N/A	N/A	N/A	-	-	-
Proceeds Available for Existing Equity Interests in Sabine							**$0.0**	**$0.0**	**$0.0**
Existing Equity Interests in Sabine	N/A	N/A	N/A	N/A	N/A	N/A	-	-	-
							$0.0	**$0.0**	**$0.0**

Specific Notes to the Liquidation Analysis

Gross Liquidation Proceeds

A. Cash
- Cash consists of cash in banks;

- The liquidation proceeds of cash and equivalents for all entities holding cash is estimated to be 100% of the pro forma balance. The pro forma balance as of June 30, 2016 is based on the latest pro forma business plan projections prepared by the Company and its advisors.

B. Accounts Receivable
- The analysis of accounts receivable assumes that the Trustee would retain certain existing staff to handle a collection effort for outstanding trade accounts receivable for the entities undergoing liquidation;

- Collectible accounts receivable includes amounts due from joint interest partners and third-party receivables.

- For purposes of the Liquidation Analysis, the liquidation proceeds of revenue receivables and receivables due from joint interest partners were estimated to range from 65% to 100%.

- The ultimate blended recovery range for the Debtors' accounts receivable is 82% to 98% of the pro forma balance.

C. Prepaid Expenses and Other Current Assets
- Prepaid expenses consist of several prepaid accounts, including vendor deposits, insurance, and licenses, among others. Due to the timing of or nature of such pre-payments, recovery amounts are negligible.

- Other current assets primarily consist of the Debtors' pipe inventory, short term investments backing various surety bonds and funds held in escrow.

- Due to the nature of the assets and accelerated time frame of a proposed asset sale, the Liquidation Analysis assumes that the pipe inventory would be liquidated for between 0% and 25% of book value.

- The Debtors believe that they will recover 90% to 100% of its short term investments once the Trustee has sold the assets of the estate. The funds held in escrow will be recovered in full and ultimately escheated to the appropriate governmental agencies.

- The ultimate blended recovery range for the Debtors' prepaid expenses and other current assets is 32% to 43% of the pro forma balance.

D. Property, Plant & Equipment (Oil & Natural Gas Properties)

- Given the daily production and depletion of the oil and gas assets, we expect the Trustee will pursue a prudent, prompt and broad marketing of the assets over a three month period of time, with the divestiture directed by a qualified investment bank or firm that specializes in managing oil and gas acquisitions and divestitures. It is also assumed that the Trustee will not incur additional risk or have access to capital necessary to continue development, drilling or completion of the oil and gas assets.

- The net book value of the Debtors' proved reserves as of February 29, 2016 is $488 million. This value is calculated using the full cost method of accounting and is subject to an impairment test prescribed by SEC Regulation S-X Rule 4-10. This rule states that the capitalized costs of proved oil and natural gas properties, net of accumulated depletion, may not exceed the estimated future net cash flows from proved oil and natural gas reserves that have been calculated using the unweighted average first day of the month commodity sales prices for the previous twelve months (adjusted for quality and basis differentials), held constant for the life of production, discounted at 10%, plus the cost of unevaluated properties and major development projects excluded from the costs being amortized.

- The Debtors believe that a liquidation of its oil and natural gas properties would produce a sale value in the range of $258 million to $306 million. This provides for a blended recovery in the range of 53% to 63% of the February 29, 2016 net book value.

E. Property, Plant & Equipment (Gas Gathering & Processing Equipment)

- Due to the accelerated time frame of a proposed asset sale, the Liquidation Analysis assumes a recovery range from 10% to 20% of the book value.

F. Property, Plant & Equipment (Office Furniture & Fixtures)

- Office furniture and fixtures consist of computer equipment, computer software, office equipment and furniture, vehicles, buildings and art.

- Due to the nature of the assets, the Liquidation Analysis assumes a blended recovery range from 27% to 60% of the net book value.

G. Other Long Term Assets

- Other long term assets are comprised of prepaid insurance. The Liquidation Analysis assumes a recovery of 0%.

H. Surety Bond Deposits

- Surety bond deposits include cash held on behalf of the Debtor backing the existing judgment against the Debtors in its ongoing litigation with El Rucio in the amount of $25 million. For purposes of the Liquidation Analysis, the liquidation proceeds of this surety bond was estimated to be 0%. Also included is $0.5 million held on behalf of the Debtors backing operational surety bonds. For purposes of the Liquidation Analysis, the liquidation proceeds of these surety bonds was estimated to be between 50% and 100%.

- Other deposits include cash held on behalf of the Debtors backing certain insurance policies for workers compensation reserves in the amount of $1.6 million. For purposes of the Liquidation Analysis, the liquidation proceeds of these surety bond deposits was estimated to be between 0% and 10%.

- For purposes of the Liquidation Analysis, the blended recovery range of surety bond deposits is estimated to be between 1% and 2%.

I. Liquidation Adjustments

Post Conversion Cash Flow

- The Liquidation Analysis assumes the chapter 7 liquidation process will take three months to complete. Corporate payroll and operating costs during the liquidation are based on the assumption that certain limited functions would be required during the liquidation process for an orderly wind-down of the business and sale and transfer of oil and gas assets. The positive operating cash flow generated by the Debtors' assets over this time per the Company's financial projections is $13.9 million. Due to the disruption of the liquidation and the ongoing sale process, the Liquidation Analysis assumes the estate will recover 0% to 50% of this cash flow.

Retention Costs

- To maximize recoveries on remaining assets, minimize the amount of Claims, and generally ensure an orderly liquidation, the Trustee will need to continue to employ a substantial number of the Debtors' employees for a limited amount of time during the Chapter 7 liquidation process;

- These individuals will primarily be responsible for overseeing and maintaining the Debtors' operations, providing historical knowledge and insight to the Trustee regarding the Debtors' businesses, and concluding the administrative liquidation of the businesses after the sale of all of the Debtors' assets;

- The Liquidation Analysis assume that the Trustee would reduce employee headcount to a minimal staff from the current levels over an estimated 12-month period, although the majority of any such employee-related reductions are assumed to be incurred following the initial three month period while the Trustee continues to operate the Debtors' businesses; and

- Retention costs are estimated as 5 to 15% of current annualized payroll expenses and taxes.

Estate Wind Down Costs

- Estate wind-down costs consist primarily of the regularly occurring general and administrative costs which will be required to operate the Debtors' businesses for a 12-month period following the three month asset monetization period;

- Certain non-essential functions, such as administration, are assumed to cease upon the conclusion of the three month asset monetization period and the commencement of the wind-down period; and

- All other support functions are assumed to continue at heavily reduced proportions to normal operating environments. These functions are assumed to continue to be scaled back over the 12-month wind-down period. Certain key employees may be required to be retained with the Estate;

- Wind down costs are estimated to be 10 to 30% of projected 2017 gross general and administrative expenses.

Severance Costs

- It is assumed that all employees who are terminated receive severance equal to 60 days of projected payroll expenses and taxes.

Royalty and Working Interest Payments

- Outstanding royalty and working interest payments are paid out of the liquidation proceeds since these funds are not technically property of the estate. The estimated outstanding royalty and working interest amounts owed as of the Conversion Date are $33.5 million.

Chapter 7 Trustee Fees and Other Professional Fees

- Section 326 of the Bankruptcy Code provides for Trustee fees of 3.0% for liquidation proceeds in excess of $1 million. For the purposes of the Liquidation Analysis, compensation for the Chapter 7 trustee's professionals (Chapter 7 trustee, counsel, investment banking and other legal, financial, and professional services) during the Chapter 7 case is estimated to be between 2% and 3% of total liquidation proceeds, excluding cash.

Force Bankruptcy Escrow Account Escheatment

- The Force Bankruptcy Escrow Account balance of $2.0 million is assumed to be escheated.

Claims

Chapter 11 Admin / Class 1 - Priority Claims

- The Debtors estimate that there will be approximately $20 million in Administrative and Class 1 - Priority Claims on the Conversion Date. These claims are comprised of approximately $9 million in post-petition accounts payable, $6 million in Priority tax claims, and $5 million of accrued capital expenditures and lease operating expenses.

- The Liquidation Analysis projects that the Liquidation Proceeds shall cause the Administrative and Priority Claims to receive zero recovery.

Class 2 – Other Secured Claims

- The Debtors estimate that Other Secured Claims will include $2.5 million of claims related to Gathering, Processing, and Transportation vendors. Class 2 claims are projected to receive 100%.

Class 3 – RBL Secured Claims

- The Debtors estimate that there will be approximately $902.1 million in RBL Secured Claims, which includes the aggregate principal amount of $902.1 million, plus all other obligations related thereto, including any Adequate Protection Claims granted as adequate protection for the benefit of the RBL Agent and the RBL Lenders.

- The Liquidation Analysis projects that the RBL Secured Claims recover between 36% and 45% of allowed First Lien Secured Debt Claims on behalf of the RBL Secured Claims.

- The Debtors have assumed that the liens securing the RBL Credit Facility are valid, perfected, and allowed in the full amount of such claim.

Class 4 - Second Lien Secured Claims

- The Debtors have also determined that it is reasonable to conclude that the RBL Lenders were oversecured as of the Petition Date, and the Second Lien Lenders have an adequate protection claim. For the purposes of this analysis, the Debtors have included an adequate protection claim of $50 million, which the Debtors believe to be a reasonable settlement, after taking into account the partial satisfaction of the payments made under the Cash Collateral Order, as provided in Article II.A.

- The Liquidation Analysis projects that the Second Lien Secured Debt Claims recover 0% of allowed Second Lien Secured Debt Claims on behalf of the Second Lien Secured Debt Claims and the Second Lien Adequate Protection Claims.

- The Debtors have assumed that the liens securing the Second Lien Credit Facility are valid, perfected, and allowed in the full amount of such claim.

Class 5 – Senior Notes Claims

- On the Conversion Date, the Debtors estimate that there will be approximately $1.2 billion in outstanding Senior Note Claims. This is made up of approximately $364 million in outstanding principal and accrued interest claims on behalf of the 2017 Notes, $602 million in outstanding principal and accrued interest claims on behalf of the 2019 Notes and $228 million in outstanding principal and accrued interest claims on behalf of the 2020 Notes.

- The Liquidation Analysis projects that the Class 5 Claims will receive zero recovery.

Class 6 – General Unsecured Claims

- On the Conversion Date, the Debtors estimate that there will be approximately $880.2 million in general unsecured claims. These claims include a Second Lien Loan Deficiency Claim of $680 million. This does not include a potential RBL deficiency claim, which could be $500 to $600 million.

- The Liquidation Analysis projects that the Class 6 Claims will receive zero recovery.

Class 7 – Convenience Claims

- The Debtors estimate that there will be no Class 7 Claims on the Conversion Date.

Class 8 – Section 510(b) Claims

- The Debtors estimate that there will be no Class 8 Claims on the Conversion Date.

Class 9 & Class 10 – Intercompany Claims and Intercompany Interests

- Intercompany Claims are estimated to be zero for this recovery analysis. Class 9 and Class 10 claims are projected to receive zero recovery. The Debtors estimate that there will be no Intercompany Interests on the Conversion Date.

Class 11 – Sabine Equity Interests

- The Liquidation Analysis projects that the Class 11 Claims will receive zero recovery.

EXHIBIT B

Redline Against Disclosure Statement Filed on March 31, 2016

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Counsel to the Debtors and Debtors in Possession

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re:	)	Chapter 11
SABINE OIL & GAS CORPORATION, *et al.*,[1]	)	Case No. 15-11835 (SCC)
Debtors.	)	(Jointly Administered)

DISCLOSURE STATEMENT FOR SECOND AMENDED JOINT CHAPTER 11 PLAN OF REORGANIZATION OF SABINE OIL & GAS CORPORATION AND ITS DEBTOR AFFILIATES

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

Dated: ~~March 31~~April 27, 2016

[1] The debtors in these chapter 11 cases (the "Debtors"), along with the last four digits of each Debtor's federal tax identification number, include: Sabine Oil & Gas Corporation (4900); Giant Gas Gathering LLC (3438); Sabine Bear Paw Basin LLC (2656); Sabine East Texas Basin LLC (8931); Sabine Mid-Continent Gathering LLC (6085); Sabine Mid-Continent LLC (6939); Sabine Oil & Gas Finance Corporation (2567); Sabine South Texas Gathering LLC (1749); Sabine South Texas LLC (5616); and Sabine Williston Basin LLC (4440). The location of Debtor Sabine Oil & Gas Corporation's corporate headquarters and the Debtors' service address is: 1415 Louisiana, Suite 1600, Houston, Texas 77002.

SOLICITATION OF VOTES ON THE SECOND AMENDED JOINT CHAPTER 11 PLAN OF REORGANIZATION OF SABINE OIL & GAS CORPORATION AND ITS DEBTOR AFFILIATES PURSUANT TO CHAPTER 11 OF THE BANKRUPTCY CODE FROM THE HOLDERS OF OUTSTANDING:

Voting Class	Name of Class Under the Plan
Class 3	RBL Secured Claims
Class ~~4~~4a	Second Lien ~~Secured~~Adequate Protection Claims
Class 4b	Second Lien Deficiency Claims
Class 5a	2017 Senior Notes Claims
Class 5b	2019 Senior Notes Claims
Class 5c	2020 Senior Notes Claims
Class 6	General Unsecured Claims
Class 7	Convenience Claims

IF YOU ARE IN ONE OF THESE CLASSES, YOU ARE RECEIVING THIS DOCUMENT AND THE ACCOMPANYING MATERIALS BECAUSE YOU ARE ENTITLED TO VOTE ON THE PLAN.

THE DEADLINE TO VOTE ON THE PLAN IS ~~MAY [●],~~ JUNE [3], 2016 AT [5:00 P.M.] (PREVAILING EASTERN TIME). FOR YOUR VOTE TO BE COUNTED, YOUR BALLOT MUST BE ACTUALLY RECEIVED BY THE NOTICE AND CLAIMS AGENT BEFORE THE VOTING DEADLINE AS DESCRIBED HEREIN.

THE DEBTORS ARE PROVIDING THE INFORMATION IN THIS DISCLOSURE STATEMENT FOR THE PURPOSE OF SOLICITING VOTES TO ACCEPT THE *SECOND AMENDED JOINT CHAPTER 11 PLAN OF REORGANIZATION OF SABINE OIL & GAS CORPORATION AND ITS DEBTOR AFFILIATES*. NOTHING IN THIS DISCLOSURE STATEMENT MAY BE RELIED UPON OR USED BY ANY ENTITY FOR ANY OTHER PURPOSE. BEFORE DECIDING WHETHER TO VOTE FOR OR AGAINST THE PLAN, EACH HOLDER ENTITLED TO VOTE SHOULD CAREFULLY CONSIDER ALL OF THE INFORMATION IN THIS DISCLOSURE STATEMENT, INCLUDING THE RISK FACTORS DESCRIBED IN ARTICLE IX HEREIN.

THE PLAN IS SUPPORTED BY THE DEBTORS, THE RBL AGENT, AND THE SECOND LIEN AGENT, EACH OF WHOM URGES HOLDERS OF CLAIMS WHOSE VOTES ARE BEING SOLICITED TO ACCEPT THE PLAN. THE DEBTORS FURTHER URGE EACH HOLDER OF A CLAIM TO CONSULT WITH ITS OWN ADVISORS WITH RESPECT TO ANY LEGAL, FINANCIAL, SECURITIES, TAX, OR BUSINESS ADVICE IN REVIEWING THIS DISCLOSURE STATEMENT, THE PLAN, AND EACH OF THE PROPOSED TRANSACTIONS CONTEMPLATED THEREBY BEFORE CASTING A VOTE WITH RESPECT TO THE PLAN. THE BANKRUPTCY COURT'S APPROVAL OF THE ADEQUACY OF THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT DOES NOT CONSTITUTE THE BANKRUPTCY COURT'S APPROVAL OF THE PLAN.

THIS DISCLOSURE STATEMENT CONTAINS, AMONG OTHER THINGS, SUMMARIES OF THE PLAN, CERTAIN STATUTORY PROVISIONS, AND CERTAIN EVENTS IN THE DEBTORS' CHAPTER 11 CASES. ALTHOUGH THE DEBTORS BELIEVE THAT THESE SUMMARIES ARE FAIR AND ACCURATE, THESE SUMMARIES ARE QUALIFIED IN THEIR ENTIRETY TO THE EXTENT THAT THEY DO NOT SET FORTH THE ENTIRE TEXT OF SUCH DOCUMENTS OR STATUTORY PROVISIONS OR EVERY DETAIL OF SUCH EVENTS. IN THE EVENT OF ANY INCONSISTENCY OR DISCREPANCY BETWEEN A DESCRIPTION IN THIS DISCLOSURE STATEMENT AND THE TERMS AND PROVISIONS OF THE PLAN OR ANY OTHER DOCUMENTS INCORPORATED HEREIN BY REFERENCE, THE PLAN OR SUCH OTHER DOCUMENTS WILL GOVERN FOR ALL PURPOSES. FACTUAL INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT HAS BEEN PROVIDED BY THE DEBTORS' MANAGEMENT EXCEPT WHERE OTHERWISE SPECIFICALLY NOTED. THE DEBTORS DO NOT REPRESENT OR WARRANT THAT THE INFORMATION CONTAINED HEREIN OR ATTACHED HERETO IS WITHOUT ANY MATERIAL INACCURACY OR OMISSION.

THIS DISCLOSURE STATEMENT HAS BEEN PREPARED IN ACCORDANCE WITH SECTION 1125 OF THE BANKRUPTCY CODE AND BANKRUPTCY RULE 3016(B) AND IS NOT NECESSARILY PREPARED IN ACCORDANCE WITH FEDERAL OR STATE SECURITIES LAWS OR OTHER SIMILAR LAWS.

THIS DISCLOSURE STATEMENT WAS NOT FILED WITH THE SECURITIES AND EXCHANGE COMMISSION (THE "SEC") OR ANY STATE AUTHORITY AND NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE AUTHORITY HAVE PASSED UPON THE ACCURACY OR ADEQUACY OF THIS DISCLOSURE STATEMENT OR UPON THE MERITS OF THE PLAN.

THE SECURITIES TO BE ISSUED PURSUANT TO THE PLAN HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 (THE "SECURITIES ACT") OR SIMILAR STATE SECURITIES OR "BLUE SKY" LAWS. THE SECURITIES TO BE ISSUED IN CONNECTION WITH THE PLAN HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SEC OR BY ANY STATE SECURITIES COMMISSION OR SIMILAR PUBLIC, GOVERNMENTAL, OR REGULATORY AUTHORITY, AND NEITHER THE SEC NOR ANY SUCH AUTHORITY HAS PASSED UPON THE ACCURACY OR ADEQUACY OF THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT OR UPON THE MERITS OF THE PLAN. SEE ARTICLE XII OF THIS DISCLOSURE STATEMENT FOR IMPORTANT SECURITIES LAW DISCLOSURES.

IN PREPARING THIS DISCLOSURE STATEMENT, THE DEBTORS RELIED ON FINANCIAL DATA DERIVED FROM THE DEBTORS' BOOKS AND RECORDS AND ON VARIOUS ASSUMPTIONS REGARDING THE DEBTORS' BUSINESSES. WHILE THE DEBTORS BELIEVE THAT SUCH FINANCIAL INFORMATION FAIRLY REFLECTS THE FINANCIAL CONDITION OF THE DEBTORS AS OF THE DATE HEREOF, OR SUCH OTHER DATES AS ARE SPECIFICALLY NOTED HEREIN, AND THAT THE ASSUMPTIONS REGARDING FUTURE EVENTS REFLECT REASONABLE BUSINESS JUDGMENTS, NO REPRESENTATIONS OR WARRANTIES ARE MADE AS TO THE ACCURACY OF THE FINANCIAL INFORMATION CONTAINED HEREIN OR ASSUMPTIONS REGARDING THE DEBTORS' BUSINESSES AND THEIR FUTURE RESULTS AND OPERATIONS. THE DEBTORS EXPRESSLY CAUTION READERS NOT TO PLACE UNDUE RELIANCE ON ANY FORWARD-LOOKING STATEMENTS CONTAINED HEREIN.

CERTAIN STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT, INCLUDING PROJECTED FINANCIAL INFORMATION AND OTHER FORWARD-LOOKING STATEMENTS, ARE BASED ON ESTIMATES AND ASSUMPTIONS. THERE CAN BE NO ASSURANCE THAT SUCH STATEMENTS WILL BE REFLECTIVE OF ACTUAL OUTCOMES. FORWARD-LOOKING STATEMENTS ARE PROVIDED IN THIS DISCLOSURE STATEMENT PURSUANT TO THE SAFE HARBOR ESTABLISHED UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995 AND SHOULD BE EVALUATED IN THE CONTEXT OF THE ESTIMATES, ASSUMPTIONS, UNCERTAINTIES, AND RISKS DESCRIBED IN THIS DISCLOSURE STATEMENT.

THIS DISCLOSURE STATEMENT DOES NOT CONSTITUTE, AND MAY NOT BE CONSTRUED AS, AN ADMISSION OF FACT, LIABILITY, STIPULATION, OR WAIVER. THE DEBTORS MAY SEEK TO INVESTIGATE, FILE, AND PROSECUTE CLAIMS AND MAY OBJECT TO CLAIMS AFTER THE CONFIRMATION OR EFFECTIVE DATE OF THE PLAN IRRESPECTIVE OF WHETHER THIS DISCLOSURE STATEMENT IDENTIFIES ANY SUCH CLAIMS OR OBJECTIONS TO CLAIMS.

THE DEBTORS ARE MAKING THE STATEMENTS AND PROVIDING THE FINANCIAL INFORMATION CONTAINED IN THE DISCLOSURE STATEMENT AS OF THE DATE HEREOF, UNLESS OTHERWISE SPECIFICALLY NOTED. ALTHOUGH THE DEBTORS MAY SUBSEQUENTLY UPDATE THE INFORMATION IN THIS DISCLOSURE STATEMENT, THE DEBTORS HAVE NO AFFIRMATIVE DUTY TO DO SO, AND EXPRESSLY DISCLAIM ANY DUTY TO PUBLICLY UPDATE ANY FORWARD-LOOKING STATEMENTS, WHETHER AS A RESULT OF NEW INFORMATION, FUTURE EVENTS, OR OTHERWISE. HOLDERS OF CLAIMS REVIEWING THIS DISCLOSURE STATEMENT SHOULD NOT INFER THAT, AT THE TIME OF THEIR REVIEW, THE FACTS SET FORTH HEREIN HAVE NOT BEEN CHANGED SINCE THE DISCLOSURE STATEMENT WAS FILED. INFORMATION CONTAINED HEREIN IS SUBJECT TO COMPLETION, MODIFICATION, OR AMENDMENT. THE DEBTORS RESERVE THE RIGHT TO FILE AN AMENDED OR MODIFIED PLAN AND RELATED DISCLOSURE STATEMENT FROM TIME TO TIME, SUBJECT TO THE TERMS OF THE PLAN.

THE DEBTORS HAVE NOT AUTHORIZED ANY ENTITY TO GIVE ANY INFORMATION ABOUT OR CONCERNING THE PLAN OTHER THAN THAT WHICH IS CONTAINED IN THIS DISCLOSURE STATEMENT. THE DEBTORS HAVE NOT AUTHORIZED ANY REPRESENTATIONS CONCERNING THE DEBTORS OR THE VALUE OF THEIR PROPERTY OTHER THAN AS SET FORTH IN THIS DISCLOSURE STATEMENT.

IF THE PLAN IS CONFIRMED BY THE BANKRUPTCY COURT AND THE EFFECTIVE DATE OCCURS, ALL HOLDERS OF CLAIMS AND INTERESTS (INCLUDING THOSE HOLDERS OF CLAIMS WHO DO NOT SUBMIT BALLOTS TO ACCEPT OR REJECT THE PLAN, OR WHO ARE NOT ENTITLED TO VOTE ON THE PLAN) WILL BE BOUND BY THE TERMS OF THE PLAN AND THE RESTRUCTURING TRANSACTIONS CONTEMPLATED THEREBY.

ALL EXHIBITS TO THE DISCLOSURE STATEMENT, ALONG WITH ALL DOCUMENTS FILED WITH THE SEC BY THE DEBTORS AND THEIR AFFILIATES, ARE INCORPORATED INTO AND ARE A PART OF THIS DISCLOSURE STATEMENT AS IF SET FORTH IN FULL IN THIS DISCLOSURE STATEMENT. THE DOCUMENTS FILED WITH THE SEC BY THE DEBTORS AND THEIR AFFILIATES ARE AVAILABLE FREE OF CHARGE ONLINE AT HTTP://WWW.SEC.GOV/EDGAR/SEARCHEDGAR/COMPANYSEARCH.HTML. THE DEBTORS ARE PROVIDING THE INFORMATION IN THIS DISCLOSURE STATEMENT TO HOLDERS OF CLAIMS AND INTERESTS FOR PURPOSES OF SOLICITING VOTES TO ACCEPT OR REJECT THE DEBTORS' JOINT PLAN OF REORGANIZATION PURSUANT TO CHAPTER 11 OF THE BANKRUPTCY CODE. NOTHING IN THIS DISCLOSURE STATEMENT MAY BE RELIED UPON OR USED BY ANY ENTITY FOR ANY OTHER PURPOSE. BEFORE DECIDING WHETHER TO VOTE FOR OR AGAINST THE PLAN, EACH HOLDER ENTITLED TO VOTE SHOULD CAREFULLY CONSIDER ALL OF THE INFORMATION IN THIS DISCLOSURE STATEMENT, INCLUDING THE RISK FACTORS DESCRIBED IN ARTICLE IX HEREIN.

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EXHIBITS

I. INTRODUCTION

Sabine Oil & Gas Corporation ("Sabine") and its Debtor affiliates, as debtors and debtors in possession, submit this disclosure statement (this "Disclosure Statement") pursuant to section 1125 of title 11 of the United States Code (the "Bankruptcy Code") to Holders of Claims against the Debtors in connection with the solicitation of acceptances of the *Second Amended Joint Chapter 11 Plan of Reorganization of Sabine Oil & Gas Corporation and Its Debtor Affiliates* (as may be amended, supplemented, and modified from time to time, the "Plan"),[2] dated March 30, 2016. The Plan provides for the reorganization of the Debtors as a going concern and the resolution of all Claims against and Interests in each of the 10 Debtors in these chapter 11 cases, and constitutes a separate chapter 11 plan of reorganization for each Debtor. The classifications set forth in Classes 1 through 10 shall be deemed to apply to each Debtor. Class 11 shall only apply to Sabine. Each Class of Claims against or Interests in the Debtors shall be deemed to constitute separate sub-Classes of Claims against and Interests in each of the Debtors, as applicable, and each such sub-Class shall vote as a single separate Class for each of the Debtors, as applicable, and the confirmation requirements of section 1129 of the Bankruptcy Code must be satisfied separately with respect to each of the Debtors.

THE DEBTORS, THE RBL AGENT, AND THE SECOND LIEN AGENT EACH BELIEVE THAT THE COMPROMISE AND SETTLEMENT CONTEMPLATED UNDER THE PLAN IS FAIR AND EQUITABLE, MAXIMIZES THE VALUE OF THE DEBTORS' ESTATES, AND PROVIDES THE BEST RECOVERY TO CLAIM HOLDERS.

THE BOARD OF MANAGERS OR DIRECTORS (AS APPLICABLE) OR THE SOLE MEMBER OF EACH OF THE DEBTORS HAS APPROVED THE TRANSACTIONS CONTEMPLATED BY THE PLAN AND DESCRIBED IN THIS DISCLOSURE STATEMENT AND THE DEBTORS, THE RBL AGENT, AND THE SECOND LIEN AGENT EACH RECOMMEND THAT ALL HOLDERS OF CLAIMS OR INTERESTS WHOSE VOTES ARE BEING SOLICITED SUBMIT BALLOTS TO ACCEPT THE PLAN.

[2] The Plan is attached hereto as **Exhibit A** and incorporated into this Disclosure Statement by reference. Capitalized terms used but not otherwise defined in this Disclosure Statement shall have the meanings ascribed to such terms in the Plan.

II. PRELIMINARY STATEMENT

The Debtors are an independent energy company engaged in the acquisition, production, exploration, and development of onshore oil and natural gas properties in the United States. The Debtors constitute the surviving business from the business combination (the "Combination") of Forest Oil Corporation ("Forest Oil") and Sabine Oil & Gas LLC ("Old Sabine" or "Legacy Sabine") first announced in May 2014 and consummated in December 2014.

A number of unexpected and unprecedented challenges crippled the Debtors' ability to both sustain their leveraged capital structure and commit the capital necessary for exploration and production prior to the Petition Date. The consummation of the Combination coincided with the beginning of a steep and prolonged decline in the price of oil. Since the announcement of the Combination in May 2014, the average monthly price of oil has fallen from $105 per barrel in May 2014 to $38 per barrel in March 2016. This decline, along with the continuation of dramatically low natural gas prices and general market uncertainty, has created a challenging operational environment for all exploration and production companies. In addition, several events in early 2015 constrained the Debtors' access to capital, including the commencement of litigation related to the Combination, a going concern qualification in the Debtors' annual audit, and a reduction of the borrowing base under the Debtors' senior credit facility.

This perfect storm of intrinsic and extrinsic events demanded swift and deliberate action from the Debtors to attempt to restore their financial health, and the Debtors aggressively attacked these challenges through a series of measures designed to increase available capital. Specifically, the Debtors drew all of the remaining availability on their senior credit facility to fund operations and keep their options open in a restructuring. They also divested unprofitable assets, reduced capital expenditures associated with drilling and completion costs for new wells, froze salaries, and decreased their workforce. In addition, the Debtors negotiated with all organized creditor groups to secure breathing room with respect to their financial obligations, and were able to obtain forbearance agreements from both groups of secured lenders. Despite these efforts, however, the persistence of negative market conditions and the resulting revenue decline rendered the Debtors unable to right-size their balance sheets through cost-cutting and self-help measures alone prior to the Petition Date. Unable to reach a sustainable agreement with their creditor constituencies, the Debtors chose to file for bankruptcy protection to reorganize their businesses and develop a new path forward.

On July 15, 2015 (the "Petition Date"), the Debtors filed voluntary petitions for relief under chapter 11 of the Bankruptcy Code in the Bankruptcy Court for the Southern District of New York (the "Bankruptcy Court"). Bankruptcy Judge Shelley C. Chapman was appointed as the presiding judge in the Debtors' chapter 11 cases.

The chapter 11 process provided the Debtors with breathing room from creditor demands and the opportunity to bring all parties to the table. At the outset of these chapter 11 cases, the Debtors sought and received approval from the Bankruptcy Court to continue their operations in the ordinary course of business, allowing them to continue to generate revenues and maintain relationships with customers and suppliers. Additionally, the Debtors retained a chief restructuring officer to oversee their restructuring efforts and allow the Debtors' officers to maintain their focus on the Debtors' businesses.

Over the past several months, the potential obstacles to achieving a consensual and comprehensive restructuring of the Debtors' capital structure and business operations crystallized. Many of the Debtors' stakeholders adopted opposing stances as to the merits and values of certain potential claims and causes of action that the Debtors' estates might possess. The Debtors worked tirelessly as an honest broker and arbiter between various parties on complex issues including, but not limited to, the use of cash collateral, the structure of an appropriate discovery process, the value and merits of numerous claims and causes of action, and the contours of a plan of reorganization. Following substantial negotiations on these and myriad other issues, the Debtors and several parties agreed, at the Bankruptcy Court's request, to enter into mediation while continuing to develop a plan of reorganization to ensure a timely and efficient resolution to these chapter 11 cases.

On January 29, 2016, after several days of mediation, the RBL Agent, the Second Lien Agent, and the Debtors agreed on the terms of the proposed restructuring transaction contemplated in the Plan, as more fully described below. The Plan, like the standalone plan filed by the Debtors on January 26, 2016, incorporates a release

and settlement of certain disputed claims or causes of action in exchange for a greater recovery to unsecured creditors.

III. OVERVIEW OF THE PLAN

On January 26, 2016, the Debtors filed their initial, standalone plan of reorganization [Docket No. 748] (the "Standalone Plan"). The Standalone Plan reflected what the Debtors believed was a fair allocation of value among creditors after taking into account: (a) the estimated value of the Debtors; (b) the decline in value of the Debtors' assets since the Petition Date, including the decrease in value of the Prepetition Collateral that results in a large adequate protection claim for the RBL Lenders; (c) the Debtors' view, after extensive analysis by the Independent Directors' Committee, that the Bucket I and Bucket III Claims did not have merit (other than with respect to the Adversary Proceeding commenced on the Petition Date); and (d) the Debtors' view, after extensive analysis, that even assuming a recovery to unsecured creditors on the Bucket II Claims, pursuit of such claims ~~are~~is not worth the cost associated with litigating those claims in light of the secured lenders' adequate protection claims, and thus should be settled in a plan of reorganization to preserve value for all of the Debtors' creditors. The Standalone Plan accordingly provided for a release of each of the Bucket I and Bucket III Claims, and for a settlement of each of the Bucket II Claims.

Although the Debtors filed the Standalone Plan without the support of any of their creditor constituencies, the terms of the restructuring transaction contemplated thereby served as a starting point for discussions with creditors. After several days of negotiations with each such creditor constituency following the Debtors' filing of the Standalone Plan in an attempt to reach a consensual path forward, the Debtors, the RBL Agent, and the Second Lien Agent agreed on the terms of the restructuring transaction and settlement contemplated in the Plan. Like the Standalone Plan, the Plan provides for the reorganization of the Debtors as a going concern and will significantly reduce the Debtors' long-term debt and annual interest payments. In addition, the Plan will result in a stronger, de-levered balance sheet for the Debtors while allowing creditors to participate in future upside in the Reorganized Debtors through warrants that have a ten-year term. Specifically, the Plan contemplates a restructuring of the Debtors through a debt-for-debt exchange, a debt-to-equity conversion, and the issuance of warrants to purchase stock in the Reorganized Debtors. The Plan also incorporates a settlement of the Bucket II Claims, which claims the Debtors do not believe are in the best interests of the estates to pursue, and the adequate protection claims of the RBL Agent and Second Lien Agent. As part of that settlement, and as an additional source of value not contemplated in the Standalone Plan, the RBL Lenders have agreed to forgo their Pro Rata share of New Common Stock and Warrants in the Reorganized Debtors on account of their deficiency claim, thereby increasing the recovery for unsecured creditors. The Plan also doubles the length of the term of the warrants to ten years, increasing the likelihood of future recovery for the Debtors' unsecured creditors as commodities prices rebound. In addition, unlike the Standalone Plan, the Plan provides the Second Lien Agent with a recovery on account of its claim for adequate protection.

The key terms of the Plan are as follows:

A. Exit Revolver Credit Facility

On the Effective Date, the Reorganized Debtors will enter into the Exit Revolver Credit Facility. The Exit Revolver Credit Facility, which will be provided by each of the RBL Lenders on account of its Pro Rata share of the Allowed RBL Secured Claims, will consist of a new reserve-based revolving credit facility under the Exit Revolver Credit Facility Agreement (a substantially final form of which shall be included in the Plan Supplement) secured by first priority security interests in and liens on substantially all of the Reorganized Debtors' assets (including Cash, which Cash shall be held in an account subject to a deposit account control agreement in form and substance reasonably satisfactory to the Exit Revolver Agent), with (a) initial commitments equal to $200 million, (b) deemed borrowings equal to $100 million on the Effective Date, of which up to $100 million shall be repaid by the Reorganized Debtors in Cash on the Effective Date, (c) an initial borrowing base of approximately $150 million on the Effective Date, (d) an interest rate of LIBOR plus three to four percent (3% to 4%), as determined by a utilization grid agreed by the Debtors and the RBL Agent, (e) a maturity date of December 31, 2020, and (f) such other terms as provided in the Exit Revolver Credit Facility Documents, which shall be acceptable to the Debtors and the RBL Agent; *provided* that to the extent Cash on the Debtors' balance sheet on the Effective Date is insufficient to repay the deemed draw, then the shortfall shall result in a drawn amount that remains outstanding

under the Exit Revolver Credit Facility on and after the Effective Date until the Debtors repay such amount in accordance with the Exit Revolver Credit Facility.

B. New Second Lien Credit Facility

On the Effective Date, the Reorganized Debtors will enter into the New Second Lien Credit Facility. The New Second Lien Credit Facility will consist of a term loan under the New Second Lien Credit Facility Agreement (a substantially final form of which shall be included in the Plan Supplement) secured by second priority security interests in and liens on substantially all of the Reorganized Debtors' assets (including Cash, which Cash shall be held in an account subject to a deposit account control agreement in form and substance satisfactory to the New Second Lien Agent) with (a) a principal amount of $150 million, (b) an interest rate of LIBOR plus ten percent (10%), subject to a one percent (1%) floor, (c) annual amortization of one percent (1%), (d) a maturity date of December 31, 2021, and (e) such other terms as provided in the New Second Lien Credit Facility Documents which shall be acceptable to the Debtors and the RBL Agent; *provided* that if Cash on the Debtors' balance sheet exceeds $100 million on the Effective Date, then the first $100 million shall be used to repay the deemed draw and any excess amount thereafter shall be used to reduce the principal amount of the New Second Lien Credit Facility on the Effective Date (with such payment to be distributed Pro Rata to each of the RBL Lenders); *provided further* that no interest, fees or other amounts shall accrue or be charged with respect to the principal amounts deemed borrowed and repaid on the Effective Date using the Debtors' Cash on its balance sheet as set forth herein.

C. Issuance of New Common Stock and Warrants

The Holders of Allowed RBL Secured Claims will receive ninety-three percent (93%)[3] of the New Common Stock in the Reorganized Debtors (the "RBL Equity Pool"). The Holders of Allowed Second Lien ~~Secured~~Adequate Protection Claims will receive (a) five percent (5%) of the New Common Stock, and (b) one hundred percent (100%) of the Tranche 1 Warrants to be issued and outstanding as of the Effective Date (the "Second Lien Equity Pool"). All Holders of Allowed Second Lien Deficiency Claims, 2017 Senior Notes Claims, Allowed 2019 Senior Notes Claims, Allowed 2020 Senior Notes Claims, and Allowed General Unsecured Claims will share Pro Rata in (a) the remaining two percent (2%) of the New Common Stock and (b) one hundred percent (100%) of the Tranche 2 Warrants to be issued and outstanding as of the Effective Date (the "Unsecured Equity Pool"). If Class 3, Holders of Allowed RBL Secured Claims, votes to accept the Plan by the Voting Deadline, all Holders of Allowed RBL Deficiency Claims shall be conclusively deemed to have waived recoveries (but not the right to vote) under the Plan on account of the RBL Deficiency Claims or any portion thereof.

D. Settlement of Claims

The Plan incorporates a release and settlement (the "Settlement") of certain claims and causes of action that were asserted or could have been asserted by or against the Debtors. The Debtors or Reorganized Debtors (as the case may be) shall use the applicable proceeds of the Settlement to fund distributions under the Plan as part of the Second Lien Equity Pool and the Unsecured Equity Pool in accordance with Article III of the Plan. A more fulsome discussion of the Settlement is provided in Article IV.P of this Disclosure Statement.

E. Releases

The Plan contains certain releases (as described more fully in Article IV.Q hereof), including: (1) releases by the Debtors of (a) the RBL Agent, (b) the RBL Lenders ~~and~~, (c) the other RBL Released Parties, (~~c) the Second Lien Agent, (~~d) the Second Lien Agent, (e) the Second Lien Lenders, (~~e~~f) the Official Committee of Unsecured Creditors in these Chapter 11 Cases (the "Committee") and the Committee Members (as defined herein), (~~f~~g) current direct and indirect Interest Holders in Sabine, (~~g~~h) any Holder of a Claim or Interest, (~~h~~i) the DTC, and (~~i~~j) with respect to each of the Debtors, the Reorganized Debtors, and each of the foregoing Entities in clause (a) through (~~g~~h), such Entity and its affiliates, and such Entity and its affiliates' current and former equity Holders (regardless of whether such interests are held directly or indirectly), predecessors, successors, and assigns, subsidiaries, and their current and former officers, directors, managers, principals, members, employees, agents, advisory board members, financial advisors, partners, attorneys, accountants, investment bankers, consultants, representatives, and other

[3] All percentages of New Common Stock and Warrants described in this paragraph shall be subject to dilution by the Warrants and shares issued in connection with the Management Incentive Plan~~.~~, as described in the Plan.

professionals, each in their capacity as such (the forgoing parties, but only if such party does not elect on its Ballot or Court-approved election form to opt out of the third party release contained in Article VIII.G of the Plan, the "Released Parties"); (2) releases, only by those holders of Claims or Interests that do not elect to opt out of the third party release provision contained in Article VIII.G of the Plan, of (a) the Debtors, (b) the Reorganized Debtors, and (c) the Released Parties; and (3) a mandatory release of (i) the RBL Agent, (ii) each of the RBL Lenders, (iii) each of the RBL Agent's and RBL Lender's respective affiliates and (iv) each of their and their respective affiliates' current and former equity Holders (regardless of whether such interests are held directly or indirectly), predecessors, successors, and assigns, subsidiaries, and their current and former officers, directors, managers, principals, members, employees, agents, advisory board members, financial advisors, partners, attorneys, accountants, investment bankers, consultants, representatives, and other professionals, each in their capacity as such.

Each Holder of a Claim or Interest that does not elect to opt out of the third party release provision contained in Article VIII.G of the Plan will be deemed to have expressly, unconditionally, generally, individually, and collectively released and discharged and released all Claims and Causes of Action against the Debtors, the Reorganized Debtors, and the Released Parties.

The Committee contends that the foregoing "opt out" mechanism for the third party release provision contained in Article VIII.G of the Plan is improper and that no optional releases are appropriate; alternatively, the Committee contends that such mechanism must at least be replaced with an "opt in" mechanism. An "opt in" mechanism would require that a Holder of a Claim or Interest grant the release contained in Article VIII.G of the Plan only if such Holder checks a box to affirmatively indicate that it elects to grant the release contained in Article VIII.G of the Plan. The Committee contends that such an "opt in" mechanism is the only means other than removing the release entirely of protecting Holders of Claims or Interests from inadvertently or involuntarily granting the release contained in Article VIII.G of the Plan. The Committee intends to object to these releases. The Debtors disagree with this analysis and intend to support the inclusion of all releases at the hearing on confirmation of the Plan (the "Confirmation Hearing").

The "opt out" mechanism described above applies only to the third party release provision contained in Article VIII.G of the Plan. Holders of a Claim or Interest have no ability to opt out of the release in favor of the RBL Agent, RBL Lenders, and other RBL Released Parties contained in Article VIII.B of the Plan, which provides, among other things, for a mandatory release of the RBL Agent, RBL Lenders, and other RBL Released Parties, by all Holders of a Claim or Interest in exchange for their substantial contribution to the Plan. The Committee intends to object to the mandatory releases.

F. Dissolution of the Committee

The Plan provides that on the Effective Date, the Committee shall dissolve and all members, advisors, employees, or agents thereof shall be released and discharged from all rights and duties arising from or related to the Chapter 11 Cases. As a result, the Plan further provides that the Reorganized Debtors shall not be responsible for paying any fees or expenses incurred by the members of or advisors to the Committee after the Effective Date.

The Committee contends that it should not be dissolved on the Effective Date of the Plan because such dissolution will cut off its ability to prosecute its pending appeal of the Court's STN Ruling and any other appeal(s) that the Committee may determine to bring, including, without limitation, with respect to this Disclosure Statement or the Plan. The Committee contends that each of such appeals has been validly brought in accordance with the statutory mandate and fiduciary duties of the Committee. Accordingly, the Committee contends that it should remain in existence until all appeals to which it is a party that are pending as of the Effective Date are resolved (whether by final non-appealable order or by final binding settlement). The Committee further contends that the Reorganized Debtors should continue to be responsible for paying the reasonable fees and/or expenses incurred by the members of, attorneys, and advisors to the Committee after the Effective Date until the Committee is dissolved as set forth in the immediately preceding sentence.

The Debtors, on the other hand, believe that the dissolution of the Committee as contemplated by the Plan is customary and proper and that they should not be required to continue to pay the fees and expenses incurred by the Committee's professionals in connection with the appeal or otherwise.

G. D&O and Lender Indemnification Obligations

Article V.E of the Plan provides that the Debtors' obligations to indemnify any individual who is serving or served as one of such Debtor's directors, officers or employees on or after the Petition Date will survive and be unaffected by entry of the Confirmation Order, irrespective of whether such indemnification is owed for an act or event occurring before or after the Petition Date. The survival of such indemnification obligations is covered by a "tail" policy, and as a result directors, officers, and employees are entitled to the full benefits of such tail coverage liability insurance regardless of whether they remain in such positions after the Effective Date of the Plan. In addition, Article IV.E of the Plan provides that the Debtors' indemnification obligations under the RBL Credit Facility Documents and the Second Lien Credit Facility Documents remain in full force and effect and will be enforceable against the Reorganized Debtors on and after the Effective Date. As part of the Settlement, the Debtors have agreed to let the indemnification obligations under the Prepetition Secured Credit Facilities survive the Effective Date. The Debtors have determined that the assumption and survival, respectively, of such indemnification provisions is in the best interests of the estates.

The Committee contends that (i) these indemnification obligations are prepetition, unsecured obligations, and may be otherwise subject to valid defenses, and (ii) the Bankruptcy Code requires, and it would be in the best interest of the estates to treat these obligations under the Plan such, that they terminate as of the Effective Date. For the reasons set forth above, the Debtors disagree.

H. Lender Fees

Article IV.Q of the Plan provides that on the Effective Date, the Reorganized Debtors shall pay in Cash the reasonable fees and expenses (to the extent not already paid and without duplication of payments) of the RBL Agent under the RBL Credit Facility and the Second Lien Agent under the Second Lien Credit Facility. Further, Article IV.E of the Plan provides that the Debtors' expense reimbursement obligations under the RBL Credit Facility and the Second Lien Credit Facility will remain in full force and effect following the Effective Date.

The Committee intends to object to the Plan on the basis of the foregoing proposed payments of postpetition and post-Effective Date fees and expenses of the Prepetition Secured Parties. The Committee notes that the Debtors have adduced evidence that the RBL Credit Facility is presently undersecured and the Second Lien Credit Facility is presently unsecured.

Nevertheless, the Debtors maintain that such payments are appropriate under the Cash Collateral Order, which provides for the payment of such fees and expenses to the RBL Agent and the Second Lien Agent. The Committee objected to the continued payment of adequate protection payments when the Debtors sought to extend the Expiration Date under the Cash Collateral Order. On April 7, 2016, the Bankruptcy Court ruled that the Debtors were permitted to continue to make adequate protection payments (including the reimbursement of fees and expenses) to the RBL Lenders and the Second Lien Lenders as provided under the Cash Collateral Order.

IV. QUESTIONS AND ANSWERS REGARDING THIS DISCLOSURE STATEMENT AND THE PLAN

A. What is Chapter 11?

Chapter 11 is the principal business reorganization chapter of the Bankruptcy Code. In addition to permitting debtor rehabilitation, chapter 11 promotes equality of treatment for similarly situated creditors and equity interest holders, subject to the priority of distributions prescribed by the Bankruptcy Code.

The commencement of a chapter 11 case creates an estate that comprises all of the legal and equitable interests of the debtor as of the date the chapter 11 case is commenced. The Bankruptcy Code provides that the debtor may continue to operate its business and remain in possession of its property as a "debtor in possession."

Consummating a plan is the principal objective of a chapter 11 case. A bankruptcy court's confirmation of a plan binds the debtor, any person acquiring property under the plan, any creditor or equity interest holder of the debtor, and any other entity as may be ordered by the bankruptcy court. Subject to certain limited exceptions, the order issued by a bankruptcy court confirming a plan provides for the treatment of the debtor's liabilities in accordance with the terms of the confirmed plan.

B. Why are the Debtors sending me this Disclosure Statement?

The Debtors are seeking to obtain Bankruptcy Court approval of the Plan. Before soliciting acceptances of the Plan, section 1125 of the Bankruptcy Code requires the Debtors to prepare a disclosure statement containing adequate information of a kind, and in sufficient detail, to enable a hypothetical reasonable investor to make an informed judgment regarding acceptance of the Plan. This Disclosure Statement is being submitted in accordance with these requirements.

C. Am I Entitled to Vote on the Plan?

Your ability to vote on, and your distribution under, the Plan, if any, depends on what type of Claim or Interest you hold. Each category of Holders of Claims or Interests, as set forth in Article III of the Plan pursuant to

section 1122(a) of the Bankruptcy Code, is referred to as a "Class." Each Class's respective voting status is set forth below.

Class	Claims and Interests	Status	Voting Rights
1	Other Priority Claims	Unimpaired	Not Entitled to Vote (Presumed to Accept)
2	Other Secured Claims	Unimpaired	Not Entitled to Vote (Presumed to Accept)
3	RBL Secured Claims	Impaired	Entitled to Vote
4~~4~~4a	Second Lien ~~Secured~~Adequate Protection Claims	Impaired	Not Entitled to Vote
4b	Second Lien Deficiency Claims	Impaired	Entitled to Vote
5a	2017 Senior Notes Claims	Impaired	Entitled to Vote
5b	2019 Senior Notes Claims	Impaired	Entitled to Vote
5c	2020 Senior Notes Claims	Impaired	Entitled to Vote
6	General Unsecured Claims	Impaired	Entitled to Vote
7	Convenience Claims	Impaired	Entitled to Vote
8	Section 510(b) Claims	Impaired	Not Entitled to Vote (Deemed to Reject)
9	Intercompany Claims	Impaired/Unimpaired	Not Entitled to Vote (Presumed to Accept/Deemed to Reject)
10	Intercompany Interests	Impaired/Unimpaired	Not Entitled to Vote (Presumed to Accept/Deemed to Reject)
11	Sabine Equity Interests	Impaired	Not Entitled to Vote (Deemed to Reject)

D. What will I receive from the Debtors if the Plan is consummated?

The following table provides a summary of the anticipated recovery to Holders of Claims and Interests under the Plan. Any estimates of Claims and Interests in this Disclosure Statement may vary from the final amounts allowed by the Bankruptcy Court. Your ability to receive distributions under the Plan depends upon the ability of the Debtors to obtain Confirmation and meet the conditions necessary to consummate the Plan.

THE PROJECTED RECOVERIES SET FORTH IN THE TABLE BELOW ARE ESTIMATES ONLY AND THEREFORE ARE SUBJECT TO CHANGE.[4] FOR A COMPLETE DESCRIPTION OF THE DEBTORS' CLASSIFICATION AND TREATMENT OF CLAIMS AND EQUITY INTERESTS, REFERENCE SHOULD BE MADE TO THE ENTIRE PLAN.

Class	Description of Class	Treatment of Claim/Equity Interest	Projected Amount of Claims[5]	Projected Recovery Under the Plan[6]
1	Other Priority Claims	Each Holder shall receive payment in full in cash, of the unpaid portion of its Allowed Other Priority Claim on the Effective Date or as soon thereafter as reasonably practicable (or, if payment is not then due, shall be paid in accordance with its terms) or pursuant to such other terms as may be agreed to by the Holder of an Allowed Other Priority Claim and the Debtors.	~~$[●]~~$162,175	~~[●]%~~100%
2	Other Secured Claims	Each Holder shall receive either (i) payment in full in cash of the unpaid portion of its Allowed Other Secured Claim on the Effective Date or as soon thereafter as reasonably practicable (or if payment is not then due, shall be paid in accordance with its	~~$[●]~~$0	~~[●]%~~100%

4 The projected recoveries set forth herein and elsewhere in this disclosure statement are based on an analysis of the value of consideration to be distributed to Holders of Allowed Claims pursuant to the Plan. Such analysis relies on (and is highly sensitive to) various assumptions. Moreover, the estimated value of certain forms of consideration is theoretical in nature. For further detail, see the Debtors' Valuation Analysis, which is attached hereto as **Exhibit D**.

5 The projected amount of each Claim is an estimate only, and actual amounts may be more or less than those set forth herein based on, among other things, Allowed Claims arising from the rejection of Executory Contracts or Unexpired Leases and the resolution of disputed Claims.

6 The projected recovery is an estimate only, and actual amounts may be more or less than those set forth herein based on, among other things, Allowed Claims arising from the rejection of Executory Contracts or Unexpired Leases and the resolution of disputed Claims.

Class	Description of Class	Treatment of Claim/Equity Interest	Projected Amount of Claims[5]	Projected Recovery Under the Plan[6]
		terms), (ii) Reinstatement of its Claims, or (iii) such other recovery necessary to satisfy section 1129 of the Bankruptcy Code.		
3	RBL Secured Claims	Each Holder shall receive its Pro Rata share of (i) the Segregated Cash Collateral (as defined in the Cash Collateral Order) and any other Cash of the Debtors' balance sheet as of the Effective Date, (ii) the Exit Revolver Credit Facility as set forth in Article IV.B.2 of the Plan, (iii) the New Second Lien Credit Facility as set forth in Article IV.B.3 of the Plan, and (iv) the RBL Equity Pool. By operation of the Plan and acceptance of the Plan by Holders of RBL Secured Claims in Class 3, the RBL Lenders shall be deemed to have waived as of the Effective Date any distributions from Class 6 on account of the Allowed RBL Secured Claims (and any deficiency claim) in order to facilitate the Settlement and Confirmation of the Plan on a consensual basis.	~~$902,148,138.55~~$926,779,412.40 plus postpetition interest, fees, costs and charges in an amount to be determined	~~54% 70.9~~52.6%-69.1%
~~4~~4a	Second Lien ~~Secured~~Adequate Protection Claims	Each Holder of an Allowed Second Lien ~~Secured~~Adequate Protection Claim shall receive its Pro Rata share of the Second Lien Equity Pool.	$50 million	100%
4b	Second Lien Deficiency Claims	Each Holder of an Allowed Second Lien Deficiency Claim shall receive, subject to applicable law, its Pro Rata share of the Unsecured Equity Pool. The New Common Stock and Tranche 2 Warrants in the Unsecured Equity Pool shall be distributed Pro Rata to Holders of Claims in Classes 4b, 5a, 5b, 5c and 6.	$668,193,301.70[7]	.9%-1.7%
5a	2017 Senior Notes Claims	Each Holder shall receive its Pro Rata share of the Unsecured Equity Pool. The New Common Stock and Tranche 2 Warrants in the Unsecured Equity Pool shall be distributed Pro Rata to Holders of Claims in Classes 4b, 5a, 5b, 5c and 6.	$364,123,958.33	.9%-1.7%
5b	2019 Senior Notes Claims	Each Holder shall receive its Pro Rata share of the Unsecured Equity Pool. The New Common Stock and Tranche 2 Warrants in the Unsecured Equity Pool shall be distributed Pro Rata to Holders of Claims in Classes 4b, 5a, 5b, 5c and 6.	$602,238,560.79	.9%-1.7%
5c	2020 Senior Notes Claims	Each Holder shall receive its Pro Rata share of the Unsecured Equity Pool. The New Common Stock and Tranche 2 Warrants in the Unsecured Equity Pool shall be distributed Pro Rata to Holders of Claims in Classes 4b, 5a, 5b, 5c and 6.	$227,592,906.88	.9%-1.7%
6	General Unsecured Claims[8]	Except to the extent that a Holder of an Allowed General Unsecured Claim agrees to less favorable	~~$880,193,301.70~~	.9%-1.7%

[7] This number encompasses an estimate of projected adequate protection payments made through the Effective Date in accordance with the Cash Collateral Order. The actual amount of the Second Lien Deficiency Claims for purposes of Plan distributions will be adjusted on the Effective Date.

[8] The projected amounts of General Unsecured Claims set forth herein ~~(a)~~ assume no recovery on account of any deficiency with respect to the RBL Secured Claim ~~and (b) are based on a Second Lien Deficiency Claim of $680,193,301.70 million and the Debtors' current estimate for other Unsecured Claims of $200,000,000~~. Actual Allowed amounts for General Unsecured

Class	Description of Class	Treatment of Claim/Equity Interest	Projected Amount of Claims[5]	Projected Recovery Under the Plan[6]
		treatment, each Holder of an Allowed General Unsecured Claim shall receive, subject to applicable law, its Pro Rata share of the Unsecured Equity Pool. The New Common Stock and Tranche 2 Warrants in the Unsecured Equity Pool shall be distributed Pro Rata to Holders of Claims in Classes 4b, 5a, 5b, 5c and 6.	$241,179,921.00	
7	Convenience Claims	Each Holder shall receive, subject to applicable law, Cash in an amount equal to three percent (3%) of such Holder's Allowed Claim.	~~$[●]~~$6,472,136	3%
8	Section 510(b) Claims	Each Section 510(b) Claim shall be discharged, cancelled, released, and extinguished without any distribution and Holders of Section 510(b) Claims will receive no recovery.	~~$[●]~~N/A[9]	0%
9	Intercompany Claims	At the Debtors' option, but in each case subject to the consent of the RBL Agent, which consent shall not be unreasonably withheld, each Intercompany Claim shall either be (i) cancelled (or otherwise eliminated) and receive no distribution under the Plan or (ii) Reinstated.	~~$[●]~~$2,380,688,956[10]	0%/100%
10	Intercompany Interests	At the Debtors' option, but in each case subject to the consent of the RBL Agent, which consent shall not be unreasonably withheld, each Intercompany Interest shall either be (i) cancelled (or otherwise eliminated) and receive no distribution under the Plan or (ii) Reinstated.	~~$[●]~~N/A[11]	0%/100%
11	Sabine Equity Interests	Sabine Equity Interests shall be deemed canceled and extinguished, and shall be of no further force and effect, whether surrendered for cancelation or otherwise, and there shall be no distribution to Holders of Sabine Equity Interests on account of such Interests.	~~$[●]~~N/A[12]	0%

E. What will I receive from the Debtors if I hold an Allowed Administrative Claim or a Priority Tax Claim?

In accordance with section 1123(a)(1) of the Bankruptcy Code, Administrative Claims (including accrued Professional Compensation) and Priority Tax Claims have not been classified and, thus, are excluded from the Classes of Claims and Interests set forth in Article III of the Plan. Administrative Claims will be satisfied as set forth in Article II.A of the Plan, and Priority Tax Claims will be satisfied as set forth in Article II.C of the Plan.

The expenses of Wilmington Savings Fund Society, FSB, as indenture trustee for the Forest Oil 7.25% Unsecured Notes due 2019, and Delaware Trust Company, as indenture trustee for the Forest Oil 7.5% Unsecured Notes due 2020 (together, the "Forest Notes Trustees"), are not considered administrative expenses under the Plan.

Claims will depend upon, among other things, final reconciliation and resolution of all Claims, negotiation of cure amounts and the election of certain Holders to have their Claims treated as Convenience Claims. Consequently, the actual Allowed amounts may vary from the approximate amounts set forth herein.

9 The amount of such Claims does not impact any recovery or distribution because such Claims will be cancelled, released, and extinguished.

10 The amount of such Claims does not impact any recovery or distribution because such Claims will either be cancelled or Reinstated.

11 The amount of such Interests does not impact any recovery or distribution because such Claims will either be cancelled or Reinstated.

12 The amount of such interests does not impact any recovery or distribution because such Claims will be cancelled and extinguished.

The Forest Notes Trustees believe that they (i) are entitled to an administrative expense claim, (ii) have a charging lien on all money or property held or collected by the Forest Notes Trustees to secure payment of their fees and expenses, and (iii) should continue in existence after the Effective Date of the Plan to execute certain rights an obligations relating to the interests of Holders of the Senior Notes under the Senior Notes Indentures.

F. Are any regulatory approvals required to consummate the Plan?

No. There are no known regulatory approvals that are required to consummate the Plan.

G. What happens to my recovery if the Plan is not confirmed or does not go effective?

In the event that the Plan is not confirmed or does not go effective, there is no assurance that the Debtors will be able to reorganize their businesses. It is possible that any alternative may provide Holders of Claims and Interests with less than they would have received pursuant to the Plan. For a more detailed description of the consequences of an extended chapter 11 case, or of a liquidation scenario, *see* the Liquidation Analysis attached hereto as **Exhibit E**.

H. If the Plan provides that I get a distribution, do I get it upon Confirmation or when the Plan goes effective, and what is meant by "Confirmation," "Effective Date," and "Consummation?"

"Confirmation" of the Plan refers to approval of the Plan by the Bankruptcy Court. Confirmation of the Plan does not guarantee that you will receive the distribution indicated under the Plan. After Confirmation of the Plan by the Bankruptcy Court, there are conditions that need to be satisfied or waived so that the Plan can become effective. Initial distributions to Holders of Allowed Claims will only be made on the date the Plan becomes effective—the "Effective Date"—or as soon as practicable thereafter, as specified in the Plan. *See* Article XI.A which begins on page 83 of this Disclosure Statement, for a discussion of the conditions precedent to consummation of the Plan.

I. What are the sources of Cash and other consideration required to fund the Plan?

The Plan will be funded by ~~the following sources of Cash and consideration: (i)~~ Cash on hand~~; (ii)~~ and a new exit revolver financing ~~facilities including (a) a revolving credit~~ facility with an initial borrowing base equal to $150 million~~ and (b) a term loan of $150 million; (iii) new equity in Reorganized Sabine; (iv) warrants to purchase new equity in Reorganized Sabine; and (v) the Settlement.~~.

J. Will the Reorganized Debtors be obligated to continue to pay statutory fees after the Effective Date?

Yes. On the Effective Date, the Debtors will be required to pay in Cash any fees due and owing to the United States Trustee for Region 2 (the "U.S. Trustee") at the time of Confirmation. Additionally, on and after the Confirmation Date, the Reorganized Debtors must pay all statutory fees due and payable under 28 U.S.C. § 1930(a)(6) plus accrued interest under 31 U.S.C. § 3717, on all disbursements, including plan payments and disbursements inside and outside of the ordinary course of business until the entry of a final decree, dismissal or conversion of the cases to chapter 7. The Reorganized Debtors will also be required to comply with reporting requirements, such as filing quarterly post-Confirmation reports and scheduling quarterly post-Confirmation status conferences until the entry of a final decree, dismissal or conversion of the cases to chapter 7.

K. Are there risks to owning the New Common Stock upon emergence from chapter 11?

Yes. For further discussion, see Article IX, which begins on page 72 of this Disclosure Statement.

L. Is there potential litigation related to the Plan?

Parties-in-interest may object to the approval of this Disclosure Statement and/or Confirmation of the Plan, either of which could potentially give rise to litigation. *See* Article IX.A.1, which begins on page 72 of this Disclosure Statement.

In the event that it becomes necessary to confirm the Plan over the objection of certain Classes, the Debtors may seek confirmation of the Plan notwithstanding the dissent of such objecting Classes. The Bankruptcy Court may confirm the Plan pursuant to the "cramdown" provisions of the Bankruptcy Code, which allow the Bankruptcy Court to confirm a plan that has been rejected by an impaired Class if the Bankruptcy Court determines that the Plan satisfies section 1129(b) of the Bankruptcy Code. *See* Article XI.E, which begins on page 84 of this Disclosure Statement, for additional information.

M. What is the Management Incentive Plan and how will it affect the distribution I receive under the Plan?

On the Effective Date, ~~Reorganized Sabine~~New Holdco[13] shall be authorized to adopt the Management Incentive Plan, substantially in the form of the Management Incentive Plan Documents. The Management Incentive Plan shall reserve for issuance equity grants equal to seven percent (7%) of the New Common Stock (the "MIP Pool") on a fully diluted and fully distributed basis, of which five percent (5%) will be granted in the form of restricted stock awards or restricted stock unit awards within sixty (60) days of the Effective Date and allocated to management and employees within pre-determined allocation ranges at the discretion of the New Board of ~~Reorganized Sabine~~New Holdco (or an authorized committee of such New Board). Members of management, employees and directors of Reorganized Sabine may receive the remaining two percent (2%) of the MIP Pool in the form of restricted stock, restricted stock units, stock options or a combination thereof under the Management Incentive Plan as is determined from time to time by the New Board of ~~Reorganized Sabine~~New Holdco (or an authorized committee of such New Board).

N. Will the final amount of Allowed General Unsecured Claims affect my recovery under the Plan?

Approximately 1,500 claims, including approximately $3.15 billion in claims listed or scheduled as unsecured (including the Senior Notes Claims and General Unsecured Claims), have been filed and/or scheduled in these Chapter 11 Cases since the Petition Date. Each Holder of a General Unsecured Claim shall receive its Pro Rata share of the Unsecured Equity Pool. For the avoidance of doubt, Class 6 shall not include any Claim that would otherwise be a General Unsecured Claim if the Holder of such Claim has elected to have such Claim treated as a Convenience Claim. Although the Debtors' estimate of General Unsecured Claims is the result of the Debtors' and their advisors' current estimate of available information, General Unsecured Claims actually asserted against the Debtors may be higher or lower than the Debtors' estimate provided herein, which difference could be material. Further, the Debtors or the Committee may object to certain proofs of claim, and any such objections could ultimately cause the total amount of General Unsecured Claims to change. These changes could affect recoveries for Holders of Claims in Classes 4b, 5a, 5b, 5c, and 6, and such changes could be material.

O. How will Claims asserted with respect to rejection damages affect my recovery under the Plan?

The Debtors estimate that the General Unsecured Claims include approximately $~~139~~205 million in estimated Claims arising from the Debtors' rejection of Executory Contracts and Unexpired Leases. The Debtors are rejecting and in the future may reject certain Executory Contracts and Unexpired Leases, which may result in additional rejection damages claims not accounted for in this estimate. To the extent that the actual amount of rejection damages claims changes, the value of recoveries to holders of Claims in Classes 4b, 5a, 5b, 5c, and 6 could change as well, and such changes could be material.

P. What is the Settlement and how will the release of Settled Claims affect my recovery under the Plan?

As described below, the Debtors, with the assistance of their advisors, continued to investigate and evaluate certain claims and the reasonableness of a settlement and release of certain of those claims with an eye towards emergence and development of a plan of reorganization. As a result of this investigation, the Debtors concluded that the costs of pursuing litigation with respect to certain claims strongly outweighed any benefits to the Debtors'

[13] The structure of New Holdco is under discussion.

estates that might be obtained from litigating such claims. After a fifteen (15) day trial, the Bankruptcy Court agreed and denied the Committee's motions to obtain standing to pursue those claims, as further set forth herein. As such, the Plan provides for the release of the following claims previously investigated by the Debtors and subject to standing motions by various creditor constituencies, as further discussed herein (such claims, the "Released Claims"):

1. Claims to avoid $1.32 billion of obligations, including (a) $620 million in respect of the Old Sabine RBL and (b) $700 million from the Second Lien Credit Facility (~~"~~or $650 million from the Old Sabine Second Lien Credit Facility and $50 million from the Second Lien Credit Facility (the "Section A Claims");

2. Claims to (a) avoid the liens transferred to secure the parent company's incurrence of Section A Claims, (b) preserve those liens for the benefit of Sabine, and (c) recover for the parent estate the diminution of the value of the liens due to a decline in the value of the collateral since the liens were transferred, to the extent such Claims and Causes of Action are not included in the Settled Claims;

3. Claims to avoid and recover, for the benefit of Sabine, over $200 million in payments made by Sabine from the date of closing the Combination to the Petition Date, to the RBL Agent and Second Lien Agent, and to or for the benefit of the RBL Lenders and the Second Lien Lenders on the basis that the underlying obligations are avoidable;

4. Claims to avoid and recover, for the benefit of Sabine, payments made by Sabine to the lenders under the Old Sabine RBL;

5. Claims to avoid, at each of Old Sabine's subsidiaries (the "Legacy Sabine Subsidiaries"), incremental secured obligations that were previously only obligations of Forest Oil (*i.e.*, $105 million in respect of the Old Forest RBL (as defined herein));

6. Claims to avoid at each of the Legacy Sabine Subsidiaries the further $356 million obligation incurred under the RBL Credit Facility as a result of the $356 million draw on February 25, 2015;

7. Claims to avoid at each of the Legacy Sabine Subsidiaries the $50 million of incremental obligations incurred under the Second Lien Credit Facility in excess of the Old Sabine Second Lien Credit Facility;

8. Claims to avoid liens transferred in connection with the Legacy Sabine Subsidiaries' incremental guarantees of obligations under the RBL Credit Facility and the Second Lien Credit Facility, preserve those liens for the benefit of the estates, and recover for the Legacy Sabine Subsidiaries' estates the diminution of the value of the liens due to a decline in the value of the collateral since the liens were transferred;

9. Claims to avoid, for the benefit of the parent estate, the liens on the Legacy Sabine Subsidiaries' assets that such Legacy Sabine Subsidiaries granted to the RBL Lenders, to the extent that Forest Oil value was dedicated to, and improved the value of, such assets, and the recovery of the value of those liens for the benefit of Sabine;

10. Claims to avoid, for the benefit of Sabine, the liens on the Legacy Sabine Subsidiaries granted to the Second Lien Lenders, to the extent that Forest Oil value was dedicated to, and improved the value of, such assets, and the recovery of the value of those liens for the benefit of Sabine;

11. Claims to avoid, as intentional fraudulent conveyances, the RBL Credit Facility obligations at Sabine;

12. Claims to avoid, as intentional fraudulent conveyances, the RBL Credit Facility obligations at each of the Legacy Sabine Subsidiaries;

13. Claims to avoid, as intentional fraudulent conveyances, the liens granted by the Legacy Sabine Subsidiaries to secure the RBL Credit Facility obligations;

14. Claims to avoid, as intentional fraudulent conveyances, the Second Lien Credit Facility obligations at Sabine;

15. Claims to avoid, as intentional fraudulent conveyances, the liens granted by Sabine to secure the Second Lien Credit Facility obligations;

16. Claims to avoid, as intentional fraudulent conveyances, the $50 million in incremental obligations incurred under the Second Lien Credit Facility by the Legacy Sabine Subsidiaries at the closing of the Combination;

17. Claims to avoid, as intentional fraudulent conveyances, the liens granted by the Legacy Sabine Subsidiaries to the extent that such liens secure the $50 million in incremental obligations under the Second Lien Credit Facility;

18. Claims to avoid, as intentional fraudulent conveyances, the approximately $620 million in payments made in respect of the RBL Credit Facility at the closing of the Combination;

19. Claims to avoid, as intentional fraudulent conveyances, all post-Combination payments of principal, interest and fees in respect of the RBL Credit Facility and the Second Lien Credit Facility, including the $185 million of proceeds of the sale of the Arkoma assets of Forest Oil that were used two days after the Combination to pay down the balance of the RBL Credit Facility;

20. Claims that a security interest was not given in the intercompany note to the RBL Lenders in connection with the RBL Credit Facility;[14]

21. Claims and Causes of Action identified in the Committee's Proposed Complaint for (I) Intentional Fraudulent Conveyance; (II) Breach of Fiduciary Duty; (III) Aiding and Abetting Breach of Fiduciary Duty; (IV) Equitable Subordination; (V) Debt Recharacterization; and (IV) Related Relief annexed to the Second Motion of the Official Committee of Unsecured Creditors for (I) Leave, Standing, and Authority to Commence and Prosecute Certain Claims and Causes of Action on Behalf of the Debtors' Estates and (II) Non-Exclusive Settlement Authority [Docket No. 609], and any joinders thereto, including breach of fiduciary duty, aiding and abetting breaches of fiduciary duty, equitable subordination, and recharacterization;

22. Claims and Causes of Action identified in the Motion of the Forest Notes Indenture v. Trustees for Entry of an Order Pursuant to § 1109(b) Granting Leave, Standing and Authority to Prosecute and, if Appropriate, Settle Certain Claims on behalf of the Estate of Sabine Oil & Gas Corporation (f/k/a Forest Oil, Inc.) [Docket No. 521], and any joinders thereto, to the extent such Claims and Causes of Action are not included in the Settled Claims; and

23. Any other Claims or Causes of Action considered pursuant to the Analysis of Potential Causes of Action: Constructive Fraudulent Transfer, dated as of October 26, 2015, and the

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14 The RBL Credit Facility contemplated the execution of an intercompany note to evidence any intercompany indebtedness between and among any of the Debtors. While the Committee alleges that the ~~Debtors~~RBL Lenders did not perfect their security interest in the intercompany note, the Debtors have confirmed that the intercompany note dated as of December 16, 2014 is in the possession of the RBL Lenders, which possession constitutes perfection under applicable state law. Accordingly, this Claim is treated as a ~~Settlement~~ Released Claim under the Plan.

Analysis of Potential Estate Causes of Action: Intentional Fraudulent Transfer, Breach of Fiduciary Duty, and Equitable Subordination, dated as of December 1, 2015 (and as revised December 21, 2015), each as prepared on behalf of the Independent Directors' Committee, other than those Claims and Causes of Action set forth in the Adversary Proceeding and included in the Settled Claims.

In addition, pursuant to section 1123 of the Bankruptcy Code and Bankruptcy Rule 9019, the Plan incorporates an integrated compromise and settlement of certain claims (collectively, the "Settled Claims") related to (i) the Bucket II Claims (as defined herein~~) in the maximum possible amount~~), (ii) Claims asserted or that could ~~be~~have been asserted~~ and claims for adequate protection~~ under the Cash Collateral Order, ~~as follows:~~including Claims for adequate protection, and (iii) Claims asserted in the Adversary Proceeding.

As the Bankruptcy Court noted at the STN hearing, "[t]here is broad agreement that the market value of the Debtors' assets, and thus the value of the New RBL Lenders' collateral, has declined substantially since the Petition Date." *Bench Decision on Motions for Leave, Standing, and Authority to Commence and Prosecute Certain Claims and Causes of Action on Behalf of the Debtors' Estates* (the "STN Ruling") Case No. 15-11835 (SCC) at p. 102 (Bankr. S.D.N.Y. Mar. 31, 2016). [Docket No. 923]. As described more fully herein, the Debtors believe that the value of the RBL Lenders' interest in the prepetition collateral has declined by at least $297 million and the value of the Second Lien Lenders' interest in the prepetition collateral has declined by $107 million. As a result of this substantial decline in value, the RBL Lenders and Second Lien Lenders are entitled, pursuant to the Cash Collateral Order, to assert adequate protection liens on all of the Debtors' property (including encumbered and unencumbered assets) to the extent set forth in the Cash Collateral Order. The RBL Lenders and Second Lien Lenders also have superpriority administrative claims against the Debtors that have recourse to the Debtors' prepetition and postpetition property to the extent set forth in the Cash Collateral Order.

The Debtors have undertaken a lengthy and thorough analysis of the potential value of their unencumbered assets. Even in the best possible scenario for the unsecured creditors (*i.e.*, a scenario that (i) ignores risk of loss and assumes a total victory on each and every item and (ii) ignores the substantial costs and delays noted below), the Collateral Diminution suffered by the RBL Lenders means that they are entitled to all of the value of the Debtors' unencumbered assets on account of their adequate protection liens and superpriority claims. Adjusting the value of the unencumbered assets for risks associated with litigation significantly reduces the total "best case scenario" unencumbered asset value. In addition, the Debtors estimate, conservatively, that total professional fees in connection with litigation surrounding whether the assets are unencumbered could exceed $15 million. This amount does not include, among other things, the substantial delay in emerging from chapter 11, continued uncertainty, opportunity costs, and human costs, which cannot be quantified but which the Debtors believe will be substantial if the Bucket II claims were pursued. These additional costs would further reduce any potential value for unsecured creditors from the unencumbered assets.

Nevertheless, in an effort to obtain a recovery for unsecured creditors, the Debtors engaged in arms'-length, good-faith negotiations with the RBL Lenders and successfully persuaded the RBL Lenders to settle all of the claims and causes of action that could be asserted with respect to the RBL Lenders' adequate protection claims and the unencumbered assets (including the Bucket II claims) in exchange for approximately $26.4 million in value for all general unsecured creditors. That value will be distributed to all unsecured creditors in the event the Debtors' Plan is confirmed and becomes effective.

The integrated settlement and compromise embodied in the Plan resolves the following claims, each of which is discussed in detail commencing on page 48.

1. **Disputed Cash.** Claims that the $252 million of cash on hand as of the Petition Date (the "Disputed Cash"), a portion of which has been used for the Debtors' operations and the administration of these chapter 11 estates, was allegedly not subject to any liens, security interests, constructive trusts, or equitable interests of the Debtors' secured lenders, and therefore the entirety of such Disputed Cash was unencumbered on the Petition Date~~, shall be settled as if (a) the Disputed Cash had been totally unencumbered as of the Petition Date, (b) all of the Disputed Cash remaining on the Effective Date is treated as unencumbered, (c) there exists $79 million in unencumbered Cash as of the Effective Date, (d) the evidence~~

~~based tracing method had been implemented for tracing the commingled Disputed Cash, and (e) the RBL Lenders had been unsuccessful in establishing a constructive trust on the Disputed Cash on account of the Debtors' solvency representation made in connection with the February 25, 2015 draw of substantially all of the remaining availability under the RBL Credit Facility;~~.

2. **Unitized Leases.** Claims that the granting clauses in the mortgages held by the RBL Agent and the Second Lien Agent are allegedly not sufficiently broad to provide the RBL Agent or the Second Lien Agent, as applicable, liens on the "unitized" leases (that is, leases that are not expressly listed on a mortgage exhibit but that are unitized with other leases that are expressly listed on a mortgage exhibit~~) shall be assumed to be successful for purposes of the Settlement;~~).

3. **After-Acquired Leases.** Claims that the granting clauses in the mortgages held by the RBL Agent and the Second Lien Agent are allegedly not sufficiently broad to provide the RBL Agent or the Second Lien Agent, as applicable, liens on wells and leases acquired after the aforementioned "unitized" leases that were pooled or unitized with the hydrocarbon property ~~shall be assumed to be successful for purposes of the Settlement, which, in combination with claims from (2), above, would result in approximately an additional $16.5 million of unencumbered assets for distribution to unsecured creditors;~~.

4. **Book & Page Issue.** Claims that 199 of the Debtors' oil and gas leases were allegedly not properly recorded because the mortgages do not list recording information, such as book and page numbers, or that such mortgages allegedly contain other unspecified defects~~, shall be assumed to be successful in the amount of $3.9 million for purposes of the Settlement;~~.

5. **County Issue.** Claims that each of the RBL Agent and the Second Lien Agent allegedly hold a valid mortgage on all 3,338 of the leases located in the counties in which several mortgage documents were filed~~ shall be settled as though the RBL Lenders and the Second Lien Lenders do not hold valid mortgages on such leases, which would result in approximately an additional $89.3 million of unencumbered assets for distribution to unsecured creditors;~~.

6. **Preference Claims.** Claims that the mortgages on properties granted pursuant to the forbearance agreements with the RBL Agent and the Second Lien Agent should be avoided as purported preferential transfers under section 547 of the Bankruptcy Code~~ shall be settled by providing such Claims with a full recovery on account of such Claims for distribution to unsecured creditors, which would result in approximately an additional $15.1 million of unencumbered assets for distribution to unsecured creditors;~~.

7. **Personal Property Liens.** Claims that the RBL Agent and Second Lien Agent allegedly hold blanket liens on all of the Debtors' personal property including general intangibles unrelated to hydrocarbons~~ shall not be given a recovery and shall be assumed to result in approximately an additional $15 million of unencumbered assets for distribution to unsecured creditors for purposes of the Settlement;~~.

8. **Swap Payments.** Claims that the Huntington Payment and the ML Commodities Payment made under and in accordance with the Cash Collateral Order allegedly "unduly disadvantaged" the Debtors and the unsecured creditors and should be unwound~~ shall be assumed to be successful for purposes of the Settlement, which would result in approximately an additional $24.3 million of unencumbered assets for distribution to unsecured creditors; and~~.

~~1. Claims alleged by any party under the Cash Collateral Order, including Claims alleged by the RBL Agent and Second Lien Lenders for adequate protection thereunder.~~

9. ~~The settlement of~~**Claims Under the Cash Collateral Order**. Claims alleged by any party under the Cash Collateral Order, including Claims alleged by the RBL Agent and Second Lien Agent for adequate protection thereunder. The Debtors calculated the claims for adequate protection using the methodology articulated by the Court in its STN Ruling; that is, "it should be calculated as the fair market or going concern value of the New RBL Lenders' interest in the prepetition collateral as of the petition date less the fair market or going concern value of the prepetition collateral as of the effective date of a confirmed plan of reorganization…." *STN Ruling* [Docket No. 923] at p. 97-99. On that basis, the Debtors have calculated that the total Collateral Diminution suffered by the RBL Lenders is $207.2 million to $339.1 million, with a midpoint of $273.2 million, and that the total Collateral Diminution suffered by the Second Lien Lenders is $8.8 million to $205.9 million, with a midpoint of $107.3 million. A discussion of the calculation of the adequate protection claims is set forth in section VIII.A.

10. **Adversary Proceeding Claims.** Lien avoidance claims asserted against the Second Lien Lenders under the Adversary Proceeding. The Court found in its STN Ruling that any value realized from the avoided liens would not result in incremental value to the estates. *STN Ruling* [Docket No. 923] at p. 97. Instead, they would result in a reallocation of value among creditor groups (from the Second Lien Lenders to the RBL Lenders). The Creditors' Committee has likewise acknowledged that the Debtors' Complaint "barely survives dismissal," and would only survive dismissal if the Debtors amended the Complaint to seek claim avoidance, which is a cause of action that the Court found was not colorable in its STN Ruling. Committee Objection at 2 [Adv. Proc. Docket No. 19].

Even assuming the Bucket II Claims ~~assumes that such claims~~ are resolved in a manner most favorable to ~~general~~ unsecured creditors—a result that the Debtors do not believe likely—~~in the maximum amount of approximately $243.3~~ the unencumbered value that would be brought into the estates from such claims (without even factoring in risk of loss or cost of litigation~~). Such settled~~) amounts to only $192.7 million, which amount includes $18.4 million of value due assets located outside of Texas against which the RBL Lenders have not filed a mortgage. However, the Debtors believe this $192.7 amount, ~~in combination with an estimate of~~ properly discounted and offset by certain litigation costs, is no more than $89.1 million.

This additional $89.1 million of value is less than the amount of Collateral Diminution suffered by the RBL Lenders. Accordingly, the adequate protection liens and superpriority administrative claims held by the RBL Lenders swamp the $192.7 million of value of the Bucket II Claims and the Debtors' other unencumbered ~~asset value of $5.9 million, brings the maximum amount of unencumbered value that could be asserted (without even factoring in risk of loss or cost of litigation) to $249.2 million. In addition, as reflected in the settled amount of the First Lien Adequate Protection Claim, the Debtors believe it is reasonable to conclude that the value of the First Lien Adequate Protection Claim is, at a minimum, in excess of $249.2 million, and more likely over $400 million, surpassing the greatest possible value of~~assets. Nevertheless, the RBL Lenders have agreed to provide a recovery to ~~unsecured~~other creditors ~~if the Bucket II Claims were successful. As a result, the Debtors have determined that it is in the best interests of the estates to settle~~in exchange for a release of the Bucket II Claims. Indeed, the Settlement provides value to the general unsecured creditors through (i) two percent (2%) of the reorganized equity ~~provided to them from the RBL Lenders' own recovery, despite the fact that unsecured creditors would otherwise be entitled to no value even if successful on the Bucket II Claims,~~ and (ii) warrants to share in the upside of the reorganized enterprise, all without the costs and risks of litigation. ~~The Debtors have also determined that it is reasonable to conclude that the RBL Lenders were oversecured as of the Petition Date, and have estimated the value of the Second Lien Lenders' adequate protection claim at $50 million for purposes of the Settlement, which amount takes into account the payments made under the Cash Collateral Order. Accordingly, the~~The Settlement also provides a recovery to the Second Lien Lenders in the form of equity and warrants to which the RBL Lenders would otherwise be entitled.

Nevertheless, the Committee opposes the settlement. Specifically, the Committee disagrees with the above characterization of the amount of the Collateral Diminution. Rather, the Committee believes that the amount of Collateral Diminution—even if calculated in accordance with the methodology set forth in the Bankruptcy Court's STN Ruling—is far lower than the Debtors' calculation. Accordingly, the Committee disputes the Debtors' estimate

of the First Lien Adequate Protection Claim and intends to object to the Plan on this basis. The Committee further asserts that all analysis of the RBL Agent's and Second Lien Agent's collateral should be done on a debtor-by-debtor basis, rather than on a consolidated basis.

The settlement and allowance of Settled Claims provided for herein and the distributions and other benefits provided for under the Plan, including the releases set forth in Article VIII.B and VIII.F, shall be in full satisfaction of any and all potential Claims that could have been asserted, regardless of whether any such Claim has been identified herein or could have been asserted. The RBL Agent and the RBL Lenders are permitting distributions of the ~~Reorganized Sabine~~ New Common Stock and Warrants set aside in the Second Lien Equity Pool and the Unsecured Equity Pool to be made to Holders of Allowed Second Lien Claims, Allowed Senior Notes Claims and Allowed General Unsecured Claims in order to settle the Settled Claims in exchange for the releases provided under the Plan. The allowance of Settled Claims provided for thereunder is solely for the purpose of determining the allocation and distribution of the Reorganized Sabine New Common Stock and Warrants to Holders of Allowed Claims.

The entry of the Confirmation Order shall constitute the Bankruptcy Court's approval, as of the Effective Date, of the compromise or settlement of all such Settled Claims and the Bankruptcy Court's determination that such compromises and settlements are in the best interests of the Debtors, their estates, the Reorganized Debtors, creditors and all other parties in interest, and are fair, equitable and within the range of reasonableness. In addition, upon entry of the Confirmation Order, the RBL Lenders shall be deemed to accept, and shall contribute a portion of their right to New Common Stock and Warrants to effectuate, the Settlement. The compromises, settlements, and releases described herein shall be deemed nonseverable from each other and from all other terms of the Plan.

Q. Will there be releases and exculpation granted to parties-in-interest as part of the Plan?

Yes, the Plan proposes to release the Debtors, the Reorganized Debtors, and the Released Parties and to exculpate the Exculpated Parties as set forth in the Plan. The Debtors' releases, third party releases, and exculpation provisions included in the Plan are an integral part of the Debtors' overall restructuring efforts. Specifically, the ability of the Reorganized Debtors to avoid protracted, post-Effective Date litigation among themselves and the Released and Exculpated Parties will be greatly reduced without the Releases and Exculpations contemplated in the Plan.

Each Holder of a Claim or Interest that does not elect on its Ballot or Bankruptcy Court-approved election form to opt out of the third party release provision contained in Article VIII.G of the Plan will be deemed to have expressly, unconditionally, generally, individually, and collectively released and discharged and released all Claims and Causes of Action against the Debtors, the Reorganized Debtors, and the Released Parties~~.~~ (other than the RBL Released Parties). In addition, as further discussed above, the Plan provides for a mandatory release in favor of the RBL Agent, RBL Lenders, and ~~related parties~~other RBL Released Parties in exchange for their substantial contribution to the Plan in the form of, among other things, the Settlement~~.~~ and new exit financing. The releases represent an integral element of the Plan.

Based on the foregoing, the Debtors believe that the releases and exculpations in the Plan are necessary and appropriate and meet the requisite legal standard. ~~Moreover, the Debtors will present evidence at the Confirmation Hearing to demonstrate the basis for and propriety of the release and exculpation provisions.~~

The Plan's third party releases include mandatory blanket releases in favor of the RBL Agent, RBL Lenders, and RBL Released Parties by all Holders of Claims and Interests, with no ability to opt out. The Committee contends that these releases do not meet the requisite legal standard, which the Committee believes requires truly unusual circumstances that would render the release terms critical to the success of the Plan. The Committee contends that no such "truly unusual circumstances" exist here justifying such a release. While the Disclosure Statement states that the releases are being provided to the RBL Released Parties in exchange for their substantial contribution to the Plan in the form of, among other things, the Settlement and new exit financing, which give value to other creditors in the form of a recovery to which the Debtors assert they would not otherwise be entitled, the Committee contends that the mandatory and involuntary release of the RBL Released Parties by Holders of Claims and Interests is improper and intends to object to the Plan on this basis.

The Plan also includes releases by the Debtors in favor of, among other parties, the Debtors' present and former officers, directors and equity sponsor. The Debtors released the aforementioned parties after conducting an extensive investigation and concluding that such claims were not colorable and/or not worth the cost or expense to pursue. Indeed, after the extensive STN litigation (described below) the Court also concluded that (i) the Committee had failed to satisfy its burden of showing such claims were colorable, or (ii) the claims were otherwise not in the best interests of the estates to pursue. Accordingly, their release protects the estates and third parties, many of whom provided significant benefits as directors and officers of the Company, from the time and cost of defending against any claims or causes of action that are meritless.

The Committee, however, contends that the Debtors' releases in favor of the Debtors' present and former officers, directors and equity sponsor are not justified, and the Committee intends to object to the Plan on this additional basis.

The Forest Notes Trustees are not entitled to indemnification or exculpation under the Plan. The Forest Notes Trustees are only entitled to releases in the event they do not opt out of the third party release contained in Article VIII.G of the Plan.

1. Release in Favor of RBL ~~Agent and RBL Lenders~~Released Parties

Except as otherwise provided in the Plan, as of the Effective Date and to the fullest extent authorized by applicable law, the Debtors, the Reorganized Debtors, the Estates, the Second Lien Agent, the Second Lien Lenders, the Senior Notes Indenture Trustees, the Senior Notes Holders, the Committee and Committee Members, current direct and indirect Interest Holders in Sabine, and any Holder of a Claim or Interest, expressly, unconditionally, generally and individually and collectively releases, acquits and discharges ~~(i)~~ the RBL ~~Agent, (ii) each of the RBL Lenders, (iii) each of the RBL Agent's and RBL Lender's respective affiliates and (iv) each of their and their respective affiliates' current and former equity Holders (regardless of whether such interests are held directly or indirectly), predecessors, successors, and assigns, subsidiaries, and their current and former officers, directors, managers, principals, members, employees, agents, advisory board members, financial advisors, partners, attorneys, accountants, investment bankers, consultants, representatives, and other professionals, each in their capacity as such (collectively, the "RBL~~ Released Parties~~")~~, from any and all Claims, Settled Claims, Released Claims, obligations, rights, suits, damages, Causes of Action, remedies and liabilities whatsoever, including any derivative Claims asserted or assertable on behalf of the Debtors, any Claims asserted or assertable on behalf of any Holder of any Claim against or Interest in the Debtors and any Claims asserted or assertable on behalf of any other entity, whether known or unknown, foreseen or unforeseen, matured or unmatured, existing or hereinafter arising, in law, equity, contract, tort or otherwise, by statute or otherwise, that such party or parties (whether individually or collectively), ever had, now has or hereafter can, shall or may have, based on or relating to, or in any manner arising from, in whole or in part, the Debtors, the Debtors' restructuring efforts, the Debtors' intercompany transactions (including dividends paid), any preference or avoidance claim pursuant to sections 544, 547, 548, and 549 of the Bankruptcy Code, the purchase, sale or rescission of the purchase or sale of any security of the Debtors, or any other transaction relating to any security of the Debtors, or any other transaction or other arrangement with the Debtors whether before or during the Restructuring Transactions, the subject matter of, or the transactions or events giving rise to, any Claim or Interest that is affected by or classified in the Plan, the business or contractual arrangements between the Debtors, on the one hand, and any of such party or parties, on the other hand, the restructuring of Claims and Interests before or during the Restructuring Transactions implemented by the Plan, the negotiation, formulation or preparation of the Restructuring Transactions, the Plan, the Plan Supplement, the Disclosure Statement or any related agreements, any asset purchase agreement, instruments or other documents created or entered into in connection with the Disclosure Statement, the Plan, the Chapter 11 Cases, the Filing of the Chapter 11 Cases, the pursuit of Confirmation, the pursuit of Consummation, the administration and implementation of the Plan, including the issuance or distribution of Securities pursuant to the Plan, or the distribution of property under the Plan, or any other related agreement, or upon any other act or omission, transaction, agreement, event, or other occurrence taking place or arising on or before the Effective Date related or relating to any of the foregoing, except for any act or omission that constitutes fraud, gross negligence, or willful misconduct as determined by a Final Order of a court of competent jurisdiction (it being understood and agreed that to the extent any of the Released Claims involve allegations of fraud, gross negligence or willful misconduct by any of the RBL

Released~~,~~ Parties, then the RBL Released Parties shall be forever released and discharged from such Released Claims notwithstanding anything to the contrary contained herein). Notwithstanding anything to the contrary in the foregoing, the releases set forth above do not release any post-Effective Date obligations of any party or Entity under the Plan, any of the Restructuring Transactions, or any document, instrument, or agreement (including those set forth in the Plan Supplement) executed to implement the Plan.

2. Release of Liens

Except as otherwise specifically provided in the Plan, the Exit Revolver Credit Facility Documents or the New Second Lien Credit Facility Documents (including in connection with any express written amendment of any mortgage, deed of trust, Lien, pledge, or other security interest under the Exit Revolver Credit Facility Documents and the New Second Lien Credit Facility Documents), or in any contract, instrument, release, or other agreement or document created pursuant to the Plan, on the Effective Date and concurrently with the applicable distributions made pursuant to the Plan and, in the case of a Secured Claim, satisfaction in full of the portion of the Secured Claim that is Allowed as of the Effective Date, all mortgages, deeds of trust, Liens, pledges, or other security interests against any property of the Estates shall be fully released and discharged, and all of the right, title, and interest of any Holder of such mortgages, deeds of trust, Liens, pledges, or other security interests shall revert to the Reorganized Debtors and their successors and assigns, in each case, without any further approval or order of the Court and without any action or Filing being required to be made by the Debtors. In addition, at the sole cost of the Debtors or the Reorganized Debtors, the RBL Agent and the Second Lien Agent shall execute and deliver all documents reasonably requested by the Debtors, Reorganized Debtors, the Exit Revolver Agent, or the New Second Lien Agent to evidence the release of such mortgages, deeds of trust, Liens, pledges, and other security interests and shall authorize the Reorganized Debtors to file UCC-3 termination statements (to the extent applicable) with respect thereto.

3. Debtor Release

~~-~~Pursuant to section 1123(b) of the Bankruptcy Code, and except as otherwise specifically provided in the Plan, on and after the Effective Date, the RBL Released Parties and the Released Parties are deemed expressly, unconditionally, generally, and individually and collectively, acquitted, released and discharged by the Debtors, the Reorganized Debtors, and the Estates, each on behalf of itself and its predecessors, successors, and assigns, subsidiaries, affiliates, current and former officers, directors, principals, shareholders, members, partners, employees, agents, advisory board members, financial advisors, attorneys, accountants, investment bankers, consultants, representatives, management companies, fund advisors and other professionals, from any and all Claims, Settled Claims, Released Claims, obligations, rights, suits, damages, Causes of Action, remedies and liabilities whatsoever, including any derivative Claims asserted or assertable on behalf of the Debtors, any Claims asserted or assertable on behalf of any Holder of any Claim against or Interest in the Debtors and any Claims asserted or assertable on behalf of any other entity, whether known or unknown, foreseen or unforeseen, matured or unmatured, existing or hereinafter arising, in law, equity, contract, tort or otherwise, by statute or otherwise, that such Releasing Party (whether individually or collectively), ever had, now has or hereafter can, shall or may have, based on or relating to, or in any manner arising from, in whole or in part, the Debtors, the Debtors' restructuring efforts, the Debtors' intercompany transactions (including dividends paid), any preference or avoidance claim pursuant to sections 544, 547, 548, 549, 550 and 551 of the Bankruptcy Code, the purchase, sale or rescission of the purchase or sale of, or any other transaction relating to any security of the Debtors, the subject matter of, or the transactions or events giving rise to, any Claim or Interest that is affected by or classified in the Plan, the business or contractual arrangements between the Debtors, on the one hand, and the Releasing Parties, on the other hand, the restructuring of Claims and Interests before or during the Restructuring Transactions implemented by the Plan or any other transaction or other arrangement with the Debtors whether before or during the Restructuring Transactions, the negotiation, formulation or preparation of the Restructuring Transactions, the Plan, the Plan Supplement, the Disclosure Statement or any related agreements, any asset purchase agreement, instruments or other documents (including, for the avoidance of doubt, providing any legal opinion requested by any entity regarding any transaction, contract, instrument, document, or other agreement contemplated by the Plan or the reliance by any RBL Released Party or any other Released Party on the Plan or the Confirmation Order in lieu of such legal opinion) created or entered into in connection with the Disclosure Statement, the Plan, the Chapter 11 Cases, the Filing of the Chapter 11 Cases, the pursuit

of Confirmation, the pursuit of Consummation, the administration and implementation of the Plan, including the issuance or distribution of Securities pursuant to the Plan, or the distribution of property under the Plan, or any other related agreement, or upon any other act or omission, transaction, agreement, event, or other occurrence taking place or arising on or before the Effective Date related or relating to any of the foregoing, except for any act or omission that constitutes fraud, gross negligence or willful misconduct as determined by a Final Order of a court of competent jurisdiction (it being understood and agreed that to the extent any of the Released Claims involve allegations of fraud, gross negligence or willful misconduct by any of the RBL Released Parties, the RBL Released Parties shall be forever released and discharged from such Released Claims notwithstanding anything to the contrary contained herein); *provided* that nothing in the foregoing shall (x) result in any of the Debtors' officers and directors waiving any indemnification Claims against the Debtors or any of their insurance carriers or any rights as beneficiaries of any insurance policies, which indemnification obligations and insurance policies shall be assumed by the Reorganized Debtors; or (y) release any indemnities (or any liabilities or obligations thereunder) set forth in the RBL Credit Agreement or the Second Lien Credit Agreement that are intended to survive the termination thereof. Notwithstanding anything to the contrary in the foregoing, the releases set forth above do not release any post-Effective Date obligations of any party or Entity under the Plan, any of the Restructuring Transactions, or any document, instrument, or agreement (including those set forth in the Plan Supplement) executed to implement the Plan.

4. Third Party Release

Except as otherwise provided in the Plan, as of the Effective Date and to the fullest extent authorized by applicable law, each Releasing Party expressly, unconditionally, generally and individually and collectively releases, acquits and discharges the Debtors, Reorganized Debtors, and Released Parties from any and all Claims, Settled Claims, Released Claims, obligations, rights, suits, damages, Causes of Action, remedies and liabilities whatsoever, including any derivative Claims asserted or assertable on behalf of the Debtors, any Claims asserted or assertable on behalf of any Holder of any Claim against or Interest in the Debtors and any Claims asserted or assertable on behalf of any other entity, whether known or unknown, foreseen or unforeseen, matured or unmatured, existing or hereinafter arising, in law, equity, contract, tort or otherwise, by statute or otherwise, that such Releasing Party (whether individually or collectively), ever had, now has or hereafter can, shall or may have, based on or relating to, or in any manner arising from, in whole or in part, the Debtors, the Debtors' restructuring efforts, the Debtors' intercompany transactions (including dividends paid), any preference or avoidance claim pursuant to sections 544, 547, 548, and 549 of the Bankruptcy Code, the purchase, sale or rescission of the purchase or sale of any security of the Debtors, or any other transaction relating to any security of the Debtors, or any other transaction or other arrangement with the Debtors whether before or during the Restructuring Transactions, the subject matter of, or the transactions or events giving rise to, any Claim or Interest that is affected by or classified in the Plan, the business or contractual arrangements between the Debtors, on the one hand, and any of the Releasing Parties, on the other hand, the restructuring of Claims and Interests before or during the Restructuring Transactions implemented by the Plan, the negotiation, formulation or preparation of the Restructuring Transactions, the Plan, the Plan Supplement, the Disclosure Statement or any related agreements, any asset purchase agreement, instruments or other documents (including, for the avoidance of doubt, providing any legal opinion requested by any entity regarding any transaction, contract, instrument, document, or other agreement contemplated by the Plan or the reliance by any Released Party on the Plan or the Confirmation Order in lieu of such legal opinion) created or entered into in connection with the Disclosure Statement, the Plan, the Chapter 11 Cases, the Filing of the Chapter 11 Cases, the pursuit of Confirmation, the pursuit of Consummation, the administration and implementation of the Plan, including the issuance or distribution of Securities pursuant to the Plan, or the distribution of property under the Plan, or any other related agreement, or upon any other act or omission, transaction, agreement, event, or other occurrence taking place or arising on or before the Effective Date related or relating to any of the foregoing, except for any act or omission that constitutes fraud, gross negligence, willful misconduct, or insider trading as determined by a Final Order of a court of competent jurisdiction ~~(it being understood and agreed that to the extent any of the Released Claims involve allegations of fraud, gross negligence, willful misconduct, or insider trading by any of the RBL Released Parties, the RBL Released Parties shall be forever released and discharged from such Released Claims notwithstanding anything to the contrary contained herein);~~; *provided* that nothing in the foregoing shall (x) result in any of the Debtors' officers and directors waiving any indemnification Claims against the Debtors or

any of their insurance carriers or any rights as beneficiaries of any insurance policies, which indemnification obligations and insurance policies shall be assumed by the Reorganized Debtors; or (y) release any indemnities (or any liabilities or obligations thereunder) set forth in the ~~RBL Credit Agreement or the~~ Second Lien Credit Agreement that are intended to survive the termination thereof. Notwithstanding anything to the contrary in the foregoing, the releases set forth above do not release any post-Effective Date obligations of any party or Entity under the Plan, any of the Restructuring Transactions, or any document, instrument, or agreement (including those set forth in the Plan Supplement) executed to implement the Plan.

5. Exculpation

Except as otherwise specifically provided in the Plan, no Exculpated Party shall have or incur, and each Exculpated Party is hereby released and exculpated from, any Exculpated Claim; *provided* that the foregoing "Exculpation" shall have no effect on the liability of any entity that results from any such act or omission that is determined by a Final Order to have constituted fraud, gross negligence, willful misconduct, or insider trading; *provided further* that it is understood and agreed that to the extent any of the Exculpated Claims involve allegations of fraud, gross negligence, willful misconduct, or insider trading by any of the RBL Released Parties, the RBL Released Parties shall be forever released and exculpated from such Exculpated Claims notwithstanding anything to the contrary contained herein. The Exculpated Parties have participated in any and all activities potentially underlying any Exculpated Claim in good faith and in compliance with the applicable laws.

6. Injunction

Except as otherwise expressly provided in the Plan or for obligations issued or required to be paid pursuant to the Plan or Confirmation Order, all Entities who have held, hold, or may hold Claims or Interests that have been settled pursuant to Article VIII.A of the Plan, released pursuant to Article VIII.B, Article VIII.F, or Article VIII.G of the Plan, discharged pursuant to Article VIII.C of the Plan, or are subject to exculpation pursuant to Article VIII.H of the Plan, are permanently enjoined, from and after the Effective Date, from taking any of the following actions against, as applicable, the Debtors, the Non-Debtor Subsidiaries, the Reorganized Debtors, the Released Parties, the RBL Released Parties, or the Exculpated Parties: (a) commencing or continuing in any manner any action or other proceeding of any kind on account of or in connection with or with respect to any such Claims or Interests; (b) enforcing, attaching, collecting, or recovering by any manner or means any judgment, award, decree, or order against such Entities on account of or in connection with or with respect to any such Claims or Interests; (c) creating, perfecting, or enforcing any lien or encumbrance of any kind against such Entities or the property or the estates of such Entities on account of or in connection with or with respect to any such Claims or Interests; (d) asserting any right of setoff, subrogation, or recoupment of any kind against any obligation due from such Entities or against the property of such Entities on account of or in connection with or with respect to any such Claims or Interests; and (e) commencing or continuing in any manner any action or other proceeding of any kind on account of or in connection with or with respect to any such Claims or Interests released or settled pursuant to the Plan. Notwithstanding anything to the contrary in the foregoing, the injunction does not enjoin any party under the Plan or under any document, instrument, or agreement (including those attached to the Disclosure Statement or set forth in the Plan Supplement) executed to implement the Plan from bringing an action to enforce the terms of the Plan or such document, instrument, or agreement (including those attached to the Disclosure Statement or set forth in the Plan Supplement) executed to implement the Plan.

7. Waiver of Statutory Limitations on Releases

Each Releasing Party in each of the releases contained in the Plan (including under Article VIII of the Plan) expressly acknowledges that although ordinarily a general release may not extend to Claims which the Releasing Party does not know or suspect to exist in his favor, which if known by it may have materially affected its settlement with the party released, each Releasing Party has carefully considered and taken into account in determining to enter into the above releases the possible existence of such unknown losses or Claims. Without limiting the generality of the foregoing, each Releasing Party expressly waives any and all rights conferred upon it by any statute or rule of law which provides that a release does not extend to Claims which the claimant does not know or suspect to exist in its favor at the time of executing the release, which if

known by it may have materially affected its settlement with the Released Party, including the provisions of California Civil Code Section 1542. The releases contained in Article VIII of the Plan are effective regardless of whether those released matters are presently known, unknown, suspected or unsuspected, foreseen or unforeseen.

R. When will the Plan Supplement be filed and what will it include?

The Plan Supplement, the compilation of documents and forms of documents, schedules, and exhibits to the Plan, will be Filed and served consistent with the requirements under the order approving the Disclosure Statement no later than 10 days before the Voting Deadline (as defined herein), and will include, but is not limited to, the following, as applicable: (i) the New Organizational Documents of ~~Reorganized Sabine~~New Holdco; (ii) the Warrant Agreements; (iii) the Schedule of Rejected Executory Contracts and Unexpired Leases; (iv) a list of retained Causes of Action~~;~~ (if known by the date the Plan Supplement is filed); (v) the Management Incentive Plan Documents; (vi) the Exit Revolver Credit Facility Agreement; (vii) the New Second Lien Credit Facility Agreement; (viii) ~~a list of the members of the New Boards and other Person that will serve as an officer of each of the Reorganized Debtors (if known by the date that the Plan Supplement is filed) in accordance with section 1129(a)(5) of the Bankruptcy Code; (viii)~~ the Registration Rights Agreement, if applicable; (ix) a description of the Restructuring Transaction, if applicable; and (x) the Stockholders' Agreement. In addition, the Debtors will file a list of the members of the New Boards and other Person that will serve as an officer of each of the Reorganized Debtors in accordance with section 1129(a)(5) of the Bankruptcy Code prior to the Voting Deadline.

Such documents shall be consistent with the terms hereof and shall be in form and substance reasonably acceptable to the Debtors, the RBL Agent, and the Second Lien Agent (*provided* that, in the case of the Second Lien Agent, only the Warrant Agreements shall be in form and substance reasonably acceptable to the Second Lien Agent, and all other documents to be included in the Plan Supplement shall be deemed to be acceptable to the Second Lien Agent unless the terms thereof adversely affect the recoveries of Holders of Second Lien Claims in a manner that is disproportionate to other similarly situated minority holders of New Common Stock). The Debtors shall have the right to amend all of the documents contained in, and the exhibits to, the Plan Supplement through the Effective Date, with the consent of the RBL Agent, which consent shall not be unreasonably withheld; *provided however* that notwithstanding anything in the Plan to the contrary, the Second Lien Agent shall only be given a consent right with respect to (i) amendments to the terms of the Warrant Agreements and (ii) amendments to any other documents only to the extent that such amendment adversely affects the recoveries of Holders of Second Lien Claims in a manner that is disproportionate to other similarly situated minority holders of New Common Stock, in each case which consent shall not be unreasonably withheld.

S. What are the terms of the Exit Revolver Credit Facility and the New Second Lien Credit Facility?

The Exit Revolver Credit Facility will consist of a new reserve-based revolving credit facility under the Exit Revolver Credit Facility Agreement (a substantially final form of which shall be included in the Plan Supplement) secured by first priority security interests in and liens on substantially all of the Reorganized Debtors' assets (including Cash, which Cash shall be held in an account subject to a deposit account control agreement in form and substance reasonably satisfactory to the Exit Revolver Agent), with (a) initial commitments equal to $200 million, (b) borrowings equal to $100 million on the Effective Date, of which up to $100 million shall be repaid by the Reorganized Debtors in Cash on the Effective Date, (c) an initial borrowing base of approximately $150 million on the Effective Date, (d) an interest rate of LIBOR plus three to four percent (3% to 4%), as determined by a utilization grid agreed by the Debtors and the RBL Agent, (e) a maturity date of December 31, 2020, and (f) such other terms as provided in the Exit Revolver Credit Facility Documents, which shall be acceptable to the Debtors and the RBL Agent; *provided* that to the extent Cash on the Debtors' balance sheet on the Effective Date is insufficient to repay the deemed draw described, then the shortfall shall result in a drawn amount that remains outstanding under the Exit Revolver Credit Facility on and after the Effective Date until the Reorganized Debtors repay such amount in accordance with the Exit Revolver Credit Facility; *provided further* that if the Cash on the Debtors' balance sheet on the Effective Date exceeds the deemed draw, then such Cash shall be applied to reduce the principal amount of the New Second Lien Credit Facility on the Effective Date.

The New Second Lien Credit Facility will consist of a term loan under the New Second Lien Credit Facility Agreement (a substantially final form of which shall be included in the Plan Supplement) secured by second priority security interests in and liens on substantially all of the Reorganized Debtors' assets (including Cash, which Cash shall be held in an account subject to a deposit account control agreement) with (a) a principal amount of $150 million, (b) an interest rate of LIBOR plus ten percent (10%), subject to a one percent (1%) floor, (c) annual amortization of one percent (1%), (d) a maturity date of December 31, 2021, and (e) such other terms as provided in the New Second Lien Credit Facility Documents which shall be acceptable to the Debtors and the RBL Agent; *provided* that if Cash on the Debtors' balance sheet exceeds $100 million on the Effective Date, such excess amount shall be used to reduce the principal amount of the New Second Lien Credit Facility on the Effective Date (with such payment to be distributed Pro Rata to each of the RBL Lenders); *provided further* that no interest, fees, or other amounts shall accrue or be charged with respect to the principal amounts deemed borrowed and repaid on the Effective Date using the Debtors' Cash on its balance sheet as set forth herein.

T. What is the deadline to vote on the Plan?

The Voting Deadline is [June ~~8~~3], 2016 at [5:00] p.m. (prevailing Eastern Time).

U. How do I vote for or against the Plan?

Detailed instructions regarding how to vote on the Plan are contained on the Ballots distributed to Holders of Claims that are entitled to vote on the Plan. For your vote to be counted, your Ballot must be properly completed and signed so that it is **actually received** by [June ~~8~~3], 2016 at [5:00] p.m. (prevailing Eastern Time) at the following address: Sabine Ballot Processing, c/o Prime Clerk LLC, 830 Third Avenue, 3rd Floor, New York, NY 10022. Ballots submitted other than as described herein (including any Ballots submitted by email or facsimile) will not be accepted or counted.

V. Why is the Bankruptcy Court holding a Confirmation Hearing?

Section 1128(a) of the Bankruptcy Code requires the Bankruptcy Court to hold a hearing on confirmation of the Plan and recognizes that any party in interest may object to Confirmation of the Plan.

W. When is the Confirmation Hearing set to occur?

The Bankruptcy Court has scheduled the Confirmation Hearing for [June ~~15~~13], 2016 at ~~[___]~~[10:00 a.m.] (prevailing Eastern Time). The Confirmation Hearing may be adjourned from time to time without further notice.

Objections to Confirmation of the Plan must be filed and served on the Debtors and certain other parties by no later than [June ~~8~~3], 2016 at [5:00] p.m. (prevailing Eastern Time) in accordance with the notice of the Confirmation Hearing that accompanies this Disclosure Statement and the *Debtors' Motion for Entry of an Order Approving (A) the Adequacy of the Disclosure Statement, (B) Solicitation and Notice Procedures with Respect to Confirmation of the Joint Chapter 11 Plan of Reorganization of Sabine Oil & Gas Corporation and Its Debtor Affiliates, (C) the Form of Ballots and Notices in Connection Therewith, and (D) the Scheduling of Certain Dates with Respect Thereto* (the "Disclosure Statement Order") attached hereto as **Exhibit B** and incorporated herein by reference.

The Debtors will publish the notice of the Confirmation Hearing, which will contain the deadline for objections to the Plan and the date and time of the Confirmation Hearing in the following publications and any other publication of their choosing to provide notification to those persons who may not receive notice by mail: USA Today (National Edition); Henderson Daily News (Rusk County, Texas); Jacksonville Daily Progress (Cherokee County, Texas); Panola Watchman (Panola County, Texas); Marshall News Messenger (Harrison County, Texas); Coushatta Citizen (Red River Parish, Louisiana); Gonzales Inquirer (Gonzales County, Texas); Cuero Record & Yorktown News View (DeWitt County, Texas); and Shiner Gazette (Lavaca County, Texas).

X. What is the purpose of the Confirmation Hearing?

The confirmation of a plan of reorganization by a bankruptcy court binds the debtor, any issuer of securities under a plan of reorganization, any person acquiring property under a plan of reorganization, any creditor or equity

interest holder of a debtor, and any other person or entity as may be ordered by the Bankruptcy Court in accordance with the applicable provisions of the Bankruptcy Code. Subject to certain limited exceptions, the order issued by the bankruptcy court confirming a plan of reorganization discharges a debtor from any debt that arose before the confirmation of such plan of reorganization and provides for the treatment of such debt in accordance with the terms of the confirmed plan of reorganization.

Y. What is the effect of the Plan on the Debtors' ongoing business?

The Debtors are reorganizing under chapter 11 of the Bankruptcy Code. As a result, Confirmation means that the Debtors will not be liquidated or forced to go out of business. Following Confirmation, the Plan will be consummated on the Effective Date, which is a date selected by the Debtors on which on which: (i) no stay of the Confirmation Order is in effect; (ii) all conditions precedent specified in Article IX.A of the Plan have been satisfied or waived (in accordance with Article IX.B of the Plan); and (iii) the Plan is declared effective. On or after the Effective Date, and unless otherwise provided in the Plan, the Reorganized Debtors may operate their business and, except as otherwise provided by the Plan, may use, acquire, or dispose of property and compromise or settle any Claims, Interests, or Causes of Action without supervision or approval by the Bankruptcy Court and free of any restrictions of the Bankruptcy Code or Bankruptcy Rules. Additionally, upon the Effective Date, all actions contemplated by the Plan will be deemed authorized and approved.

Z. Will any party have significant influence over the corporate governance and operations of the Reorganized Debtors?

As of the Effective Date, the term of the current members of the board of directors of the Debtors shall expire, and the New Boards shall be appointed in accordance with the New Organizational Documents and other constituent documents of each Reorganized Debtor. The officers of each of the Debtors as of the Effective Date shall remain as officers of the Reorganized Debtors unless otherwise provided for in the New Organizational Documents or other constituent documents of the Reorganized Debtors.

Pursuant to section 1129(a)(5) of the Bankruptcy Code, the Debtors will disclose in advance of the Confirmation Hearing the identity and affiliations of the individuals selected to serve on the initial New Boards, as well as those Persons who will serve as an officer of Reorganized Sabine or any of the other Reorganized Debtors.

On the Effective Date, the New Board of ~~Reorganized Sabine~~New Holdco shall consist of five members as follows:

- one member appointed by Wells Fargo Bank, National Association (in its capacity as an RBL Lender, "Wells Fargo");
- one member appointed by Barclays Bank PLC ("Barclays");
- one member appointed by the RBL Lenders excluding Wells Fargo and Barclays; *provided* that such board member is reasonably acceptable to Wells Fargo and Barclays;
- one member appointed by the RBL Lenders excluding Wells Fargo and Barclays; *provided* that such board member is reasonably acceptable to Wells Fargo, Barclays, and a majority of Second Lien Lenders; and
- the ~~current~~ chief executive officer of ~~Sabine and Reorganized Sabine~~ New Holdco.

Successors to the members appointed to the New Board of ~~Reorganized Sabine~~New Holdco shall be elected in accordance with the New Organizational Documents of ~~Reorganized Sabine.~~New Holdco. To the extent any such director to be appointed to the New Board of ~~Reorganized Sabine~~New Holdco or an officer is an "insider" as defined under the Bankruptcy Code, the nature of any compensation to be paid to such director or officer from and after the Effective Date will also be disclosed. Each such director and officer shall serve from and after the Effective Date pursuant to the terms of the New Organizational Documents and other constituent documents of ~~Reorganized Sabine~~New Holdco and the Reorganized Debtors. Wells Fargo and Barclays shall each have board observer rights on and after the Effective Date in connection with the New Board of ~~Reorganized Sabine~~New Holdco.

AA. Whom do I contact if I have additional questions with respect to this Disclosure Statement or the Plan?

If you have any questions regarding this Disclosure Statement or the Plan, please contact the Debtors' Notice and Claims Agent, Prime Clerk, LLC:

By regular mail hand delivery or overnight mail at:

Sabine Ballot Processing
c/o Prime Clerk LLC
830 Third Avenue, 3rd Floor
New York, NY 10022

By electronic mail at:

sabineballots@primeclerk.com

By telephone at:

(866) 692-6696

Copies of the Plan, this Disclosure Statement, and any other publicly filed documents in these Chapter 11 Cases are available upon written request to the Debtors' Notice and Claims Agent at the address above or by downloading the exhibits and documents from the website of the Debtors' Notice and Claims Agent at http://cases.primeclerk.com/sabine (free of charge) or the Bankruptcy Court's website at www.nysb.uscourts.gov (for a fee).

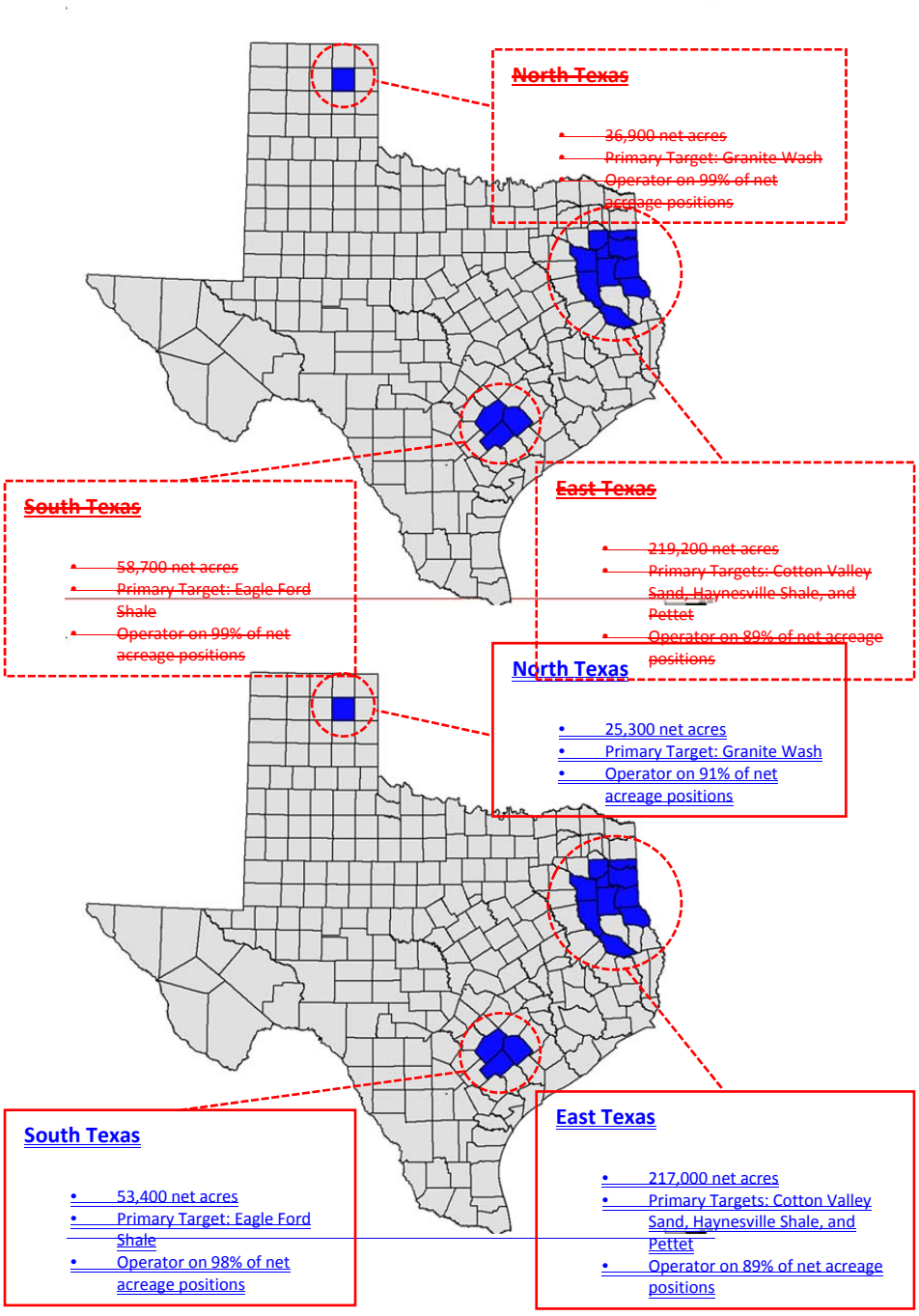
BB. Do the Debtors recommend voting in favor of the Plan?

Yes. The Debtors believe the Plan provides for a larger distribution to the Debtors' creditors than would otherwise result from any other available alternative, including a sale or liquidation. The Debtors believe the Plan, which contemplates a significant deleveraging, is in the best interest of all Holders of Claims, and that other alternatives fail to realize or recognize the value inherent under the Plan.

V. THE DEBTORS' BUSINESS OPERATIONS AND CAPITAL STRUCTURE

A. Overview of the Debtors' Business and Industry[15]

The Debtors' current operations are principally located in the Cotton Valley Sand and Haynesville Shale in East Texas, the Eagle Ford Shale in South Texas, the Granite Wash in the Texas Panhandle, and the North Louisiana Haynesville.



[15] For additional details concerning the Debtors and the background to these Chapter 11 Cases, readers are referred to the *Declaration of Michael Magilton (A) in Support of First Day Motions and (B) pursuant to Local Bankruptcy Rule 1007-2* [Docket No. 3].

As of the Petition Date, the Debtor operated, or had joint working interests in, approximately 2,100 oil and gas production sites (approximately 1,800 operating and approximately 315 non-operating) and had approximately 165 full-time employees.

1. History of the Oil and Gas Industry

The existence of oil in the U.S. has been documented since the 1600s. However, the American oil industry did not begin in earnest until 1859, when the first well was drilled specifically to produce oil. Within two years, oil production in the U.S. increased from approximately 15 barrels per day to over 3 million barrels per day. The explosion in production, coupled with increased demand and lack of structure surrounding the supply and refining of oil, created an economically volatile industry.

The quest to control the volatility of the oil market has been, and remains, a constant power struggle among oil producers. Stability was first achieved by Standard Oil, which, at its peak in 1890, controlled almost ninety percent (90%) of the refined oil flows in the U.S. Through its dominance of the market, Standard Oil was able to control the price at which oil was sold and the price that producers received for their oil. However, the Supreme Court ordered Standard Oil's dissolution in 1911 after declaring that it operated to monopolize and restrain trade.

Shortly thereafter and partially as a result thereof, the Texas Railroad Commission emerged as the regulatory authority for the oil industry, after being vested with the authority to regulate oil and gas by the Texas legislature. The stability created by the Texas Railroad Commission allowed American oil production to continue at high rates over the next several decades.

In the years leading up to World War II, as domestic reserves declined and worldwide consumption increased, American oil companies embarked on ambitious international exploration programs in order to keep up with increasing international and domestic demand. These programs resulted in the creation of powerful international oil companies ("IOCs"). IOCs expanded across the globe, including into oil-rich Middle Eastern countries such as Iran, Iraq, Kuwait, and Saudi Arabia.

As the strategic and political importance of oil supplies became clear, Middle Eastern governments began pressuring IOCs to enter into profit sharing arrangements. While many IOCs entered into such agreements, they largely retained ownership and control of reserves located in Middle Eastern nations. As a result, producing countries, including Iran, Iraq, Kuwait, Saudi Arabia, and Venezuela, created the Organization of Petroleum Exporting Countries ("OPEC") in 1960 in an effort to gain greater control and ownership over resources located within their own countries. As discussed in greater detail herein, the Debtors' operations have been significantly impacted by the recent and dramatic decline in oil prices, the continued low prices of natural gas, and general uncertainty in the energy market. These macro-economic factors, coupled with the Debtors' substantial debt obligations, have pushed the limits of the Debtors' ability to sustain the weight of their capital structure and devote capital needed to maintain and grow their business.

As a result of this confluence of factors, the Debtors—like many other similarly situated exploration and production companies ("E&P Companies")—had no choice but to commence these Chapter 11 Cases to implement court-supervised restructurings of their outsized debt obligations, thereby allowing them to move forward in a drastically changed economic landscape.

2. OPEC

OPEC's objective since its inception has been to coordinate and unify petroleum policies among member countries in order to secure fair and stable prices for petroleum producers and a fair return on capital for those investing in the industry. Initially of limited influence, OPEC's power increased in the 1970s after an embargo enacted on oil exports to the U.S. resulted in a sudden and devastating increase in oil prices. Understanding their power, oil producing nations nationalized their oil industries throughout the 1970s, displacing the IOCs.

OPEC continues to assert its influence over the price of oil, with the price of crude oil increasing steadily over time from OPEC's inception through 2011. Between 2003 and 2011, the price of crude oil rose from

approximately $20 per barrel to over $100 per barrel. One unintended consequence of this price increase is that sustained higher oil and gas prices made previously uneconomic resource types, such as tight and shale oil and gas, financially viable.

Not all oil producing countries have been able to take advantage of this development equally. The U.S., in general, and smaller E&P Companies, in particular, have been at the forefront of exploration in unconventional resources. U.S. dominance in the tight and shale oil and gas industry is due, in part, to a well-developed oil field services industry, fewer environmental restrictions as compared to Europe, and a property rights regime incentivizing land owners to allow access to the land.

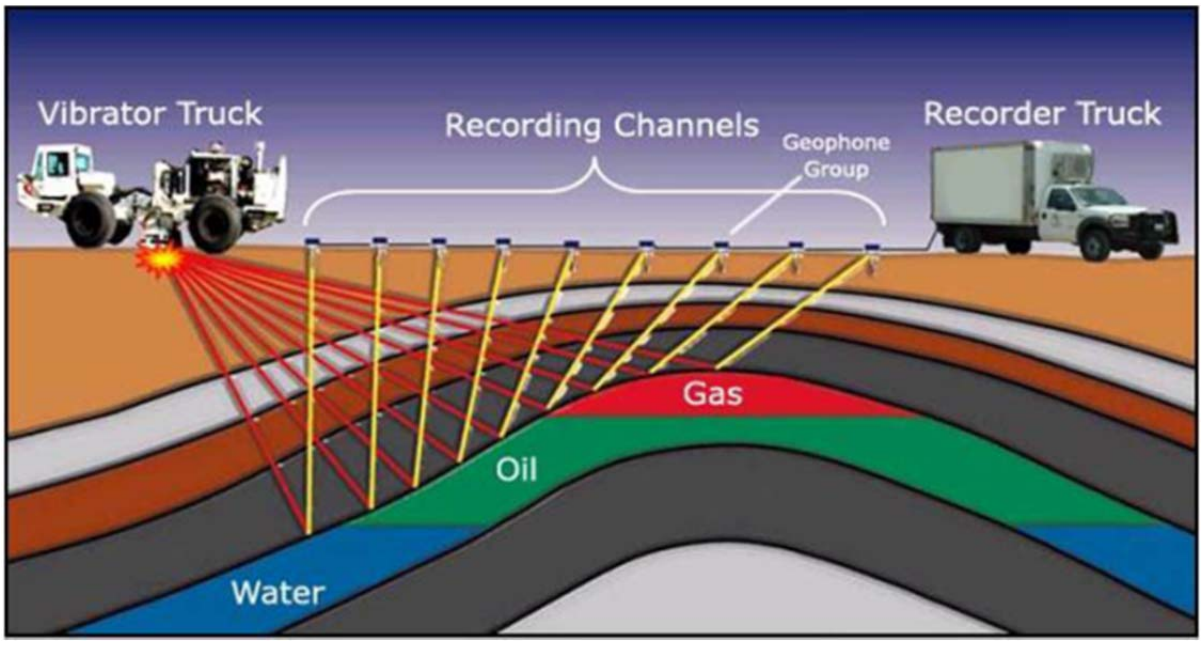
The recent ability of E&P Companies to access unconventional energy sources has reduced American dependence on foreign oil and, as a result, OPEC's power. As overall supply increased, the price of oil and gas decreased. Tight and shale oil and gas exploration and production is a capital intensive process that depends on substantial cash flows to fund exploration. In a move many believe was intended to put pressure on domestic E&P Companies and shift power back to OPEC, OPEC has not decreased production quotas for its member countries. The resulting continued low price of oil and gas and decreased cash flows have put a strain on E&P Companies', such as the Debtors, ability to operate in a capital intensive industry.

3. The Exploration and Production Process

In order to understand the Debtors' capital requirements, it is important to first understand the process by which E&P Companies produce oil. The life cycle of an oil field has five primary stages: (a) identifying the target; (b) drilling an exploration well; (c) drilling appraisal wells; (d) developing the field; and (e) extending the field life. Each step of the exploration and production process requires different personnel and equipment and carries a different level of uncertainty and risk. The early stages of developing an oil field are often the most uncertain and the most expensive.

a. Identifying the Target

The first step of the exploration process is to identify the appropriate target for drilling. E&P Companies use several techniques to determine where oil and gas is located below the earth's surface, including seismic techniques. Seismic operations use sound waves to create an image of subsurface rock layers. During a seismic survey, sound waves are generated by either a vibrator truck or the explosion of dynamite within a hole dug in the ground.



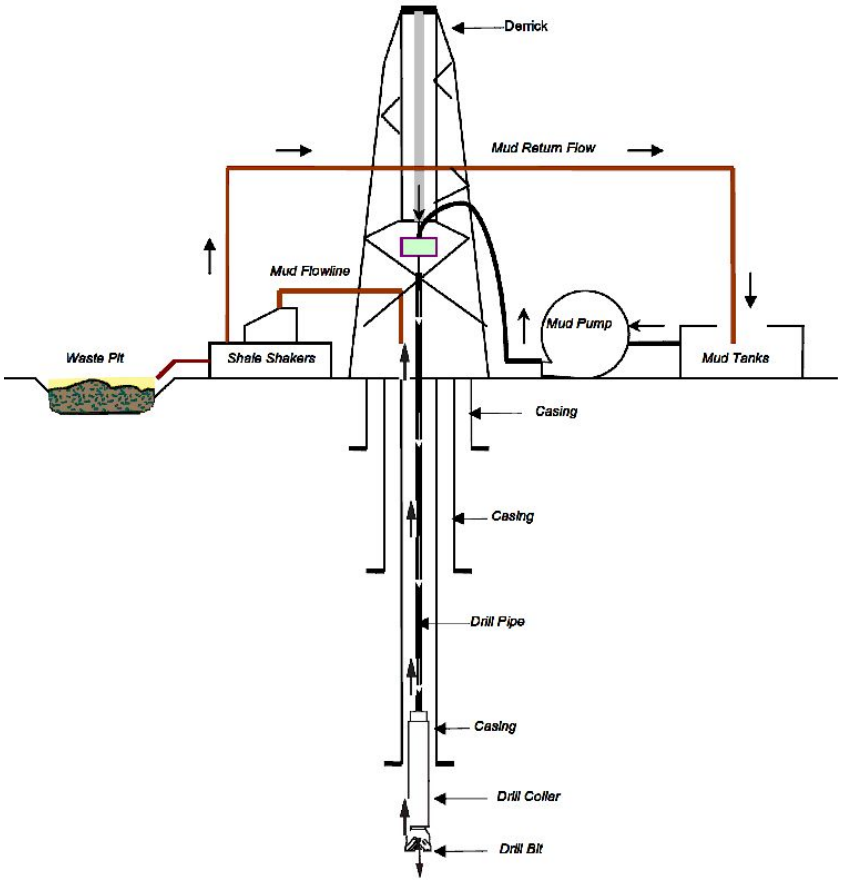
The sound waves move down through the earth and are then partially reflected back to the surface by each rock strata. Geophones placed at the surface record such reflections, which are then sorted and decoded. Sound waves reflect differently off of oil than off of water or gas, indicating where oil may be located. The decoding process is not perfect as there are multiple variables that contribute to the reflection of sound waves back to the surface. As a result, the assumptions used when decoding seismic data can have a significant impact on the resulting image.

b. Drilling an Exploration Well

Once a set of targets has been identified, the next step is to assess the likelihood of discovering an active hydrocarbon system at each target. This is accomplished through drilling or "spudding" an exploration well. The purpose of an exploration well is to accumulate additional information regarding the surrounding rock formation.

Wells usually are drilled by rotary drilling. Rotary drilling uses a hollow pipe with a drill bit on the end. To facilitate the drilling process, a mixture of chemicals, referred to as "mud," is pumped down the middle of the drill pipe. Mud then exits through the drill bit and circulates back up to the surface between the drill pipe and the walls of the well. The purpose of mud is to carry away cuttings from the drill bit, provide lubrication to prevent the drill pipe from getting stuck in the well bore, provide hydraulic pressure to prevent oil from "blowing out" of the well, and deposit a thin, impermeable layer of mud over reservoir zones to prevent further invasion and/or damage of the reservoir by drilling fluids.

Wells generally are drilled in stages. When the bottom of each stage is reached, the freshly drilled hole, known as an "open-hole," is cased off with steel pipe, converting the "open-hole" to a "cased-hole." Casing is used to prevent the hole from collapsing on top of the drill pipe. The below illustrates the various components of a well.



Simply drilling a hole into the ground rarely conclusively reveals whether the well has intersected an oil or gas reservoir. This is especially true with respect to shale or tight oil or gas wells, which often require additional

operations, including fracking, to start the flow of oil and gas. As a result, once the exploration well is drilled, the E&P Company begins a set of operations designed to acquire additional information regarding the presence, quantity, and location of hydrocarbons in the surrounding area.

Such information can be acquired through a combination of mud analysis, coring, and wirelogging. Mud analysis consists of geologists analyzing the returned mud cuttings to identify what type of rock has been drilled through. However, mud analysis does not shed any light on the depth of each type of rock as cuttings do not necessarily rise to the surface in a uniform manner. Coring involves bringing physical samples from the well to the surface for analysis. Although coring is a more accurate way to assess the formation being drilled through, it is also more expensive.

Wirelogging involves lowering an electrode on the end of a long cable to the bottom of a well and continuously recording the voltage difference between the electrode and the surface while slowly pulling the electrode up to the surface. This process capitalizes on the fact that reservoirs bearing water or hydrocarbon react differently to the drilling mud, producing different voltage responses as the wire-line log moves through the well. Because wirelogging requires access to the well, no drilling may take place while wirelogging is ongoing.

The only way to definitively determine whether oil or gas exists in economic quantities is a well test. A well test involves setting up equipment so that reservoirs can flow oil and gas in a controlled manner. Measurement of flow rates, properties of the fluids or gas produced, and fluid surface pressures will provide an E&P Company with definitive information about the permeability, content, and potential flow rate of a reservoir.

c. Drilling Appraisal Wells

To get a more fulsome picture of the target area, E&P Companies often drill several appraisal wells following the completion of an exploration well, using the same techniques as described above. The purpose of appraisal wells is to delineate the physical size of the reservoir and to gather as much additional information as possible.

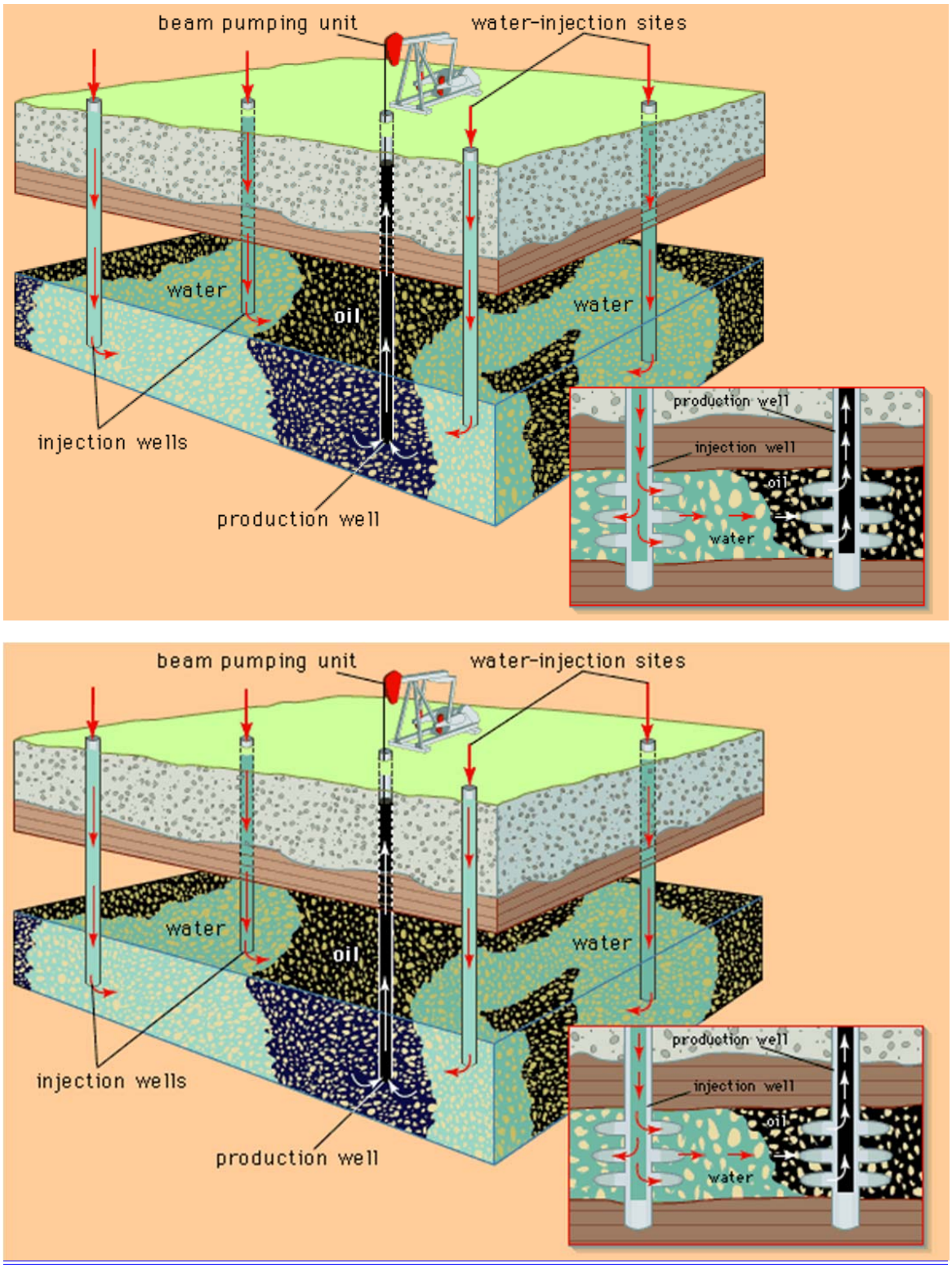
d. Developing the Field

Once an E&P Company has sufficient data to understand the field and determine locations of producing wells, it is time to begin producing oil and gas. For onshore oil, the architecture of an oil field is relatively straightforward. Development wells are drilled at specified locations based upon information gleaned from the exploration and appraisal wells. Oil is gathered by a network of pipes into a central treatment plant where any associated gas or water is removed. The crude oil is then either piped or trucked to a refinery or export terminal. The water or gas removed from the oil will either be reinjected into the field from which it came or be sent to the local gas market.

In the case of onshore gas, gas is piped back to a central processing station, where any water, sulphur, or other impurities are removed. If gas is destined for local market distribution, it is usually treated before being sent to the market. If there is not a sufficient local market for the gas, the gas may be transmitted to a plant for treatment and potentially cooled for export as a liquid.

e. Extending the Life of the Field.

As oil and gas is produced from a reservoir, pressure within the reservoir may drop. As pressure drops, flow rates also tend to drop. Additionally, as pressure decreases, the amount of water produced from the targeted zones increases, increasing the volume of water required to be treated. There are several techniques an E&P Company can employ to maintain higher flow rates after pressure begins to drop. One such method is waterflooding, a technique first introduced by Forest Oil in 1916.



As shown above, waterflooding involves the injection of water into one or more wells, arranged in a pattern around the production well. The injection of water in the area surrounding the well mimics the pressure created by the previously-extracted oil. Increased pressure in the reservoir allows oil to continue flow to the surface at higher rates than would otherwise be possible absent the injection of water.

B. The Debtors' Corporate History and Business Operations

1. The Debtors' Corporate History

The Debtors constitute the surviving business from the Combination of Forest Oil and Old Sabine first announced in May 2014 and consummated in December 2014. Forest Oil was founded in 1916 in Pennsylvania and was known for inventing the "waterflooding" technique described above to initiate secondary recovery of oil. In contrast, Old Sabine was founded in 2007 and primarily has been focused on shale oil and gas since its inception. Today, the Debtors generate the majority of their revenue through sales of oil and natural gas. The majority of the Debtors' oil and natural gas sales are made to midstream oil and natural gas companies throughout the U.S.

2. The Debtors' Business Operations

As of December 31, 2015, the Debtors held interests in approximately 272,100 gross (217,000 net) acres in East Texas, 82,900 gross (53,400 net) acres in South Texas, and 33,900 gross (25,300 net) acres in North Texas. The Debtors generally do not hold one hundred percent (100%) of the interests in any piece of land in which they have interests. Instead, the Debtors constitute one of several parties with an interest in the land. The Debtors and the other interest holders usually enter into joint operating agreements to govern the parties' responsibilities with respect to the land, including which party (the "Operator") will be responsible for the exploration and production of oil and gas thereon. As of December 31, 2015, the Debtors were the Operator for eighty-six percent (86%), ninety-eight percent (98%), and ninety-one percent (91%) of its gross producing wells in East Texas, South Texas, and North Texas, respectively.

a. East Texas

The East Texas properties are characterized by several productive horizons, such as the Cotton Valley Sand, Haynesville Shale, Haynesville Lime, Pettet, Bossier Shale, Travis Peak, and other formations. The Debtors' primary operational focus is directed at the Cotton Valley Sand and Haynesville Shale formations. The East Texas properties primarily are located in Harrison, Panola, and Rusk Counties in Texas and Red River Parish in Northern Louisiana. As of December 31, 2015, the East Texas properties were producing from 1,462 wells in East Texas, and the Debtors were the Operator for 1,251, or eighty-six percent (86%), of those wells.

In East Texas, as of December 31, 2015, the Debtors sell approximately eighty-five percent (85%) of their natural gas liquids under three to five-year gathering and processing contracts to a variety of midstream companies, with the remainder sold under gathering and processing contracts that are past their primary term and are subject to a 30-day evergreen provision. The Debtors sell approximately forty-five percent (45%) of their East Texas natural gas residue under North American Energy Standards Board contracts on a year to year term ending October 31, 2016 at competitive market prices. The remainder of the Debtors' East Texas residue is sold in conjunction with the Debtors' natural gas liquids sales to the midstream companies that process the Debtors' East Texas natural gas liquids. The Debtors' East Texas crude oil production is sold to one purchaser under a month-to-month contract at competitive market prices.

b. South Texas

The Debtors' South Texas properties are primarily prospective for the Eagle Ford Shale formation. The Debtors' primary operations in South Texas are in the Sugarkane Area, the Shiner Area, and the Eagleville Area. As of December 31, 2015, the Debtors' South Texas properties represented interests in approximately 82,900 gross (53,400 net) acres. As of December 31, 2015, the Debtors' properties were producing from 186 wells in South Texas, and the Debtors were the Operator for 183, or ninety-eight percent (98%), of those wells.

The Debtors' South Texas crude oil production is sold to two separate purchasers under short-term contracts that are month-to-month. The Debtors sell their Sugarkane natural gas liquids under two five-year gathering and processing contracts. The Debtors' South Shiner natural gas liquids are also sold under two separate five-year contracts. The Debtors' North Shiner natural gas liquids are sold under a five-year gas services agreement. The Debtors sell all of their South Texas residue under North American Energy Standards Board contracts on a year-to-year term ending October 31, 2016.

c. North Texas

The North Texas properties are located in the Anadarko Basin, with the Granite Wash as the target horizon. As of December 31, 2015, the Debtors held rights to develop approximately 33,900 gross (25,300 net) acres in North Texas, primarily in Roberts County. The North Texas acreage includes approximately 18,850 net acres that are subject to a continuous drilling clause that requires the Debtors to drill one gross well every 180 days to hold the entire approximately 18,850 net acre position. As of December 31, 2015, the Debtors' properties were producing from 44 wells in North Texas. The Debtors are the Operator for ninety-one percent (91%) of such wells.

In North Texas, under the terms of a field acreage dedication agreement, the Debtors sell all of their natural gas and natural gas liquids production under a long-term contract to one midstream company. The Debtors' crude oil production is sold under a three-year contract that expires in 2016.

d. Other

As of December 31, 2015, the Debtors' position outside of their three core geographic areas included approximately 23,900 gross (11,200 net) acres primarily located in North Dakota, Mississippi, and Wyoming.

3. The Debtors' Employees

As of the Petition Date, the Debtors employed 165 employees, all of whom were employed on a full-time basis, and six of whom were paid on an hourly basis. The Debtors' workforce also includes contractors who are employed either directly or through temporary staffing agencies. The Company's highly-skilled employees occupy a variety of positions. The employees' skills, knowledge, and understanding of the Debtors' operations and infrastructure are essential to preserving operational stability and efficiency. None of the Debtors' workers are subject to a collective bargaining agreement.

4. The Company's Working Capital

The Debtors' working capital balance fluctuates as a result of timing and amount of borrowings or repayments under the Credit Documents (as defined herein), changes in the fair value of their outstanding Hedges (as defined herein), the timing of receiving reimbursement of amounts paid by the Debtors for the benefit of working interest owners, the timing of making payments to working interest and royalty owners on behalf of revenue received for the sale of their interests, the timing of accounts payable, as well as changes in revenue receivables as a result of price and volume fluctuations. Historically, if the Debtors' capital investment levels exceed their estimate of cash flows from operations, the Debtors generally would use available capacity under their Credit Documents.

C. The Debtors' Capital Structure and Prepetition Indebtedness

1. Old Sabine's Pre-Combination Capital Structure

a. The RBL Credit Facility

Prior to the Combination, Old Sabine was a borrower under an Amended and Restated Credit Agreement (as amended, restated, modified, waived, or supplemented from time to time and with all supplements and exhibits thereto, the "RBL Credit Agreement"), dated as of April 28, 2009, by and among a predecessor to Old Sabine, as borrower, Wells Fargo Bank, National Association, as successor administrative agent and collateral agent (in such capacity, and including its predecessors, successors, and assigns, the "RBL Agent"), and the lenders from time to time thereunder and other parties thereto (collectively, with their respective predecessors, successors, and assigns, the "RBL Lenders"). The RBL Credit Agreement provided Old Sabine with a revolving credit facility (the "RBL Credit Facility") with an initial borrowing base of $225 million, which was periodically raised as reserves increased. As of November 12, 2014, Old Sabine's borrowing base was $750 million. The RBL Credit Facility originally was guaranteed by Old Sabine's direct and indirect subsidiaries (other than certain immaterial subsidiaries). To secure the RBL Credit Facility, Old Sabine and such subsidiaries granted a first priority lien on at least ninety percent (90%) of the PV-9 of their proved reserves, certain personal property, and the capital stock of substantially all of their direct and indirect subsidiaries, among other things.

b. The Second Lien Credit Agreement

On December 14, 2012, Old Sabine entered into a $500 million second lien credit facility agreement (as amended, modified, waived, or supplemented from time to time and with all supplements and exhibits thereto, the "Second Lien Credit Agreement"), by and among a predecessor to Old Sabine, as borrower, Bank of America, N.A., as administrative agent (in such capacity prior to May 2015, the "Second Lien Agent"),[16] and the lenders from time to time thereunder and other parties thereto (the "Second Lien Lenders"). On January 23, 2013, Old Sabine entered into the first amendment to the Second Lien Credit Agreement, which increased the principal amount of loans thereunder to $650 million.

c. The Intercreditor Agreement

Old Sabine and its subsidiaries, the RBL Agent, and the Second Lien Agent entered into an intercreditor agreement, dated as of December 14, 2012 (as amended from time to time and with all supplements and exhibits thereto, the "Intercreditor Agreement"). The Intercreditor Agreement governs certain of the respective rights and interests of lenders under the RBL Credit Agreement and the Second Lien Credit Agreement relating to, among other things, their rights with respect to the exercise of remedies in connection with any Event of Default (as defined in the Intercreditor Agreement). More specifically, the Intercreditor Agreement sets forth the rights and responsibilities of the parties thereto with respect to enforcement and turnover provisions in the event of a bankruptcy filing. Pursuant to Article III of the Plan, if Class 3 votes to accept the Plan, each Holder of an RBL Secured Claim and a First Lien Adequate Protection Claim (as defined in the Cash Collateral Order) shall have conclusively waived any right to enforce the lien subordination or other turnover rights under the Intercreditor Agreement and the Cash Collateral Order against any Holder of either a Second Lien ~~Secured~~Adequate Protection Claim or a Second Lien Deficiency Claim in respect of such Holder's recoveries under Class ~~4~~4a or Class ~~6~~4b of the Plan.

d. The 2017 Notes

On February 12, 2010, Sabine, formerly NFR Energy LLC, and Sabine Oil & Gas Finance Corporation, formerly NFR Energy Finance Corporation, co-issued $200 million in 9.75 percent senior unsecured notes due 2017 (the "2017 Notes"). On April 14, 2010, Sabine and Sabine Oil & Gas Finance Corporation issued an additional $150 million in 2017 Notes. The 2017 Notes bear interest at a rate of 9.75 percent per annum, payable semi-annually on February 15 and August 15 each year commencing August 15, 2010. The 2017 Notes were issued under and are governed by that certain indenture dated February 12, 2010, by and among Sabine, Sabine Oil & Gas Finance Corporation, The Bank of New York Mellon Trust Company, N.A., as trustee (in such capacity, "BNY"), and the guarantors party thereto (the "2017 Notes Indenture").

2. Forest Oil's Pre-Combination Capital Structure

a. First Lien Debt

Prior to the Combination, Forest Oil was the borrower under a revolving credit agreement (the "Old Forest RBL") that was secured by a first priority lien on property of the Debtors, including at least seventy-five percent (75%) of Forest Oil's proved oil and gas reserves together with certain personal property. Immediately prior to the Combination, there was approximately $105 million outstanding under the Old Forest RBL.

b. The 2019 Notes

On June 6, 2007, Forest Oil issued approximately $750 million in 7.25 percent senior unsecured notes due 2019 (the "2019 Notes"). Forest Oil issued an additional $250 million in principal in 2019 Notes on May 22, 2008. Interest on the 2019 Notes is payable semi-annually on June 15 and December 15. The 2019 Notes were issued under and are governed by an indenture dated June 6, 2007, by and among Sabine, formerly known as Forest Oil,

16 All references to the "Second Lien Agent" in this Disclosure Statement prior to May 2015 refer to Bank of America, N.A., in its capacity as administrative Agent under the Second Lien Credit Agreement. All references to the "Second Lien Agent" including and subsequent to May 2015 refer to Wilmington Trust, N.A., as the successor to Bank of America, N.A. in such capacity.

and U.S. Bank, N.A., as indenture trustee (the "2019 Notes Indenture"). Immediately prior to the Combination, there was approximately $577.9 million of 2019 Notes outstanding.

c. The 2020 Notes

Forest Oil issued approximately $500 million in 7.5 percent senior unsecured notes due 2020 (the "2020 Notes") on September 17, 2012. Interest on the 2020 Notes is payable semi-annually on March 15 and September 15. The 2020 Notes were issued under and are governed by that certain indenture dated September 17, 2012, by and among Sabine, formerly known as Forest Oil, and U.S. Bank, N.A., as indenture trustee (together with the RBL Credit Agreement, the Second Lien Credit Agreement, the Intercreditor Agreement, the 2017 Notes Indenture, and the 2019 Notes Indenture, the "Credit Documents"). Immediately prior to the Combination, there was approximately $222.1 million of 2020 Notes outstanding.

3. Prepetition Indebtedness

On December 16, 2014, Forest Oil and Old Sabine consummated the Combination, pursuant to which Old Sabine and certain of its affiliates were combined with and into Forest Oil. As a result of the Combination, the Debtors now are borrowers or issuers under all of the Credit Documents. As of May 31, 2015, the Debtors reported approximately $2.5 billion in total assets and approximately $2.9 billion in total liabilities. As described in greater detail below, as of the Petition Date, the principal amount of the Debtors' consolidated funded debt obligations (the "Prepetition Debt Obligations") totaled approximately $2.77 billion and was comprised of: (a) approximately $927 million of obligations under the RBL Credit Facility; (b) $700 million of obligations under the Second Lien Credit Facility; (c) $350 million of obligations under the 2017 Notes; (d) $578 million under the 2019 Notes; and (e) $222 million under the 2020 Notes. Approximately seventy-three-point-five percent (73.5%) of the economic interests and forty-nine-point-nine percent (49.9%) of the voting interest in Sabine are held by Sabine Investor Holdings LLC, with the remainder owned by public shareholders. The Prepetition Debt Obligations are described in greater detail herein.

a. The RBL Credit Facility

On December 16, 2014, the Debtors amended and restated the RBL Credit Facility to (i) increase that credit facility to $2 billion, with an initial borrowing base of $1 billion, with up to $100 million thereof available as letters of credit, (ii) jointly and severally guaranty the Debtors' obligations thereunder and (iii) secure the Debtors' obligations with (x) a lien on property of the Debtors, including at least eighty percent (80%) of the PV-9 of the borrowing base properties evaluated in the most recent reserve report and delivered to the administrative agent, and certain personal property and (y) a pledge of all the capital stock of the Debtors' restricted subsidiaries, subject to certain customary grace periods and exceptions (collectively, the "Collateral"). Immediately prior to the automatic acceleration of the RBL Credit Facility on the Petition Date, the maturity date with respect to the RBL Credit Facility was April 7, 2016.

The RBL Credit Facility borrowing base ~~is~~was subject to redeterminations by the RBL Lenders at least semi-annually, each April 1 and October 1. The borrowing base under the RBL Credit Facility ~~can~~could increase or decrease in connection with a redetermination, with increases being subject to the approval of all RBL Lenders and decreases (and redeterminations maintaining the borrowing base) being subject to the approval of two-thirds of the RBL Lenders, as measured by credit exposure. A reduction of the borrowing base requires the Debtors to repay outstanding loans under the RBL Credit Facility in excess of the new borrowing base in one payment or six equal monthly installments, and/or provide additional mortgages over oil and gas properties to support a larger borrowing base, at the Debtors' option.

On December 16, 2014, the Debtors ~~increased their borrowings to~~borrowed $750.8 million under the RBL Credit Facility, which primarily was used to, among other things, refinance borrowings under the prior revolving credit agreements of Forest Oil and Old Sabine and to fund costs and expenses incurred in connection with the Combination. On December 18, 2014, the Debtors repaid approximately $205.8 million of the outstanding borrowing under the RBL Credit Facility. Since that time, the Debtors ~~have drawn~~drew an additional $426 million under the RBL Credit Facility, including $356 million on February 25, 2015. On July 3, 2015, a ~~beneficiary to a~~ letter of credit outstanding under the RBL Credit Facility ~~drew down on~~in the face amount of approximately $~~0.9~~

~~million.~~ 900,000 was drawn by the beneficiary thereof. After the Petition Date, the remaining letters of credit outstanding under the RBL Credit Facility were drawn by the beneficiaries thereof.

On April 27, 2015, the borrowing base was redetermined down to $750 million from $1 billion. Pursuant to the terms of the RBL Credit Agreement, repayment of the approximately $250 million deficiency was set to begin on May 27, 2015. However, pursuant to the forbearance agreement between the Debtors, the RBL Agent, and the RBL Lenders (the "RBL Forbearance Agreement"), the RBL Agent and RBL Lenders agreed to forbear from exercising remedies on account of any such missed payments that were due on May 27, 2015 or June 29, 2015. As of the Petition Date, approximately $927 million of the RBL Credit Facility was outstanding. Approximately $26 million of the RBL Credit Facility was outstanding in the form of undrawn letters of credit as of the Petition Date, all of which were drawn by the beneficiaries thereof after the Petition Date.

b. The Second Lien Credit Facility

Also in connection with the consummation of the Combination, on December 16, 2014, Old Sabine entered into a second amendment to the Second Lien Credit Agreement to provide for $50 million of incremental new term loans, which agreement as amended was then assumed by the Debtors. The Second Lien Credit Agreement is guaranteed by the Debtors and secured by second priority liens on the Collateral. On April 21, 2015, the Debtors elected not to make the $15.3 million interest payment due under the Second Lien Credit Facility.

c. The Notes

Following the Combination, all of the Debtors, with the exception of Sabine, are guarantors of the 2017 Notes, the 2019 Notes, and the 2020 Notes. Wilmington Savings Fund Society, FSB (in such capacity, "Wilmington") has succeeded U.S. Bank, N.A. as indenture trustee for the 2019 Notes and Delaware Trust Company (in such capacity, "Delaware Trust") has succeeded U.S. Bank, N.A., as indenture trustee as indenture trustee for the 2020 Notes. On June 15, 2015, the Debtors elected not to make the $20.95 million interest payment on the 2019 Notes.

d. Equity Interests

On December 16, 2014, in connection with the Combination, certain indirect equity holders of Old Sabine contributed their equity interests to Sabine in exchange for approximately 2.5 million Series A Preferred Shares (the "Series A Preferred Shares") and approximately 79.2 million shares of Sabine common stock (the "Common Shares"), collectively representing an approximately seventy-three-point-five percent (73.5%) economic interest in Sabine and forty percent (40%) of the total voting power. The Series A Preferred Shares are convertible and non-voting. As of the Petition Date, approximately 2.5 million Series A Preferred Shares are issued and outstanding of the 10 million authorized shares.

Holders of Forest Oil common stock immediately prior to the closing of the Combination continued to hold their common stock following the closing of the Combination, representing an approximately twenty-six-point-five percent (26.5%) economic interest in Sabine and sixty percent (60%) of the total voting power in Sabine. Holders of Forest Oil common stock hold 118.9 million Common Shares as of the Petition Date. As of the Petition Date, approximately 213.9 million Common Shares were issues and outstanding of the 650 million authorized shares.

e. The Debtors' Other Obligations

i. Hedging Arrangements

To provide partial protection against declines in oil and natural gas prices, the Debtors routinely enter into hedging arrangements ("Hedges") with certain counterparties (the "Hedge Counterparties"). The Debtors' decision on the quantity and price at which they choose to hedge their production is based upon their view of existing and forecasted production volumes, budgeted drilling projections, and current and future market conditions. Hedges typically take the form of oil and natural gas price collars and swap agreements.

The majority of the Hedge Counterparties are, or prior to the Combination were, parties to the RBL Credit Agreement. Pursuant to the RBL Credit Agreement, the Debtors ~~may~~could hedge up to one hundred percent (100%) of current production for 24 months, seventy-five percent (75%) of current production for months 25 through 36, and fifty percent (50%) of current production for months 37 through 60. As of the filing of this Disclosure Statement, the Debtors were not party to any Hedges.

ii. Other Secured Claims

In the ordinary course of business, the Debtors routinely transact business with a number of third-party contractors and vendors who may be able to assert liens against the Debtors and their property (such as equipment and, in certain circumstances, mineral interests) if the Debtors fail to pay for the goods delivered or services rendered. These parties perform various services for the Debtors, including manufacturing and repairing equipment and component parts necessary for the Debtors' oil field activities, contracting, drilling, hauling, and supplying oil and gas related services, as well as shipping the Debtors' products.

VI. EVENTS LEADING TO THE CHAPTER 11 FILINGS

A. Prepetition Events

As described above, as of June 30, 2015, the Debtors had outstanding Prepetition Debt Obligations of approximately $2.77 billion. During 2014 and continuing through the first quarter of 2015, the Debtors' revenues fell sharply as a result of the significant downturn in oil and natural gas prices, which were caused in part by a surplus of domestic crude production coupled with OPEC's decision not to reduce production quotas. Notwithstanding certain anticipated long-term cost savings and operational synergies resulting from the Combination, the significant decline in revenue strained the Debtors' resources and their ability to meet their anticipated working capital, debt service, and other liquidity needs.

1. Revolver Draw

Before the Petition Date, the Debtors took a series of operational and financial measures in an attempt to respond to these challenging market conditions. These included asset divestitures, reduction in capital expenditures associated with drilling and completion costs for new wells, salary freezes, and reductions in force. In addition, on February 25, 2015, Sabine drew down substantially all of the remaining availability under the RBL Credit Facility—approximately $356 million—to attempt to secure additional liquidity, fund ordinary course business operations, and preserve optionality in the event of a restructuring (the "Revolver Draw"). Nevertheless, given the severity of prepetition market conditions and the impact it had on the Debtors' cash flow situation, the Debtors were unable to right-size their balance sheets through cost-cutting and self-help measures alone.

2. Bondholder Litigation

On February 26, 2015, the Debtors were served with a complaint (the "Complaint") concerning the 2019 Notes Indenture. The Complaint generally alleges that certain events of default had occurred with respect to the 2019 Notes due to the Combination. More specifically, the Complaint alleges~~s~~d that the Combination constituted a change of control under the 2019 Notes Indenture which would have required the Debtors' to offer to purchase the 2019 Notes at one hundred and one percent (101%) of the outstanding principal, plus accrued and outstanding interest. The Complaint also alleges claims for breach of contract, breach of the implied covenant of good faith and fair dealing, and indemnification. The Debtors also received a notice of default and acceleration from the 2019 Notes trustee with respect to the 2019 Notes containing similar allegations.

3. Qualified Opinion and Borrowing Base Redetermination

On March 31, 2015, the Debtors announced the presence of a "going concern" qualification in their 2014 audited annual financial statements. Additionally, the Debtors provided requisite notice of such opinion to the RBL Agent and the Second Lien Agent.

On April 27, 2015, the borrowing base under the RBL Credit Facility was redetermined downwards from $1 billion to $750 million, resulting in a deficiency of approximately $250 million, with the first of six monthly repayment installments thereunder due on May 27, 2015.

4. Pending Payments and Forbearance

In addition to these obstacles, the Debtors had multiple interest payments due under their credit facilities in April 2015. Specifically, a $15.3 million interest payment under the Second Lien Credit Facility was due April 21, 2015, and a $2.4 million payment was due under the RBL Credit Facility on April 30, 2015. Failure to make either of these interest payments within the applicable 30-day grace periods under the respective Credit Documents would have triggered events of default under both credit facilities (due to certain cross-default provisions) absent a waiver or forbearance.

On May 4, 2015, the Debtors, the RBL Agent, and the RBL Lenders entered into the RBL Forbearance Agreement, pursuant to which the RBL Agent and the RBL Lenders agreed to forbear from exercising remedies until the earlier of (a) certain events of default under the RBL Forbearance Agreement or RBL Credit Agreement,

(b) the acceleration or exercise of remedies by any other lender or creditor, and (c) June 30, 2015 (collectively, the "RBL Forbearance Period").

On May 20, 2015, the Debtors, the Second Lien Agent, and the Second Lien Lenders entered into a forbearance agreement (the "Second Lien Forbearance Agreement" and together with the RBL Forbearance Agreement, the "Forbearance Agreements"), pursuant to which the Second Lien Agent and Second Lien Lenders agreed to forbear from exercising remedies during the RBL Forbearance Period (as such period relates to the Second Lien Forbearance Agreement, the "Second Lien Forbearance Period").

On June 30, 2015, the Debtors, the RBL Agent, and the RBL Lenders entered into the first amendment to the RBL Forbearance Agreement, pursuant to which the RBL Agent and RBL Lenders agreed to extend the RBL Forbearance Period to July 15, 2015. Additionally, on July 8, 2015, the Debtors, the Second Lien Agent, and the Second Lien Lenders entered into the first amendment to the Second Lien Forbearance Agreement, pursuant to which the Second Lien Agent and Second Lien Lenders agreed to extend the Second Lien Forbearance Period to July 15, 2015.

B. Pre-Filing Investigation of Potential Claims

In March 2015, Sabine learned that the holders of the 2017 Notes, 2019 Notes, and 2020 Notes might demand that Sabine pursue claims (or even seek standing to pursue the claims themselves) against other creditor groups in the event the Debtors filed for bankruptcy protection.

To evaluate those potential legal claims, and any other potential colorable claims, on May 15, 2015, Sabine's board of directors approved the formation of a special independent committee (the "Independent Directors' Committee") to conduct and oversee the investigation of potential claims and causes of action (collectively, the "Potential Estate Claims") that the Debtors or certain of their stakeholders might possess against creditors, legacy company board members, and equity holders (the "Investigation"). The Independent Directors' Committee was comprised of two independent directors, Thomas Chewning and Jonathan Foster, neither of whom was involved in the Combination and neither of whom served as directors of, or had any other involvement with decision making by pre-combination Old Sabine or Forest Oil. In connection with the Investigation, the Independent Directors' Committee analyzed more than 100,000 documents over the course of two months in an effort to identify meritorious Potential Estate Claims.

C. Creditor Negotiations and Chapter 11 Filing

Prior to the Petition Date, the Debtors engaged in discussions with various creditor constituencies. In connection with such discussions, the Debtors entered into the RBL Forbearance Agreement, the Second Lien Forbearance Agreement, and amendments thereto. Additionally, the Debtors engaged in discussions with advisors for various creditor constituencies regarding the parties' views with respect to valuation, debt capacity, potential pro forma capital structures, and the effect of potential litigation claims on potential creditor recoveries.

While productive, such discussions did not lead to a comprehensive out-of-court solution or prearranged chapter 11 plan for right-sizing the Debtors' balance sheet. In light of the Debtors' need for a comprehensive deleveraging and resolution of currently pending litigation and potential claims, the Debtors decided to file for bankruptcy protection.

VII. EVENTS DURING THE CHAPTER 11 CASES

Since the Petition Date, the Debtors have continued to operate their businesses and manage their properties as debtors in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code. The following is a general summary of these Chapter 11 Cases.

A. First Day Pleadings and Other Case Matters

1. First and Second Day Pleadings

To facilitate the commencement of these Chapter 11 Cases and minimize disruption to the Debtors' operations, the Debtors filed certain motions and applications with the Bankruptcy Court on the Petition Date or shortly thereafter seeking certain relief summarized below. The relief sought in the "first day" and "second day" pleadings facilitated the Debtors' seamless transition into chapter 11 and aided in the preservation of the Debtors' going-concern value. The first and second day pleadings filed by the Debtors and approved by the Bankruptcy Court include the following:

a. Cash Management Systems

To enable the Debtors to maintain to access their cash and continue in the ordinary course of business during these chapter 11 case, on the Petition Date the Debtors filed the *Debtors' Motion for Entry of Interim and Final Orders (I) Authorizing the Debtors to (A) Continue Using the Cash Management System, (B) Maintain Existing Bank Accounts and Business Forms, (C) Continue Intercompany Transactions, and (II) Granting Superpriority Administrative Expense Status to Postpetition Intercompany Payments*. On July 16, 2015, the Bankruptcy Court entered the *Interim Order (I) Authorizing the Debtors to (A) Continue Using the Cash Management System, (B) Maintain Existing Bank Accounts and Business Forms, (C) Continue Intercompany Transactions, and (II) Granting Superpriority Administrative Expense Status to Postpetition Intercompany Payments* [Docket No. 52]. On September 10, 2015, the Bankruptcy Court granted the relief requested on a final basis [Docket No. 315].

b. Employee Wages and Benefits

On the Petition Date, the Debtors filed the *Debtors' Motion for Entry of Interim and Final Orders Authorizing the Debtors to (I) Pay Prepetition Wages, Salaries, Other Compensation, and Reimbursable Expenses, and (II) Continue Employee Benefits Programs* [Docket No. 14] (the "Wages Motion"), seeking authority (a) to pay certain prepetition claims relating to, among other things, wages, salaries, ordinary-course raises and other pay increases, bonuses and other compensation, payroll services, federal and state withholding taxes and other amounts withheld (including garnishments, employees' share of insurance premiums, taxes and 401(k) contributions), health insurance, retirement health and related benefits, workers' compensation benefits, vacation time, leaves of absence, life insurance, short- and long-term disability coverage and all other benefits that the Debtors and their non-Debtor subsidiaries have historically provided (collectively, the "Employee Compensation and Benefits") and (b) to pay all costs incident to the foregoing, their employees might have suffered undue hardship and sought alternative employment opportunities, perhaps with the Debtors' competitors. The loss of valuable employees would have been distracting and detrimental to the Debtors at a critical time when the Debtors were focused on stabilizing their operations. Accordingly, the Debtors sought the relief requested in the Wages Motion. On July 16, 2015, the Bankruptcy Court entered an order granting the relief requested on an interim basis and subject to certain exceptions [Docket No. 56]. On August 4, 2015, the Debtors filed a supplemental motion requesting additional relief related to the payment of Employee Compensation and Benefits [Docket No. 117] (together with the Wages Motion, the "Wages Motions"). The Bankruptcy Court granted the certain of the relief requested in the Wages Motions on a final basis in separate orders entered on August 10, 2015 [Docket No. 148] and August 17, 2015 [Docket No. 182]. Certain of the relief requested in the Wages Motions is still under consideration by the Bankruptcy Court.

c. Royalty and Working Interests

Before the Petition Date and in the ordinary course of business, the Debtors held working interests in certain oil and gas leases that allow the Debtors to exploit the oil and gas on the lands associated with each particular working interest. In exchange, the Debtors are required to remit disbursements to the holders of non-operating

working interests in those oil and gas leases. In addition, each oil and gas lease in which the Debtors hold working interests is subject to royalty interests, which entitle the holders thereof to payments whenever an oil and gas lease produces oil and gas. Absent payment of these obligations, the Debtors' assets may be subject to perfection of liens by working interest holders and royalty interest holders, which would threaten the Debtors' business from operating as a going concern. Accordingly, on the Petition Date, the Debtors filed the *Debtors' Motion for Entry of Interim and Final Orders Authorizing Payment of (I) Working Interest Disbursements and (II) Royalty Payments in the Ordinary Course of Business* [Docket No. 11]. The Bankruptcy Court granted the relief requested on an interim basis on July 16, 2015 [Docket No. 43] and on a final basis on August 17, 2015 [Docket No. 178].

d. Lien Claimants

Before the Petition Date and in the ordinary course of business, the Debtors contracted with certain vendors to transport, deliver, and process gas (the "Shippers") for the Debtors to sell. Without the services provided by the Shippers, the Debtors' production would cease generating revenue. The Debtors also use certain vendors (the "Warehousemen") to store tubing, casing, drilling pipe, and wellhead equipment when not being used. If the Debtors were to default on any obligation to the Shippers or Warehousemen, the Shippers and Warehousemen could assert liens on the Debtors' assets, attempt to take possession of the Debtors' property, or bar the Debtors' from accessing such property. Additionally, the Debtors serve as operator under multiple joint operating agreements that govern oil and gas leases where third parties own non-operating working interests. As an operator, the Debtors are responsible for making operating expense payments and working interest disbursements. Additionally, where the Debtors hold non-operating working interests, they are responsible for paying the operators for joint interest billings in accordance with the applicable joint operating agreements. Failure to timely pay the operating expenses may provide grounds for removal of the Debtors as operators under such joint operating agreements and may result in perfection by mineral contractors of liens on the Debtors' working interests and proceeds of the oil and gas leases covered thereby. Accordingly, on the Petition Date, the Debtors filed the *Debtors' Motion for Entry of Interim and Final Orders Authorizing Payment of (I) Operating Expenses, (II) Joint Interest Billings, (III) Shipper and Warehousemen Claims, and (IV) Section 503(B)(9) Claims* [Docket No. 12]. On July 16, 2015, the Bankruptcy Court entered an interim order granting the relief requested [Docket No. 54], and on August 17, 2015, the Bankruptcy Court entered a final order authorizing the Debtors to pay such claims and expenses up to an aggregate cap of approximately $58.5 million, subject to more specific lower caps for certain types of payments [Docket No. 180]. On October 15, 2015, the Bankruptcy Court entered an order that reallocated the amounts available to make specific types of payments but did not alter the aggregate cap amount [Docket No. 419].

e. Taxes and Fees

The Debtors believed that, in some cases, certain taxing, regulatory, and governmental authorities had the ability to exercise rights and remedies if the Debtors failed to remit certain taxes and fees. Accordingly, on the Petition Date the Debtors filed the *Debtors' Motion for Entry of Interim and Final Orders Authorizing the Payment of Certain Prepetition Taxes and Fees* [Docket No. 13] (the "Taxes Motion"). The Bankruptcy Court granted the relief requested on an interim basis on July 16, 2015 [Docket No. 55] and on a final basis on August 10, 2015 [Docket No. 152]. On February 5, 2015~~5~~6, the Debtors filed a supplement to the Taxes Motion seeking to pay certain additional taxes in an amount not to exceed $500,000 in the aggregate [Docket No. 794]. The Bankruptcy Court entered an order granting the requested relief on February 22, 2016 [Docket No. 840].

f. Equity Trading

As of June 1, 2015, the Debtors had Net Operating Losses ("NOLs") in an amount of approximately $1 billion and believed that utilization of NOLs in future tax years could generate up to approximately $360 million in cash savings from reduced taxes. The Debtors designed certain procedures (the "Equity Trading Procedures") that would enable them to monitor and object to certain transfers of and declarations of worthlessness with respect to the Debtors' equity securities during these Chapter 11 Cases to ensure preservation of the NOLs. On the Petition Date, the Debtors filed the *Debtors' Motion for Entry of Interim and Final Orders Approving Notification and Hearing Procedures for Certain Transfers of and Declarations of Worthlessness with Respect to Common Stock and Preferred Stock* [Docket No. 6]. The Bankruptcy Court granted the relief requested on an interim basis on July 16, 2015 [Docket No. 58] and on a final basis on August 10, 2015 [Docket No. 153].

g. Utilities

Section 366 of the Bankruptcy Code protects debtors from utility service cutoffs upon a bankruptcy filing while providing utility companies with adequate assurance that the debtors will pay for postpetition services. To ensure uninterrupted utility service, on the Petition Date the Debtors filed the *Debtors' Motion for Entry of an Order Determining Adequate Assurance of Payment for Future Utility Services* [Docket No. 16], seeking the Bankruptcy Court's approval of procedures for, among other things, determining adequate assurance for utility providers and prohibiting utility providers from altering, refusing or discontinuing services without further order by the Bankruptcy Court. On August 10, 2015, the Bankruptcy Court granted the relief requested [Docket No. 144].

h. Insurance

In the ordinary course of business, the Debtors maintain various insurance policies (the "Insurance Policies") that are administered by multiple third-party insurance carriers. The Insurance Policies provide coverage for both general commercial business risks and risks specific to the oil and gas industry, such as well blowouts, inland marine property damage, and pollution. In addition, the Insurance Policies include several layers of excess liability coverage. Continuation and renewal of the Insurance Policies and entry into new insurance policies is essential to preserving the value of the Debtors' businesses, properties, and assets. Moreover, in many cases, the coverage provided by the Insurance Policies is required by the regulations, laws, and contracts that govern the Debtors' commercial activities, including the requirements of the U.S. Trustee. Accordingly, on the Petition Date the Debtors filed the *Debtors' Motion for Entry of an Order Authorizing the Debtors to (I) Continue Insurance Coverage Entered into Prepetition and Satisfy Prepetition Obligations Related Thereto and (II) Renew, Supplement, or Purchase Insurance Policies* [Docket No. 17]. On August 10, 2015, the Bankruptcy Court granted the relief requested [Docket No. 157].

i. Surety Bonds

To continue certain of their business operations during the reorganization process, the Debtors needed to continue to be able to provide financial assurances to local governments, regulatory agencies, and other third parties to which, in the ordinary course of business, they provided prepetition financial assurances. Before the Petition Date, the Debtors regularly accomplished this by posting surety bonds on account of: (a) obligations owed to municipalities; (b) obligations related to environmental regulatory agencies; and (c) obligations relating to obtaining permits or licenses (collectively, the "Surety Bond Program"). Additionally, statutes and ordinances often require the Debtors to post surety bonds to secure such obligations. Failure to provide, maintain, or timely replace these surety bonds would prevent the Debtors from undertaking essential functions related to their energy production operations and thus have a detrimental effect on the Debtors' businesses. Accordingly, on the Petition Date the Debtors filed the *Debtors' Motion for Entry of an Order Approving Continuation of Surety Bond Program* [Docket No. 18]. On August 10, 2015, the Bankruptcy Court granted the relief requested [Docket No. 154].

2. Procedural and Administrative Motions

To facilitate a smooth and efficient administration of these Chapter 11 Cases and reduce the administrative burdens associated therewith, on July 16, 2015 the Bankruptcy Court also entered procedural and administrative orders, including the: (a) *Order Directing Joint Administration of Chapter 11 Cases* [Docket No. 48]; (b) *Order (I) Authorizing the Debtors to (A) Prepare a List of Creditors in Lieu of Submitting a Formatted Mailing Matrix and (B) File a Consolidated List of the Debtors' 50 Largest Unsecured Creditors and (II) Approving the Form and Manner of Notifying Creditors of Commencement of these Chapter 11 Cases* [Docket No. 49]; (c) *Order Extending Time to File Schedules of Assets and Liabilities, Schedules of Current Income Expenditures, Schedules of Executory Contracts and Unexpired Leases, and Statements of Financial Affairs* [Docket No. 50]; and (d) *Order Establishing Certain Notice, Case Management, and Administrative Procedures* [Docket No. 51].

a. Contract Rejection

Before and after the Petition Date and in connection with their restructuring efforts, the Debtors evaluated the necessity and cost-efficiency of their executory contracts and unexpired leases.

As part of that process, the Debtors determined that certain contracts and related agreements were unnecessary and burdensome to the Debtors' estates and should be rejected as of the Petition Date. Accordingly, on the Petition Date the Debtors filed the *Debtors' Motion for Entry of an Order Authorizing Rejection of Certain Executory Contracts Effective as of the Petition Date* [Docket No. 19]. One contract counterparty, Nabors Industries, Inc. filed an objection to the motion on August 3, 2015 [Docket No. 108]. On August 7, 2015, the Debtors filed a response [Docket No. 134], and on August 10, 2015 the Bankruptcy Court overruled the objection and granted the relief requested by the Debtors in the motion [Docket No. 146].

Prepetition, the Debtors were party to certain agreements providing the Debtors with gathering and processing services for gas and gas liquids (the "Gathering Agreements"). The Debtors determined that these agreements were costly, unnecessary, and burdensome to the Debtors' estates and should be rejected. On September 30, 2015, the Debtors filed the *Debtors' Omnibus Motion for Entry of an Order Authorizing Rejection of Certain Executory Contracts* [Docket No. 371]. On October 8, 2015, each of the counterparties to the Gathering Agreements (collectively, the "Gatherers") filed objections to the motion [Docket Nos. 386, 387]. On October 14, 2015, the Debtors filed a reply to these objections [Docket No. 410]. On January 8, 2016, one of the Gatherers, Nordheim Eagle Ford Gathering LLC, filed a surreply to the Debtors' reply [Docket No. 676] (the "Surreply") and on January 22, 2016, the Debtors filed a response thereto [Docket No. 742]. A hearing on this motion was held on February 2, 2016. On March 8, 2016, the Bankruptcy Court found that the Debtors' decision to reject the Gathering Agreements was a reasonable exercise of the Debtors' business judgment. *See In re Sabine Oil & Gas Corp.*, --B.R.--, 2016 WL 890299, at *9 (Bankr. S.D.N.Y. Mar. 8, 2016). Although the Bankruptcy Court approved the Debtors' decision to reject the Gathering Agreements, the Bankruptcy Court did not make a final determination as to whether certain covenants in the respective Gathering Agreements "run with the land." As a result, on March 18, 2016, the Debtors commenced two adversary proceedings seeking findings that the Gathering Agreements do not contain covenants that "run with the land." *See* Adv. Proc. No. 16-01042 and 16-01043.

b. Contract Procedures

Because the Debtors' evaluation of their executory contracts and unexpired leases was ongoing as of the Petition Date, and because the Debtors believed that they would seek to assume or reject contracts and leases during the pendency of these Chapter 11 Cases, the Debtors determined that it would be beneficial to establish streamlined procedures (the "Contract Procedures") for assuming and rejecting such contracts and leases. Accordingly, on the Petition Date the Debtors filed the *Debtors' Motion for Entry of an Order Authorizing and Approving Expedited Procedures to Reject or Assume Executory Contracts and Unexpired Leases* [Docket No. 20]. On August 10, 2015, the Bankruptcy Court granted the relief requested [Docket No. 143]. Since the Petition Date, the Debtors have rejected or assumed approximately 28 contracts and/or leases pursuant to the Contract Procedures.

c. Ordinary Course Professionals

In the ordinary course of business, the Debtors retain various attorneys and other ordinary course professionals (collectively, "OCPs") who render a wide range of services to the Debtors in a variety of matters unrelated to these Chapter 11 Cases, including litigation, regulatory, labor and employment, intellectual property, general corporate, franchise, and other matters that have a direct impact on the Debtors' day-to-day operations. To prevent disruption to these services, on the Petition Date the Debtors filed the *Debtors' Motion for Entry of an Order Authorizing the Retention and Compensation of Certain Professionals Utilized in the Ordinary Course of Business* [Docket No. 21]. On August 10, 2015, the Bankruptcy Court granted the relief requested [Docket No. 155].

3. Retention of Restructuring Professionals

The Debtors also filed several applications and obtained authority to retain various professionals to assist the Debtors in carrying out their duties under the Bankruptcy Code as debtors-in-possession in these Chapter 11 Cases. The Bankruptcy Court approved the retention and employment of the following advisors:

(a) Prime Clerk LLC ("Prime Clerk"), as Notice and Claims Agent [Docket No. 57] and Administrative Advisor to the Debtors [Docket No. 147];

(b) Kirkland & Ellis LLP and Kirkland & Ellis International LLP (together, "Kirkland & Ellis") as Counsel to the Debtors [Docket No. 319];

(c) Zolfo Cooper Management, LLC ("Zolfo Cooper"), as Financial Advisors and Litigation Support Consultants to the Debtors [Docket No. 145];

(d) Lazard Frères & Co. LLC ("Lazard"), as Investment Banker to the Debtors [Docket No. 325];

(e) PricewaterhouseCoopers LLP as Tax Consultants to the Debtors [Docket No. 318]; and

(f) Deloitte & Touche LLP as Independent Auditor and Accounting Services Provider to the Debtors [Docket No. 425].

On August 10, 2015, the Bankruptcy Court entered the *Order Establishing Procedures for Interim Compensation and Reimbursement of Expenses for Retained Professionals* [Docket No. 156].

4. Cash to Fund Operations

Prior to the Petition Date, the RBL Lenders and the Second Lien Lenders (together with the RBL Lenders, the "Prepetition Secured Parties") and the Debtors disagreed as to whether and to what extent the Disputed Cash was subject to the liens and mortgages held by the Prepetition Secured Parties. Accordingly, before commencing these Chapter 11 Cases, the Debtors engaged in extensive negotiations with the Prepetition Secured Parties to obtain the use of cash collateral on a consensual basis while protecting the rights of unsecured creditors and other parties-in-interest with respect to the Disputed Cash. On the Petition Date, the Debtors filed the *Debtors' Motion for Entry of Interim and Final Orders Pursuant to 11 U.S.C. Sections 105, 361, 362, 363, and 507, Bankruptcy Rules 2002, 4001, and 9014, and Local Bankruptcy Rule 4001-2 (I) Authorizing Debtors' Limited Use of Cash Collateral, (II) Granting Adequate Protection to the Prepetition Secured Parties, (III) Modifying the Automatic Stay, and (IV) Scheduling a Final Hearing* [Docket No. 9] (the "Cash Collateral Motion"). On July 16, 2015, the Bankruptcy Court granted the relief requested on an interim basis [Docket No. 60] (the "Interim Cash Collateral Order").

Following entry of the Interim Cash Collateral Order, the Debtors engaged in substantial negotiations with the Prepetition Secured Parties, the Committee, and other parties-in-interest to reach a final, consensual agreement regarding the use of cash collateral. Nevertheless, several parties objected to the Cash Collateral Motion prior to the objection deadline, and the Debtors and certain other parties filed replies thereto.

Although the Cash Collateral Motion was hotly contested and subject to multiple objections, the Debtors facilitated an agreement with the various constituencies and eventually brokered a deal after of numerous discussions, several rounds of revisions to the proposed final order, and several hearings regarding the parties' various, differing proposed orders.

On September 16, 2015, the Bankruptcy Court entered an order approving the Debtors' use of cash collateral and overruling any remaining objections thereto [Docket No. 339] (as subsequently extended by notice on December 28, 2015 [Docket No. 658], the "Cash Collateral Order"). In addition to authorizing the Debtors' continued use of ~~cash~~ collateral, the Cash Collateral Order provided the Prepetition Secured Parties with adequate protection for the Debtors' use thereof, including superpriority administrative claims and senior liens, as well as the payments of amounts equal to fees, expenses, and interest, in each case as provided in the Cash Collateral Order.

On February 8, 2016, the Debtors filed a notice of the *Stipulation Between Debtors and First Lien Agent Extending the Expiration Date Under the Final Cash Collateral Order* [Docket. No. 803], by which the Debtors and the RBL Agent stipulated to an extension of the Expiration Date (as such term is defined in the Cash Collateral Order) contained in the Cash Collateral Order through May 15, 2016. Upon request of the Bankruptcy Court, the Debtors filed the *Motion for Entry of an Order Extending the "Expiration Date" Contained in the Final Cash Collateral Order* [Docket No. 858] (the "Cash Collateral Extension Motion"). ~~The Committee filed an objection to the Cash Collateral Extension Motion on March 29, 2016 [Docket No. 916]. The Bankruptcy Court has scheduled a hearing on the Cash Collateral Extension Motion for early April 2016, and has entered a bridge order extending the Cash Collateral Order until such hearing [Docket No. 883].~~

The Committee filed an objection to the Cash Collateral Extension Motion on March 29, 2016 [Docket No. 916]. On April 7, 2016, the Bankruptcy Court held a hearing on the Cash Collateral Extension Motion and entered an order granting the Cash Collateral Extension Motion [Docket No. 958] (the "Cash Collateral Extension Order")

over the Committee's objection. The Committee believes that the Cash Collateral Extension Order erroneously continues adequate protection payments to the RBL Lenders and Second Lien Lenders notwithstanding that these parties are presently undersecured and unsecured, respectively. On April 21, 2016, the Committee filed a notice of appeal in respect of the Cash Collateral Extension Order [Docket No. 1021].

5. Appointment of the Creditors' Committee and Its Advisors

On July 28, 2015, the U.S. Trustee appointed the Committee [Docket No. 90]. On November 10, 2015, the Committee was reconstituted by the U.S. Trustee [Docket No. 499]. The Committee is composed of the following members (collectively, the "Committee Members"):

~~(a) BNY;~~

(a) The Bank of New York Mellon, N.A.;

(b) Aurelius Capital Partners, LP;

(c) AQR Diversified Arbitrage Fund;

(d) Asset Risk Management, LLC; and

(e) Wilmington~~.~~ Savings Fund Society, FSB.

The Committee also filed several applications and obtained authority to retain various professionals to assist the Committee in carrying out its duties under the Bankruptcy Code, including:

(a) Ropes & Gray LLP, as Counsel to the Committee [Docket No. 322];

(b) Berkeley Research Group, LLC, as Financial Advisor to the Committee [Docket No. 323];

(c) Porter Hedges LLP, as Texas and Oil and Gas Counsel to the Committee[Docket No. 420];

(d) BB Genesis Land & Mineral Resources, L.P., as Land Due Diligence Contractor to the Committee [Docket No. 421]; and

(e) ~~Blackstone Advisory~~PJT Partners ~~L.P.,~~LP, as Investment Banker to the Committee [Docket No. 422].

To facilitate the Committee's representation of the interests of all creditors in these Chapter 11 Cases, the Committee filed the *Motion of the Official Committee of Unsecured Creditors for an Order Pursuant to 11 U.S.C. §§ 105(a), 107(b) and 1102(b)(3) Authorizing (I) a Protocol for Creditor Access to Information and (II) the Committee to Utilize Prime Clerk LLC as Information Agent in Connection Therewith* [Docket No. 214]. On September 10, 2015, the Bankruptcy Court granted the relief requested [Docket No. 321].

On January 5, 2016, the RBL Agent filed the *Limited Objection of Wells Fargo Bank, N.A., as First Lien Agent, to Fees Incurred by Committee Professionals in Connection with Its Investigation and Related Matters* [Docket No. 670], objecting to certain fees charged to the Debtors' estates in the Committee's professionals' fee applications. On January 11, 2016, the Committee filed a response to the RBL Agent's objection [Docket No. 688]. The hearing on the Committee's fee application has been adjourned to ~~April 7~~May 17, 2016 [Docket No. 887].

6. Claims Bar Date

On October 20, 2015, the Debtors filed the *Debtors' Motion for the Entry of an Order (I) Setting Bar Dates for Submitting Proofs of Claim, (II) Approving Procedures for Submitting Proofs of Claim, (III) Approving Notice Thereof, and (IV) Granting Related Relief* [Docket No. 439]. With this motion, the Debtors sought to fix a deadline for filing proofs of claim of December 22, 2015 (the "General Claims Bar Date") in these Chapter 11 Cases, as well

as a separate deadline for governmental units to file proofs of claims of January 11, 2016 (the "Government Claims Bar Date" and, together with the General Claims Bar Date, the "Claims Bar Dates"), and to establish procedures for the filing of proofs of claim and the provision of appropriate notice of the Claims Bar Dates to potential claimants. On November 10, 2015, the Bankruptcy Court granted the relief requested [Docket No. 502].

7. Employee Incentive/Retention Plans

During the course of these Chapter 11 Cases, the Debtors secured court approval to continue two prepetition employee incentive programs: a program providing incentive awards to insider and other officer employees (the "Performance Award Program"); and a program providing fixed cash bonuses to the Debtors' remaining non-insider employees (the "Fixed Bonus Award Program"). The terms of these plans were approved by the compensation committee of Sabine's board of directors (the "Compensation Committee"). The Compensation Committee was assisted by its compensation consultant, Towers Watson Delaware Inc. ("Towers Watson"), and its financial advisor Zolfo Cooper. On August 21, 2015, the Debtors filed the *Debtors' Motion for Entry of an Order Approving and Authorizing the (A) Performance Award Program and (B) Fixed Bonus Award Program* [Docket No. 212] (the "Incentive Program Motion").

a. Fixed Bonus Award Program

The Fixed Bonus Award Program provides fixed quarterly cash bonuses to non-officer, non-insider employees of the Debtors. The total estimated cost of the Fixed Bonus Award Program is approximately $7 million. The Bankruptcy Court approved the Fixed Bonus Award Program without objection on September 10, 2015 [Docket No. 317].

b. Performance Award Program

The Performance Award Program provides the Debtors' core management team with the opportunity to earn cash-based incentive awards if certain financial and operational milestones are achieved. After filing the Incentive Program Motion, the Debtors worked diligently with creditors and the U.S. Trustee to attempt to reach a consensual resolution regarding the Performance Award Programs. On November 9, 2015, the Debtors filed the *Supplement to Debtors' Motion for Entry of an Order Approving and Authorizing the Performance Award Program* [Docket No. 497], which incorporated several modifications to the program based on feedback received from these parties. The Debtors continued negotiating with all parties and consensually resolved nearly all formal and informal objections to the Performance Award Program. On December 4, 2015, after hearing argument, the Bankruptcy Court overruled the remaining objection and entered an order approving the Performance Award Program as proposed by the Debtors [Docket No. 586].

A summary of the Performance Award Program, as approved by the Bankruptcy Court, is provided below:

i. Metrics and Targets

The Performance Award Program awards performance-based cash payments to nine officers of the Debtors on a semi-annual basis. These payments depend on the Debtors' achievement of certain threshold, target and maximum goals for five key performance metrics: EBITDA, total production, capital, operating expense, and capital efficiency. The total estimated cost of the Performance Award Program ranges from approximately $2.4 million (at threshold payout levels) to $9.0 million (at maximum payout levels). The Performance Award Program terminates on the earlier of June 30, 2016 or the effective date of an approved plan of reorganization in these Chapter 11 Cases.

ii. Emergence Incentivization

The Performance Award Program incorporates an adjustment factor (the "Emergence Adjustment Factor") applicable to the program payments for each of four insider participants (the CEO, COO, CFO, and SVP of Asset Development). The Emergence Adjustment Factor reduces the incentive award amounts available to these individuals if the Debtors do not meet certain emergence deadlines (such as dates for filing and securing approval of a disclosure statement and the start of ~~confirmation hearings in these Chapter 11 Cases).~~the Confirmation Hearing).

To the extent that Emergence Adjustment Factor milestones are not met, the payments to the four insider participants are subject to reduction.

B. The Adversary Proceeding

After consulting with its advisors, the Independent Directors' Committee concluded that it would be in the best interest of the Debtors and their stakeholders to file an adversary complaint (the "Adversary Complaint") and pursue a constructive fraudulent transfer claim against the Second Lien Agent seeking to avoid certain liens granted for the benefit of the Second Lien Lenders after the Combination. The Debtors filed the Adversary Complaint on the Petition Date. The remainder of the Investigation continued (as discussed in further detail in Article D, which begins on page 49 of this Disclosure Statement).

On August 17, 2015, the Second Lien Agent filed a Motion to Dismiss the Debtors' Adversary Complaint [Adv. Proc. Docket No. 6] (the "Motion to Dismiss"). The Second Lien Agent moved to dismiss the Debtors' constructive fraudulent transfer claim primarily on two grounds—the antecedent debt rule and the safe harbor under Section 546(e) of the Bankruptcy Code. First, the Second Lien Agent argued that under the antecedent debt rule, an insolvent company's grant of a security interest in its assets to an existing creditor cannot be considered a fraudulent conveyance, even as to debt assumed in a business combination. In particular, it argued that because, on December 16, 2014, the post-combination company pledged its assets to secure its own antecedent debt, reasonably equivalent value was exchanged. Second, the Second Lien Agent argued that Section 546(e) of the Bankruptcy Code prohibits a plaintiff from invoking Section 544 or 548 of the Bankruptcy Code to avoid any transfer to, or for the benefit of, a financial institution made "in connection with" a securities contract. The Second Lien Agent then argued that the challenged liens and associated deeds of trust were transfers made in connection with a securities contract, and accordingly, the safe harbor applies.

On September 16, 2015, the Debtors filed their response to the Motion to Dismiss [Adv. Proc. Docket No. 12] (the "Response"). In short, the Debtors argued that the antecedent debt rule does not apply, because the appropriate time to evaluate the debt is pre-transaction, from the perspective of Forest Oil creditors. Viewed from the pre-combination perspective, the Combination effectuated a transfer of value from one insolvent company to the creditors of another, for less than equivalent value in return. Additionally, the Debtors argued that Section 546(e) of the Bankruptcy Code should not apply, because the pledge of securities was made pursuant to a credit facility agreement Old Sabine had entered into years earlier, which was not a "securities contract."

On October 7, 2015, the Second Lien Credit Agent filed the *Reply in Support of its Motion to Dismiss* [Adv. Proc. Docket No. 14], reiterating its antecedent debt and safe harbor arguments. The Bankruptcy Court held an initial hearing on the Motion to Dismiss on October 15, 2015.

The Forest Notes Trustee and the Committee moved to intervene in the Adversary Proceeding on December 30, 2015 [Adv. Proc. Docket No. 17] and January 5, 2016 [Adv. Proc. Docket No. 18], respectively. On January 11, 2016, the Bankruptcy Court entered an order authorizing the Committee and the Forest Notes Trustee to intervene in the Adversary Proceeding solely with respect to briefing, argument and determination of the Motion to Dismiss [Adv. Proc. Docket No. 23].

On January 5, 2016, the Committee filed the *Objection of the Official Committee of Unsecured Creditors to Defendant Wilmington Trust, N.A.'s Motion to Dismiss* [Adv. Proc. Docket No. 19], which argued, among other things, that the Motion to Dismiss should be denied because the claims of the Second Lien Lenders were avoidable, and that the Bankruptcy Court should delay ruling on the Motion to Dismiss until the Bankruptcy Court issues a decision on the First UCC Standing Motion and the Second UCC Standing Motion.

A subsequent hearing on the Motion to Dismiss was held on January 12, 2016. ~~The~~Although the Bankruptcy Court has not yet ruled on the Motion to Dismiss, the Adversary Proceeding is being settled under the Plan and will be deemed withdrawn on the Effective Date.

C. The Coordinated Discovery Protocol

Promptly after the Committee's formation and its selection of counsel, the Debtors conferred with that counsel to discuss the nature and extent of the document searches that the Independent Directors' Committee had

conducted in connection with its Investigation. In early August 2015, the Debtors began voluntarily producing to the Committee the non-privileged documents relevant to the Independent Directors' Committee's Investigation.

Notwithstanding the Debtors' initial voluntary production of more than 260,000 pages of documents relevant to the Investigation, on August 25, 2015, the Committee filed the *Motion of the Official Committee of Unsecured Creditors for Leave Pursuant to Rule 2004 of the Federal Rules of Bankruptcy Procedure to Conduct Discovery of the Debtors and Third Parties, and to Establish Discovery Response and Dispute Procedures for Such Examination* [Docket No. 220] (the "Rule 2004 Motion"). The Rule 2004 Motion sought discovery with respect to potential claims outside of the Combination. Several parties, including the Debtors and the RBL Lenders, filed objections to the scope of the Committee's 2004 Motion. Over the next several weeks, the Debtors, together with the Committee and other parties-in-interest, worked to design a protocol to coordinate the parties' discovery regarding potential claims. During this time, the Debtors continued to respond to the Committee's discovery requests and produce documents. On September 24, 2015, the Bankruptcy Court approved the discovery protocol [Docket No. 359] (the "Stipulated Discovery Protocol") agreed upon by the Debtors, the Committee, and several parties-in-interest, establishing (i) parameters for the document requests and voluntary production from third parties, and (ii) the time allocation and topics of voluntary depositions.

D. Debtors' Postpetition Investigation

1. The Bucket I Claims

The Investigation continued following the filing of the Adversary Complaint. On October 26, 2015, the Independent Directors' Professor Williams, on behalf of the Debtors, released the *Analysis of Potential Estate Causes of Action: Constructive Fraudulent Transfer* to the Committee (the "First Investigation Report") that Professor Jack Williams and Kirkland & Ellis LLP had authorized. The First Investigation Report concluded that, other than the claims for constructive fraudulent transfer to avoid certain liens asserted in the Adversary Complaint, the Debtors had no colorable claims for constructive fraudulent transfer against the RBL Lenders (as such claims relate to claims for constructive fraudulent transfer, and were not included the Adversary Complaint, the "Bucket I Claims").

The First Investigation Report concluded that under a market approach, income approach, and asset-based approach, Forest Oil, Old Sabine, and the combined company—including the former Old Sabine subsidiaries—were all insolvent as of the date of the Combination. Furthermore, while the financial analysis showed that Forest Oil's unsecured creditors did not receive reasonably equivalent value in the financing transactions that occurred simultaneously with the Combination, the Old Sabine unsecured creditors' position improved in the December 16, 2014 transactions. Accordingly, based on its consideration of the issue and supported by Professor Williams' extremely thorough analysis, the Independent Directors' Committee concluded that the only colorable claim and remedy for constructive fraudulent transfer available to the Debtors was the lien avoidance claim asserted in the Adversary Complaint~~,~~ against the Second Lien Agent and Second Lien Lenders. The Independent Directors' Committee concluded there was no basis to avoid the claims of the Second Lien Lenders.

The First Investigation Report also concluded that a constructive fraudulent transfer claim did not exist against the RBL Lenders because (a) both the Old Forest RBL and Old Sabine's RBL Credit Facility were fully secured through the date of the Combination, and (b) those same assets remained pledged as security on the refinanced RBL Credit Facility that closed on December 16, 2014. The substitution of one fully secured claim with another fully secured claim, particularly one that does not change the recovery of the junior claimants, cannot be a constructive fraudulent transfer. Accordingly, the Debtors decided not to initiate constructive fraudulent transfer litigation against the RBL Agent and the RBL Lenders.

2. The Bucket II Claims

In connection with prepetition and postpetition negotiations with respect to the Cash Collateral Order, the Debtors began investigating certain legal arguments regarding the scope and extent of the Prepetition Secured Parties' liens (the "Bucket II Claims") and the likelihood that various constituencies would have success with respect to such legal arguments. Each of the Bucket II Claims discussed below has been incorporated into the Settlement contemplated by the Plan.

The settlement of the Bucket II Claims provides significant value to unsecured creditors ~~on account of such claims~~that would otherwise not be available to unsecured creditors because the RBL Agent and the RBL Lenders have Adequate Protection Liens and Adequate Protection Claims as a result of the substantial Collateral Diminution that has occurred during these Chapter 11 Cases. The Adequate Protection Liens and Adequate Protection Claims entitled the RBL Agent and the RBL Lenders to all of the value of the Debtors' unencumbered assets. Thus, the RBL Lenders are conceding a portion of their recovery in order to facilitate a settlement and confirmation of a chapter 11 plan.

The discussion below, and the resolution of the Bucket II Claims ~~in a light most favorable to unsecured creditors as contemplated by the Settlement, does not take into account the costs of~~, avoids the significant cost and delay associated with litigating these issues with the RBL Agent, the RBL Lenders, the Second Lien Agent, and the Second Lien Lenders, each of whom would vigorously defend their positions in respect of the Bucket II Claims~~, resulting in significant and costly administrative expenses for the Debtors' estates as a consequence of such protracted litigation and delay in the Debtors' exit from chapter 11~~.

a. Disputed Cash Issue

As described in Article VI.A.1 above, on February 25, 2015, the Debtors made the Revolver Draw to fund ordinary course business operations and preserve optionality in the event of an in- or out-of-court restructuring. The Debtors placed the funds from the Revolver Draw into the Debtors' main operating account (the "Operating Account"). Between the time of the Revolver Draw and the Petition Date, the funds from the Revolver Draw, the Debtors' unencumbered cash from operations, and the Debtors' encumbered cash proceeds of Prepetition Collateral were commingled in the Operating Account. As of the Petition Date, the Operating Account had a balance of approximately $252 million, which amount the Debtors contend comprised the Disputed Cash.

The RBL Lenders, the Second Lien Lenders, and the Committee disagree as to the extent to which the Disputed Cash was encumbered as of the Petition Date (the "Disputed Cash Issue"); specifically, the RBL Lenders assert that all of the Disputed Cash constitutes Cash Collateral (as such term is defined in the Bankruptcy Code) or is subject to a constructive trust. The RBL Lenders argue that the broad language in the RBL Mortgages grants blanket liens on all of the Debtors' personal property, including the Debtors' right to draw under the RBL Credit Agreement, and therefore the cash is a proceed of such personal property to which the RBL Agent's perfected lien is attached. The RBL Lenders also assert that the Disputed Cash is subject to a constructive trust because the RBL Lenders relied on representations and warranties that the Debtors were solvent when they loaned the money. ~~The Debtors and certain other parties dispute certain of these assertions.~~

As part of their investigation of the Bucket II Claims, the Debtors examined various equitable methods for tracing the commingled Disputed Cash in the Operating Account and the likelihood that each such method would be deemed equitable by the Bankruptcy Court. The Debtors believe that the most equitable tracing method in these Chapter 11 Cases is evidence-based tracing, which the Debtors have been using to trace cash postpetition in accordance with the Cash Collateral Order. After applying the evidence-based tracing method to prepetition cash flows into and out of the Operating Account, the Debtors concluded that this method of tracing was likely to result in all funds in the Operating Account being unencumbered as of the Petition Date. The RBL Lenders do not agree that this is an appropriate tracing method or that such tracing method would result in all funds in the Operating Account being unencumbered as of the Petition Date. In addition, the Debtors reviewed the legal basis for the RBL Lenders' constructive trust arguments and concluded that such arguments were ~~unavailing. Accordingly, the Settlement contained in the Plan settles the Disputed Cash Issue in a light most favorable to unsecured creditors by treating all of the Disputed Cash as unencumbered on both the Petition Date and the Effective Date, and by assuming that the RBL Lenders and the Second Lien Lenders would not succeed on a claim that the Disputed Cash constitutes Cash Collateral or is subject to a constructive trust~~not likely to succeed.

The Debtors have traced and segregated cash received after the Petition Date in a manner consistent with the methodology set forth in the Cash Collateral Order and agreed to by the Debtors, the RBL Lenders, the Second Lien Lenders, the Committee, the Forest Notes Indenture Trustees, and the Sabine Notes Indenture Trustee. In addition, the Debtors have been using Disputed Cash in accordance with the Cash Collateral Order. Based on such tracing and segregation, on the Effective Date, the Debtors forecast that there will remain approximately $8.4 million of Disputed Cash.

In addition, paragraph 11 of the Cash Collateral Order provides that the Debtors and the Committee reserved their respective rights to assert that a portion of the Unallocated G&A should be, or should have been, payable from the Segregated Cash Collateral, and the First Lien Secured Parties and the Second Lien Secured Parties reserved their rights to oppose such relief. At the STN hearing, the Committee asserted that 82% of the Debtors' unallocated general and administrative expenses (or $27 million), which amounts were paid from Disputed Cash during the chapter 11 cases, should be allocated to the encumbered wells. If the Committee is correct, there would be $27 million of Disputed Cash on the Effective Date in addition to the approximately $8.4 million of Disputed Cash that the Debtors forecast will be remaining. Neither the Debtors nor the RBL Lenders agree that 82% of unallocated general and administrative expenses can or should be allocated to the encumbered wells. Nevertheless, in the chart below the Debtors have used the Committee's assertion in calculating the total asserted amount of Disputed Cash of $35 million.

At the STN hearing, the Committee also asserted that 82% of the Debtors' professional fees ($44 million) and 82% of certain payments made pursuant to "first day" order ($36 million) should be allocated to the encumbered wells. The Debtors and the RBL Lenders disagree that any of such amounts can or should be allocated to encumbered wells as such allocation is inconsistent with, and not permitted pursuant to, the Cash Collateral Order. Therefore, the Debtors believe that the maximum amount that can even be asserted to be Disputed Cash on the Effective Date is $35 million and that at least $55 million of cash projected on the Effective Date constitutes Segregated Cash Collateral.

b. Scope of Collateral Issues

The Scope of the Collateral Issues encompass the extent of the liens and security interests held by the RBL Agent and the Second Lien Agent in the Debtors' oil and gas leases and wells listed in the RBL Mortgages (defined below) as well as in the Debtors' personal property (the "Scope of the Collateral Issues").

i. The Unlisted Leases

Certain of the Debtors' predecessors-in-interest granted a security interest in favor of the RBL Agent in properties that now belong to the Debtors pursuant to several mortgage documents (collectively, the "RBL Mortgages")[17] and granted mortgages on substantially the same property to the Second Lien Agent (collectively, the "Second Lien Mortgages"). Each of the RBL Mortgages and Second Lien Mortgages at issue contains a clause that specifically grants a security interest in "all rights, titles, interests and estates now owned or hereafter acquired by [the Debtors] in and to the properties now owned or hereafter pooled or unitized with the Hydrocarbon Property" (each such clause a "Unitization Clause"). The Unitization Clause relates to certain "unitized" oil and gas leases (collectively, the "Unitized Leases"). The Unitization Clause also purports to grant a security interest on all after-acquired leases pooled or unitized with such Hydrocarbon Properties (collectively, the "After-acquired Unitized Leases" and together with the Unitized Leases, the "Unlisted Leases").

The Debtors believe that the RBL Agent and the Second Lien Agent ~~may~~likely have a valid and perfected lien in the Unitized Leases, even though they were not expressly listed on the exhibit to the mortgage, as long as they were subject to publicly filed unit declarations as of the date of the applicable mortgage. The Debtors, however, believe that the lien held by the RBL Agent and the Second Lien Agent ~~does~~may not extend to the After-acquired Unitized Leases, as such After-acquired Unitized Leases ~~would~~may not have been subject to a publicly filed unit declaration as of the date of the applicable mortgage, and, therefore, would not have been identifiable based on publicly available sources. The RBL Agent and the Second Lien Agent assert that they have valid, perfected mortgages on all of the Unlisted Leases under Texas law because the broadly-drafted granting clauses in each of the RBL Mortgages and Second Lien Mortgages provide the RBL Agent and Second Lien Agent with a perfected blanket lien that extends to all of the Debtors' real property interests located in the counties in Texas where an RBL Mortgage or a Second Lien Mortgage has been recorded, including the Unitzed Leases and the After-acquired Unitized Leases, regardless of whether each of those interests has been listed on an exhibit to the RBL Mortgage or Second Lien Mortgage. The Committee asserts that the liens held by the RBL Agent and the Second Lien Agent do not extend to any of the Unlisted Leases. The total value of the Unlisted Leases as of the Effective Date is $14.4 million.

17 Specifically, such RBL Mortgages took the form of a *Deed of Trust, Fixture Filing, Assignment of As-Extracted Collateral, Security Agreement*, and *Financing Statement* in favor of the RBL Agent.

The Debtors and their advisors have examined the various legal arguments raised by the RBL Agent, the Second Lien Agent, and the Committee with respect to the Unlisted Leases. ~~The Debtors have determined that certain of the Debtors' claims with respect to the Unlisted Leases have merit, while others do not. Accordingly, the Settlement contained in the Plan settles such claims in a light most favorable to unsecured creditors.~~The Debtors have estimated that there is an approximately 15% chance that the Debtors would be successful in showing that the RBL Agent's and Second Lien Agent's prepetition liens do not extend to the unlisted leases, and a 50% chance of showing that the RBL Agent's and Second Lien Agent's prepetition liens do not extend to the After-acquired Unitized Leases, for a blended rate of success of 32.5%.

ii. The Potentially Defective Recording Leases

As noted above, certain of the Debtors' predecessors-in-interest filed mortgages on their oil and gas leases and wells in favor of the RBL Agent and the Second Lien Agent. The Committee has identified 199 of those leases that it argues were or may have been included in the lease schedules attached to the RBL Mortgages or Second Lien Mortgages, but for which there are defects of description (the "Potentially Defective Recording Leases"). The Committee asserts that the Potentially Defective Recording Leases were not properly recorded or otherwise suffer from defects that render the leases unencumbered. Accordingly, the Committee argues that these Potentially Defective Recording Leases do not meet the legal standard of notice required to perfect the liens thereon, with the result that such unperfected liens may be avoided pursuant to Bankruptcy Code section 544(a)(1) and (a)(3). The RBL Lenders and the Second Lien Lenders disagree and assert that the broadly-drafted granting clauses in each of the RBL Mortgages and Second Lien Mortgages provide the RBL Agent and the Second Lien Agent with perfected blanket liens on all of the Debtors' real property interests located in the counties in Texas where an RBL Mortgage or Second Lien Mortgage has been recorded, regardless of whether there are alleged defects in the recording of those interests. The RBL Agent and Second Lien Agent also note that the RBL Mortgages and Second Lien Mortgages contain specific language that states that the RBL Agent's and the Second Lien Agent's liens on the Debtors' property remain valid even though such property has been "incorrectly described." The total value of the Potentially Defective Recording Leases as of the Effective Date is $4,151,187.

As part of their investigation of the Bucket II Claims, the Debtors examined the various legal arguments raised by the RBL Agent, the Second Lien Agent and the Committee with respect to the Potentially Defective Recording Leases. The list of Potentially Defective Recording Leases in fact clearly identifies the state and county of the mortgaged property, the lessor, the lessee, the lease number, the lease type, and the lease date and expiration date (the "Available Information"). The Debtors conducted a review of public records using the Available Information and found that such information was sufficient to identify a majority of the leases at issue (the "Clearly Identifiable Leases").

Despite the fact ~~that the mortgages are flawed on the basis~~ that the book and page numbers are omitted or recorded in error, the Debtors' review of public records establishes that, with respect to the Clearly Identifiable Leases, such errors or omissions are minor and insufficient to render the mortgage ineffective as the collateral is still clearly identifiable. ~~Nevertheless, the Settlement contained in the Plan assumes an outcome most favorable to general unsecured creditors on account of such claims~~Accordingly, the Debtors estimate that they have as high as a 30% likelihood of success in avoiding the RBL Agent's and Second Lien Agent's Liens on the Potentially Defective Recording Leases.

iii. The County Leases

The RBL Lenders and Second Lien Lenders assert that they hold a valid mortgage on all 3,338 of the leases located in the counties in which the RBL Mortgages and Second Lien Mortgages were filed (the "County Leases"). The RBL Lenders and the Second Lien Lenders assert that the broadly-drafted granting clauses in each of the RBL Mortgages and Second Lien Mortgages provide the RBL Lenders and the Second Lien Lenders with perfected blanket liens on all of the Debtors' real property interests located in the counties in Texas where an RBL Mortgage or Second Lien Mortgage has been recorded and that the RBL Mortgages and Second Lien Mortgages satisfy the Texas statute of frauds. The value of the County Leases as of the Effective Date is estimated to be $70,528,699. The Debtors considered the legal arguments for and against this position in connection with their Bucket II Claims analysis and determined that such assertion ~~would most likely~~may not satisfy Texas law, which requires that the description of the particular land to be conveyed be identified with reasonable certainty. ~~Accordingly, the~~

~~Settlement contained in the Plan resolves this issue in a light most favorable to unsecured creditors and does not provide a recovery to the RBL Lenders or the Second Lien Lenders on account of their argument that they hold a valid mortgage that extends to all 3,338 of the leases~~The Debtors estimate that they have no more than a 50% chance of success on this issue. The RBL Lenders and Second Lien Lenders disagree.

iv. ~~The Blanket~~Personal Property Liens

The RBL Lenders and the Second Lien Lenders have also taken the position that they have blanket liens on all of the Debtors' personal property, including general intangibles, accounts, inventory, and as-extracted collateral, whether or not related to the hydrocarbons. The Committee disagrees, presenting the issue of whether the RBL Agent and Second Lien Agent have liens on all of the Debtors' personal property or only personal property related to the hydrocarbons. It is the Debtors' position that the unambiguous language of the RBL Mortgages and Second Lien Mortgages includes only personal property related to the hydrocarbons in the RBL Agent's and the Second Lien Agent's collateral package and, accordingly, the RBL Agent and the Second Lien Agent would likely not prevail in asserting liens over personal property unrelated to the hydrocarbons. ~~The Settlement contained in the Plan also resolves this issue in a light most favorable to unsecured creditors~~ The Debtors have estimated that there is a 90% chance of success to invalidate the RBL Agent's and Second Lien Agent's liens in the personal property. The personal property at issue consists of (i) unused pipe for transporting oil and gas, (ii) undeveloped leased and owned acreage, (iii) office equipment, (iv) various field locations and (v) 37 trucks used by field personnel. At the outset of the negotiations with the RBL Lenders, the Debtors had estimated that the total value of such assets could be as much as $15 million. The Debtors have since further analyzed the potential value of the personal property and believe the total value is likely closer to $6.8 million.

c. Preference Issue

The Debtors considered whether the liens on the 1,769 oil and gas leases granted to the RBL Lenders (the "~~New~~ RBL 90-Day Mortgages") and the 1,865 oil and gas leases granted to the Second Lien Lenders (the "Second Lien 90-Day Mortgages" and together with the ~~New~~ RBL 90-Day Mortgages, the "90-Day Mortgages") transferred to the RBL Lenders and the Second Lien Lenders pursuant to their respective Forbearance Agreements could be avoided as preferential transfers under section 547(b) of the Bankruptcy Code (the "Preference Issue").

On May 4, 2015, the Debtors executed the RBL Forbearance Agreement. Under the terms of the RBL Forbearance Agreement, the RBL Lenders agreed to forbear from exercising remedies available to them under the RBL Credit Agreement until June 30, 2015 (subsequently extended to July 15, 2015) with respect to: (i) the going concern qualification; (ii) the failure to make any borrowing base deficiency payments arising from any borrowing base redetermination; and (iii) the failure to make the April 21, 2015 interest payment under the Second Lien Credit Agreement. In exchange, the Debtors agreed to, among other things, provide the RBL Lenders with mortgages on currently unencumbered properties.

At the time of the December 16, 2014 refinancing of the RBL Credit Agreement, the Debtors owned approximately 300 properties that the Debtors intended to sell. As an accommodation to the Debtors, to more efficiently complete such intended sale, the RBL Lenders did not require the pledge of the 90-Day Mortgages on the 300 properties in connection with the December refinancing. Ultimately, however, the Debtors did not close on the sale of the 300 properties, and in exchange for the first forbearance, the RBL lenders required the pledge of the ~~New~~ RBL 90-Day Mortgages. On or around May 4, 2015, the RBL Lenders perfected liens on the ~~New~~ RBL 90-Day Mortgages, which the Debtors estimate have an aggregate value as of the Effective Date of approximately $~~15~~9.1 million.

On May 20, 2015, the Debtors executed the Second Lien Forbearance Agreement. The Debtors' obligations under the Second Lien Forbearance Agreement are substantially similar to those under the RBL Forbearance Agreement. On or around May 20, 2015, the Second Lien Lenders received liens on the Second Lien 90-Day Mortgages. The properties on which the Second Lien 90-Day Mortgages were granted included 85 leases that were not included the mortgages granted to the RBL Lenders on May 4, 2015.

~~The 90-Day Mortgages granted pursuant to the forbearance agreements with the RBL Lenders and the Second Lien Lenders may be avoidable as preferential transfers under section 547 of the Bankruptcy Code. However, any recovery beyond the avoidance of the potentially preferential transfer of liens on the New RBL 90-Day Mortgages is~~

~~unlikely, as the appropriate remedy for such avoidance would be the avoidance and preservation for the estate of *only the lien granted*, not the underlying value of the property. As noted above, such recovery would be subject to the RBL Lenders' and the Second Lien Lenders' adequate protection liens. Furthermore, there is appreciable risk that the RBL Lenders and the Second Lien Lenders would prevail in defending these claims, either on the grounds that they provided "new value" to the Debtors via the forbearance or that they were oversecured as of May 4, 2015 or that the properties were already subject to properly perfected liens under the existing RBL Mortgages and Second Lien Mortgages. Nevertheless, the Settlement contained in the Plan settles the avoidance claims with respect to the 90-Day Mortgages in a light most favorable to unsecured creditors.~~ As set forth in the Adequate Protection Calculation section, the Debtors believe the RBL Lenders were oversecured as of the Petition Date. Because oil and gas commodity prices were higher at the time the RBL Lenders were granted liens in the 90-Day Mortgages than at the Petition Date, the Debtors believe the RBL Lenders were also oversecured at the time RBL Lenders perfected their interests in the 90-Day Mortgages. The Debtors believe, based on applicable case law, that they would not be successful in pursuing a preference claim against the RBL Lenders. *See Official Comm. of Unsecured Creditors v. UMB Bank, N.A. (In re Residential Capital)*, 501 BR 549, 619 (Bankr. S.D.N.Y.) (explaining that a payment during the preference period to a creditor with a fully secured claim is not a preference) (citations omitted). In addition to the adverse case law, the RBL Lenders and Second Lien Lenders have asserted that the 90-Day Mortgages were already subject to properly perfected prepetition liens under the existing RBL Mortgages and Second Lien Mortgages (see scope of collateral issues above) and that they provided "new value" to the Debtors via the forbearance.

In addition, at the STN hearing, the Bankruptcy Court ruled that any value realized from the avoided liens would not result in incremental value to the estates. *STN Ruling* [Docket No. 923] at p. 97. Because the Second Lien Lenders' Lien against the RBL 90-Day Mortgages are not presently in-the-money, the Debtors believe a preference action against the Second Lien Lenders to avoid their liens in the RBL 90-Day mortgages cannot generate any value for unsecured creditors. However, with respect to the additional 85 leases included in the Second Lien 90-Day Mortgages that are not included in the RBL 90-Day Mortgages, the Settlement contemplates that the Second Lien Lenders will release their liens in such leases, resulting in an additional $1.1 million in Bucket II Claim value.

d. Swap Issue

Prior to the Petition Date, Sabine or one of its predecessors-in-interest entered into ISDA Master Agreements (collectively, and as amended, modified, or supplemented from time to time in accordance with the terms thereof, the "Swap Agreements") with seven financial institutions (collectively, the "Swap Counterparties") to hedge the pricing risk associated with floating commodity prices. Because commodity prices ~~have~~ generally declined following entry into the Swap Agreements, the Swap Agreements resulted in net assets in favor of the Debtors.

Prior to or shortly after the Petition Date, each of the Swap Counterparties terminated their Swap Agreements with Sabine. Those Swap Counterparties who terminated *prior* to the Petition Date set off the amounts they owed to Sabine under the Swap Agreements against the amounts the Debtors owed to such counterparties or their affiliates under the RBL Credit Agreement. These prepetition setoffs have not, and cannot, be challenged by any party. Two Swap Counterparties—Huntington National Bank ("Huntington") and Merrill Lynch Commodities ("ML Commodities")—terminated their Swap Agreements on July 16, 2015 and July 15, 2015, respectively.

On or around July 21, 2015, Huntington sent $19,729,905—the cash proceeds (the "Huntington Proceeds") that resulted from the termination of the Huntington Swap Agreement—to the Debtors. On or around July 21, 2015, the Debtors sent the Huntington Proceeds to the RBL Agent, who then applied such proceeds to reduce ~~amounts~~the principal amount the Debtors owe under the RBL Credit Agreement (the "Huntington Payment") in accordance with the Cash Collateral Order.

On or around July 16, 2015, ML Commodities sent $4,594,250—the cash proceeds (the "ML Commodities Proceeds") that resulted from the termination of the ML Commodities Swap Agreement—to the Debtors. On or around July 17, 2015, the Debtors sent the ML Commodities Proceeds to the RBL Agent, who then applied such proceeds to reduce ~~amounts~~the principal amount the Debtors owe under the RBL Credit Agreement (the "ML Commodities Payment") in accordance with the Cash Collateral Order.

~~The Debtors believe that claims that the Huntington Payment and the ML Commodities Payment "unduly disadvantaged" the Debtors and the unsecured creditors and should be unwound (the "Swap Issue") have merit, because such transactions gave the RBL Lenders one hundred percent (100%) payment on their deficiency claim to the extent that the RBL Lenders were undersecured. The RBL Lenders disagree, asserting that the amounts paid to the RBL Lenders did not unduly disadvantage any party in interest because those proceeds were subject to the RBL Lenders' prepetition liens and reduced the outstanding principal amount of the first lien indebtedness. The Settlement contained in the Plan resolves this issue in a light most favorable to unsecured creditors by assuming, for purposes of the Settlement, that the Debtors would be successful on their claim to unwind the Huntington Payment and the ML Commodities Payment.~~ As set forth in the Cash Collateral Order, the postpetition payment of the swap amounts to the RBL Lenders, and concomitant reduction in the principal amount owed to the RBL Lenders under the RBL Credit Agreement, can only be unwound if such payments "unduly disadvantaged" the unsecured creditors (such issue, the "Swap Issue"). *See* Cash Collateral Order ¶ 3(g). The Debtors do not believe that the swap paydown unduly disadvantaged unsecured creditors in these cases. First, such payments were contemplated, and approved, as adequate protection payments to the RBL Lenders and were made consistent with the Cash Collateral Order. Second, as noted in the Adequate Protection Calculation section, the RBL Lenders' (and Second Lien Lenders') interests in the prepetition collateral have suffered from a substantial diminution in value over and above the amount of the swap paydown. Because the RBL Lenders were over-secured on the Petition Date, and the swap paydown reduced the principal amount of the RBL Lenders' claims, the swap paydown merely reduces dollar-for-dollar the RBL Lenders' total adequate protection claim. As a result, the paydown is net neutral to, rather than disadvantageous in any way to, unsecured creditors. Finally, due to the substantial adequate protection liens and claims of the RBL Lenders (and Second Lien Lenders), even if the swap paydown could be unwound, the RBL Lenders' adequate protection liens and claims would increase in an amount equal to the unwound amount and, thereafter, the RBL Lenders would reclaim such amounts with respect to their adequate protection liens and claims. The Debtors therefore have concluded that they will not succeed in unwinding the swap paydown, and that litigating the Swap Issue cannot produce any value for unsecured creditors.

Issue	Total Amount that Could be Asserted[18]	Debtors' Estimated Chance of Success	Discounted Amount After Accounting for Risk
1. Unencumbered Assets[19]	$18.4 million	N/A	$18.4 million
2. Disputed Cash	$8.4 million	90%	$7.6 million
3. Unallocated G&A	$27.4 million	50%	$13.7 million
4. Unitized Leases and After-acquired Unitized Leases	$14.4 million	32.5%	$4.7 million
5. Potentially Defective Recording Leases	$4.2 million	30%	$1.2 million
6. County Leases	$70.5 million	50%	$35.3 million
7. Personal Property Liens	$15.0 million	N/A	$6.8 million
8. RBL Preference Claims	$9.1 million	Less than 5%	$0.5 million
9. Second Lien Preference Claims	$1.1 million	N/A	$1.1 million
10. Swap Payments	$24.3 million	Less than 2%	$0.0 million
Total:	**$192.7 million**	**N/A**	**$89.1 million**

3. The Bucket III Claims

Following the issuance of the First Investigation Report, the Independent Directors' Committee continued to investigate and consider other Potential Estate Claims, including claims for intentional fraudulent transfer, breach of fiduciary duty, aiding and abetting breach of fiduciary duty, debt recharacterization, and equitable subordination (collectively, the "Bucket III Claims"). To investigate these claims, the Independent Directors' Committee's advisors reviewed nearly one million pages of documents from the Debtors and third parties, conducted witness interviews of all Old Sabine and Forest Oil board members, and took depositions of witnesses who had not been previously interviewed.

On December 1, 2015, counsel for the Debtors released to the Committee their *Analysis of Potential Estate Causes of Action: Intentional Fraudulent Transfer, Breach of Fiduciary Duty, and Equitable Subordination* (the "Second Investigation Report"), which was prepared for and adopted by the Independent Directors' Committee.

The Second Investigation Report concluded that there were no additional colorable claims that would benefit the Debtors' estates. Specifically, with respect to intentional fraudulent transfer, the Second Investigation Report concluded that the evidence did not support a claim that decision makers at either Forest Oil or Old Sabine acted with "actual intent" to hinder, delay, or defraud creditors. To the contrary, the evidence showed that the Forest Oil board of directors (the "Forest Oil Board") and the Old Sabine board of directors (the "Legacy Sabine Board") entered into and agreed to close the Combination under a revised transaction structure because each believed that doing so was preferable for that company and its constituent stakeholders as compared to the available alternatives.

[18] Amounts estimated as of the Effective Date.

[19] This relates to properties outside of Texas against which no mortgages have been filed.

The Independent Directors' Committee also concluded that there was no breach of fiduciary duty claim against the directors or officers of Forest Oil or Old Sabine. The boards of both Forest Oil and Old Sabine deliberated over what approach would be in the best interests of that company and its stakeholders, and consulted with expert advisors and/or financial management in connection with those deliberations. Separately and independently, the Independent Directors' Committee noted that fiduciary breach claims were barred by provisions in the Sabine Operating Agreement, and that duty of care claims were barred by exculpatory provisions in the Forest Oil Certificate of Incorporation and the Old Sabine Operating Agreement. Because there were no colorable breach of fiduciary duty claims, there were no colorable claims for aiding and abetting fiduciary breaches, either.

Likewise, the Second Investigation Report found that the evidence does not support a claim that the lenders engaged in fraud or other "egregious and severely unfair" conduct as is required for an equitable subordination claim. The RBL Agent and Barclays engaged in arm's-length negotiations in connection with both the initial financing commitment for the Combination and between September and December 2014 in response to Old Sabine's requests to modify the financing terms. Moreover, the Independent Directors' Committee found that there is no basis for asserting an equitable subordination claim against the lenders because their decision to adopt the alternative transaction structure materially benefitted the combined company as a whole, whereas proceeding under the previously agreed-to structure would have resulted in less favorable financing terms.

After the Independent Directors' Committee issued the Second Investigation Report, the Debtors, the Committee, and certain other parties conducted depositions of certain Old Sabine and Forest Oil directors and officers, all of whom the Independent Directors' Committee's advisors had interviewed prior to the issuance of the Second Investigation Report. The depositions confirmed the information provided to the Independent Directors' Committee advisors during the previous witness interviews. Accordingly, the substance of the Second Investigation Report was not modified. Additional citations to the depositions, however, were added to the footnotes of the Second Investigation Report to further support the findings of the Independent Directors' Committee. The revised Second Investigation Report was issued on December 21, 2015.

On December 21, 2015, counsel for the Debtors released a revised Second Investigation Report, which was revised to reflect testimony from depositions on/after December 1, 2015. On December 22, 2015, the Debtors filed their *Notice of Filing of Analysis of Potential Estate Causes of Action*, which attached the First Investigation Report and Second Investigation Report [Docket No. 650].

E. The Standing Motions

1. The First UCC Standing Motion

On November 17, 2015, counsel for the Committee filed the *Motion of the Official Committee of Unsecured Creditors for (I) Leave, Standing, and Authority to Commence and Prosecute Certain Claims and Causes of Action on Behalf of the Debtors' Estates and (II) Non-Exclusive Settlement Authority* (the "First UCC Standing Motion")[20] [Docket No. 518]. Attached to the First UCC Standing Motion, among other things, were three proposed complaints: (i) *Proposed Complaint for Constructive Fraudulent Conveyance and Related Relief* (the "Proposed CFC Complaint"); (ii) *Proposed Complaint for Declaratory Judgment that Disputed Cash Is Free of Liens and Other Interests* (the "Proposed Disputed Cash Complaint"); and (iii) *Proposed Complaint for (I) Declaratory Judgment to Determine Validity, Priority, and Extent of Liens in Oil and Gas Leases, (II) to Avoid Preferential Mortgages and Other Security Interests, and (III) To Avoid Postpetition Transfers of Derivative Termination Payments* (the "Proposed Lien Scope and Preference Complaint," and, together with the Proposed CFC Complaint and the Proposed Disputed Cash Complaint, the "Proposed Complaints").

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20 On November 17, 2015, counsel for the Forest Notes Indenture Trustees filed the *Forest Notes Trustees' Motion for Entry of an Order Pursuant to § 1109(b) Granting Leave, Standing and Authority to Prosecute and, if Appropriate, Settle Certain Claims on Behalf of the Estate of Sabine Oil & Gas Corporation (f/k/a Forest Oil, Inc.)* [Docket No. 521]. The Forest Standing Motion seeks standing to pursue certain Fraudulent Transfer claims but does not address other Avoidance Actions or the amount of any Collateral Diminution. Also on November 17, 2015, the Sabine Notes Indenture Trustees filed the *Joinder of the Bank of New York Mellon Trust Company, N.A. to Motion of the Official Committee of Unsecured Creditors for (I) Leave, Standing, and Authority to Commence and Prosecute Certain Claims and Causes of Action on Behalf of The Debtors' Estates; and (II) Related Relief* [Docket No. 520].

a. The Proposed CFC Complaint

The claims asserted in the Proposed CFC Complaint included claims to avoid obligations and liens at both the parent company level, and at the level of Sabine's subsidiaries. At the parent company level, these include claims to:

- avoid at least $1.32 billion of obligations, including (i) $620 million from the RBL Credit Facility associated with repayment of $620 million of Old Sabine's RBL Credit Facility and (ii) $700 million from ~~Old Sabine's~~the Second Lien Credit Facility or $650 million from the Old Sabine Second Lien Credit Facility and $50 million from the Second Lien Credit Facility;

- avoid the liens granted to secure Sabine's above-referenced $1.32 billion of obligations, preserve those liens for the benefit of the parent estate, and recover for the parent estate the diminution of the value of the liens due to a decline in the value of the collateral since the liens were transferred;

- avoid and recover, for the benefit of the parent estate, over $200 million in payments made by Sabine from the date of closing the Combination to the Petition Date, allegedly to the RBL Agent and Second Lien Agent, and to or for the benefit of the RBL Lenders and the Second Lien Lenders;

- avoid and recover, for the benefit of the parent estate, payments made by Sabine to the Lenders under Old Sabine's RBL Credit Facility.

The Committee also asserts in its complaint constructive fraudulent transfer claims for the benefit of the Legacy Sabine Subsidiaries. These include claims to:

- avoid, at each of the Legacy Sabine Subsidiaries, incremental secured obligations that the Committee contends were, before the Combination, obligations of Old Forest (*i.e.*, $105 million in respect of the Old Forest RBL);

- avoid, at each of the Legacy Sabine Subsidiaries, a $356 million obligation incurred under the RBL Credit Facility as a result of the $356 million draw in February 2015;

- avoid, at each of the Legacy Sabine Subsidiaries, the $50 million of incremental obligations incurred under the Second Lien Credit Facility in excess of Old Sabine's Second Lien Credit Facility; and

- avoid the liens transferred in connection with the Legacy Sabine Subsidiaries' incremental guarantees of obligations under the RBL Credit Facility and the Second Lien Credit Facility, preserve those liens for the benefit of the estates, and recover for the Legacy Sabine Subsidiaries' estates the diminution of the value of the liens due to a decline in the value of the collateral since the liens were transferred.

b. Proposed Disputed Cash Complaint

The Committee's Proposed Disputed Cash Complaint seeks a declaratory judgment that the Disputed Cash as of the Petition Date was not subject to any liens, security interests, or equitable interests of the Debtors' secured lenders and therefore, the entirety of the Disputed Cash was unencumbered on the Petition Date. As discussed herein, the Debtors have ~~pursued and~~ settled these claims in connection with the Settlement.

c. Proposed Lien Scope and Preference Complaint

The bases of the Proposed Lien Scope and Preference Complaint are the Scope of the Collateral Issue, the Preference Issue and the Swap Issue. Specifically, the Committee argues that: (i) because the Unlisted Leases are not specifically identified on any mortgage, such leases are entirely unencumbered and are therefore available to satisfy the claims of unsecured creditors; (ii) because the Potentially Defective Recording Leases do not meet the legal standard of notice required to perfect the liens thereon, and the RBL Lenders' liens thereon may be avoided

pursuant to Bankruptcy Code section 544(a)(1) and (a)(3); (iii) the liens granted pursuant to the 90-Day Mortgages may be avoided and preserved for the benefit of the Debtors' estates; and (iv) the Huntington Payment and the ML Commodities Payment (i) were unauthorized postpetition transfers and should be avoided pursuant to sections 549 and 550 the Bankruptcy Code and (ii) "unduly disadvantaged" the Debtors and the unsecured creditors and should be unwound. As discussed herein, the Debtors have ~~pursued and~~ settled these claims in connection with the Settlement.

2. The Second Standing Motion

On December 15, 2015, counsel for the Committee filed, under seal, the *Second Motion of the Official Committee of Unsecured Creditors for (I) Leave, Standing, and Authority to Commence And Prosecute Certain Claims and Causes of Action on Behalf of the Debtors' Estates and (II) Non-Exclusive Settlement Authority* [Docket No. 609] (the "Second UCC Standing Motion").[21] Attached to the Second UCC Standing Motion was, among other things, the *Proposed Complaint for (I) Intentional Fraudulent Conveyance; (II) Breach of Fiduciary Duty; (III) Aiding and Abetting Breach of Fiduciary Duty; (IV) Equitable Subordination; (V) Debt Recharacterization; (IV) and Related Relief* (the "Second UCC Standing Motion Complaint").

The Committee ~~seeks~~sought to avoid, as intentional fraudulent conveyances:

- the RBL Credit Facility obligations at Forest Oil;
- the liens granted by Forest Oil to secure the RBL Credit Facility obligations;
- the RBL Credit Facility obligations at each of the Legacy Sabine Subsidiaries;
- the liens granted by the Legacy Sabine Subsidiaries to secure the RBL Credit Facility obligations;
- the Old Sabine Second Lien Credit Facility obligations at Forest Oil;
- the liens granted by Forest Oil to secure the Second Lien Credit Facility obligations;
- $50 million in incremental obligations incurred under the Second Lien Credit Facility by the Legacy Sabine Subsidiaries at the closing of the Combination;
- the liens granted by the Legacy Sabine Subsidiaries to the extent that such liens secure the $50 million in avoidable obligations under the Second Lien Credit Facility;
- approximately $620 million in payments made in respect of the RBL Credit Facility at the closing of the Combination; and
- all post-Combination payments of principal, interest and fees in respect of the RBL Credit Facility and the Second Lien Credit Facility, including the $185 million of proceeds of the sale of the Arkoma assets of Forest Oil that were used two days after the Combination to pay down the balance of the RBL Credit Facility.

Additionally, the Committee ~~seeks~~sought to preserve the avoided liens for the benefit of the estate pursuant to section 551 of the Bankruptcy Code.

The Second UCC Standing Motion also ~~seeks~~sought standing to bring breach of fiduciary duty claims. Specifically, the Committee seeks to bring fiduciary-breach claims against (a) the Old Sabine and Forest Oil directors and officers in place until the day of the closing of the Combination; (b) a new board of directors that was

[21] On December 15, 2015, counsel for the Sabine Notes Indenture Trustees filed the *Joinder of the Bank of New York Mellon Trust Company, N.A. to Second Motion of the Official Committee of Unsecured Creditors for (I) Leave, Standing, and Authority to Commence and Prosecute Certain Claims and Causes of Action on Behalf of the Debtors' Estates and (II) Non-Exclusive Settlement Authority* [Docket No. 611]. Also on December 15, 2015, counsel for the Forest Notes Indenture Trustees filed the *Joinder of the Forest Notes Trustees to Second Motion of the Official Committee of Unsecured Creditors for (I) Leave, Standing, and Authority to Commence and Prosecute Certain Claims and Causes of Action on Behalf of the Debtors' Estates and (II) Non-Exclusive Settlement Authority* [Docket No. 612].

formed on the day of the closing of the Combination (called the "Sabine Slate" directors by the Committee) that the Committee alleges approved the financing arrangements in connection with the Combination; (c) alleged fiduciaries of the Legacy Sabine Subsidiaries with respect to the Combination, including Mr. Sambrooks; and (d) the sponsor of Old Sabine ("First Reserve") and certain of its related entities that owned majority stakes in the Debtors, as part of the so-called "Sabine Slate" board of directors and with respect to the Legacy Sabine Subsidiaries. The Committee also ~~seeks~~sought to bring aiding and abetting breach of fiduciary duty claims against (v) the Debtors' current and former secured lenders; (w) First Reserve; (x) the Forest Oil directors and officers; (y) the Old Sabine directors and officers; and (z) the fiduciary for the Legacy Sabine Subsidiaries. The Committee alleges that each of these groups aided and abetted the primary fiduciary breaches discussed herein.

With respect to equitable subordination, the Committee ~~seeks~~sought to bring causes of action under Section 510(c) of the Bankruptcy Code to equitably subordinate the following claims to the claims of all unsecured creditors:

- the claims of the refinanced RBL Agent and refinanced RBL Lenders at Sabine;
- the guaranty claims of the refinanced RBL Agent and refinanced RBL Lenders at the Legacy Sabine Subsidiaries;
- the $50 million in incremental obligations, funded by the refinanced RBL Lenders and incurred under the Second Lien Credit Facility by Sabine and the Legacy Sabine Subsidiaries at the closing of the Combination; and
- the entirety of the claims of the Second Lien Lenders and Second Lien Agent at Sabine.

In seeking to assert the equitable subordination claim, the Committee contends that the refinanced RBL Lenders were "statutory insiders" because they allegedly "exerted financial leverage" over the Debtors. In the alternative, the Committee claims that the RBL Lenders' conduct also reaches the equitable subordination standard for non-insiders.

Finally, the Committee alleges that pursuant to the Bankruptcy Court's equitable powers under Section 105(a) of the Bankruptcy Code, the incremental $50 million of the Second Lien Credit Facility should be recharacterized as equity. The Committee claims that such recharacterization is appropriate because (a) the Second Lien Lenders who made the incremental term loans were allegedly the same lenders who had committed to the unsecured bridge loan; (b) the incremental loans were allegedly seen as a settlement allowing the Second Lien Lenders out of the unsecured bridge loan; (c) the Second Lien Lenders and First Reserve allegedly agreed the money should be an equity infusion, but equity was not an option; and (d) the lenders were the same as those who had proposed a fourth lien tier to the revised bridge loan, which the Committee characterizes as having an exorbitant interest rate.

F. Objections to Standing Motions

1. The Debtors' Standing Objection

On January 20, 2016, the Debtors filed, partially under seal, an *Objection to the Motions of the Official Committee of Unsecured Creditors, Forest Notes Indenture Trustees, and Bank of New York Mellon Trust Company N.A. for (I) Leave, Standing, and Authority to Commence and Prosecute Certain Claims and Causes of Action on Behalf of the Debtors' Estates and (II) Non-Exclusive Settlement Authority* (the "Debtors' Standing Objection") [Docket No. 722]. The Debtors' Standing Objection argued that the proposed claims were neither colorable nor in the best interests of the Debtors' estates. The Debtors noted that the facts largely were not in dispute, and that the proposed claims were not only contrary to law but also were refuted by the undisputed facts.

Specifically, the Debtors' Standing Objection argued that the Committee's proposed constructive fraudulent transfer claims at the two levels at which the Committee sought to avoid obligations on secured debt and related liens—at the parent and subsidiary levels, respectively—both failed. Further, the Debtors argued that the Committee had failed to adequately allege colorable intentional fraudulent transfer claims, as, among other reasons, the Committee's claims were predicated on the notion that the board of directors that met for the first time at 3:30

p.m. Eastern Time on the day of closing should have halted the Combination midstream or refused to approve the financing for Sabine, neither of which was a realistic option at that time. Further, the Debtors argued that none of the proffered theories satisfied the demanding legal standard for equitable subordination. With respect to the breach of fiduciary duty causes of action that the Committee sought to advance, the Debtors argued that the Committee had failed to state colorable claims for breaches of either the duty of loyalty or the duty of care against the boards of directors of Forest Oil, Old Sabine, the board that met for the first time at 3:30 p.m. Eastern Time on the closing date of the Combination, or First Reserve. Nor, the Debtors argued, did the Committee adequately plead colorable claims for aiding and abetting the alleged breaches of fiduciary duties, because the Committee failed to state claims for fiduciary breaches by either the Old Sabine board or the Forest Oil board, or to plead other required elements of those claims. In addition, the Debtors also argued that because it is well-settled that the extension of credit by existing lenders (or, here, previously committed lenders) to a distressed borrower is not a basis for recharacterization, the Committee's argument for recharacterization as equity of the $50 million upsized Second Lien Credit Agreement failed.

Moreover, the Debtors' Standing Objection explained that the Independent Directors' Committee had concluded that the proffered claims were not in the best interests of the estates to pursue. The Debtors argued that even if the proposed claims could survive a motion to dismiss, they would not survive summary judgment or prevail on the merits, and thus the claims would not justify the extreme litigation expense they would impose on the Debtors' estates. Further, the Debtors' Standing Objection stated that allowing the proposed litigation to proceed would prejudice the Debtors' efforts at negotiating and confirming a plan of reorganization.

In addition, the Debtors argued that they ~~were already pursuing~~would settle several other claims—specifically, the Bucket II Claims—as part of the Debtors' joint plan of reorganization. Thus, the Debtors argued, they had not refused to pursue the Bucket II Claims, and the motions for standing with respect to those claims should likewise be denied.

2. The Forest D&Os' Standing Objection

Also on January 20, 2016, counsel for several directors and officers of Forest Oil—Richard J. Carty, Loren Carroll, Dod Fraser, James Lee, James Lightner, Patrick R. McDonald, Raymond Wilcox, and Victor Wind (collectively, the "Forest D&Os")—filed the *Omnibus Objection to Motions Seeking Derivative Standing* [Docket No. 721] (the "Forest D&Os' Standing Objection"). The Forest D&Os' Standing Objection challenged several of the proposed claims of the Committee set forth in the Second UCC Standing Motion, and the joinders thereto.

Specifically, the Forest D&Os argued that the Committee's proposed claims for breach of fiduciary duty were not colorable for a number of independent reasons, including that the Forest D&Os' decision to enter into and not terminate the Combination and their conduct during that decision-making process was protected by the business judgment rule, that the exculpatory provision in the Forest Oil incorporation documents precluded a duty of care violation, and that non-Director Victor Wind (Forest Oil's former Chief Financial Officer) could not be held liable under New York law for board decisions for which he was not responsible. Further, Forest D&Os' Standing Objection argued that the proposed claims for breach of loyalty against the Forest D&Os were likewise not colorable as such claims conflated the duty of care with the duty of loyalty, and the Committee did not allege that the Forest D&Os (with one exception) lacked the requisite disinterestedness. In addition, the Forest D&Os argued that the Committee lacked standing to assert aiding and abetting breach of fiduciary duty claims against the Forest D&Os, and that, in any event, the Committee failed to plead necessary elements of such causes of action.

Finally, the Forest D&Os' Standing Objection stated that the claims against Patrick McDonald and Dod Fraser for their role on the newly formed board that met for the first time at 3:30 p.m. Eastern Time on the closing date of the Combination were not colorable, because (even assuming the Committee's alleged facts were correct) neither Partick McDonald nor Dod Fraser were self-interested at the time of that board meeting, thus precluding a duty of loyalty claim, and because the exculpatory provision in Forest Oil's incorporation documents precluded liability for any duty of care claim.

3. The Sabine Directors' Standing Objection

On January, 20, 2016, certain Sabine directors filed the *Limited Objection of Sabine Directors Duane Radtke, David Sambrooks, and John Yearwood to the Second Motion of the Official Committee of Unsecured*

Creditors for (I) Leave, Standing, and Authority to Commence and Prosecute Certain Claims and Causes of Action on Behalf of the Debtors' Estates and (II) Non-Exclusive Settlement Authority [Docket No. 715] ("Sabine Directors' Standing Objection"). The Sabine Directors' Standing Objection argued that the Committee's claims against those parties could not withstand a motion to dismiss. First, with respect to the alleged breach of fiduciary duty claims, the Sabine Directors' Standing Objection argued that the exculpatory provisions of Old Sabine's operating agreement barred claims for breach of fiduciary duty unless based upon bad faith, which the Committee did not allege and, in any case, directors of Delaware companies do not owe a fiduciary duty to specific creditor groups as opposed to the company and all its stakeholders as a whole. Further, the allegations that purport to show a breach of duty of loyalty were too conclusory to withstand a motion to dismiss. Second, the Sabine Directors' Standing Objection asserted that claims against the non-First Reserve Sabine directors for allegations of fiduciary breach by the "Sabine Slate" board were barred by the exculpatory provisions in Forest Oil's charter, and otherwise were implausible. Third, the Sabine Directors' Standing Objection argued that the Committee's attempt to assert a claim against David Sambrooks for signing guarantees by the Sabine subsidiaries ignored that, with respect to all but one of those subsidiaries, such subsidiaries were LLCs whose sole managing member was another Debtor entity with sole authority to manage the LLC. Finally, the Sabine Directors' Standing Objection argued that the Committee has not alleged a colorable claim for aiding and abetting breach of fiduciary duty because there was no underlying breach, and the allegations were insufficient to show knowing and substantial participation.

~~***4.1. The Barclays Standing Objection***~~

~~On January 20, 2016, Barclays filed an *Objection of Barclays Bank PLC and Barclays Capital Inc., and Joinder in the Objections of Wells Fargo, N.A., in Its Capacity as First Lien Agent, to the First and Second Motions of the Official Committee of Unsecured Creditors and the Motion of the Forest Notes Indenture Trustees for Leave, Standing, and Authority to Commence and Prosecute Certain Claims and Causes of Action on Behalf of the Debtors' Estates* [Docket No. 716] (the "Barclays Standing Objection"). Barclays joined and incorporated by reference two objections filed by the RBL Agent. Further, the Barclays Standing Objection expanded on several of the arguments therein with respect to constructive fraudulent transfer, including by stating that the Debtors received reasonably equivalent value (the loan proceeds) in exchange for the obligations and liens that the proposed claims sought avoid. Barclays also argued that there were no colorable claims for intentional fraudulent transfer, aiding and abetting breaches of fiduciary duty, and equitable subordination, because, among other reasons, the alternative structure adopted for the Combination in December 2014 was a substantial improvement for Sabine. More specifically, as for the proposed intentional fraudulent conveyance claims, the Barclays Standing Objection argued that movants had failed to allege specific facts demonstrating that a critical mass of the decision-making directors acted with the requisite intent. In addition, Barclays maintained that there were no colorable claims for aiding and abetting, because there were no underlying breaches, and even if movants could establish one, the Committee's own allegations established that Barclays did not aid and abet any such underlying breach. Finally, Barclays stated that because, among other reasons, there was no evidence that their conduct was "egregious and severely unfair," as required, the proposed equitable subordination claims failed.~~

~~***5.4. The RBL Agent Standing Objections***~~

On January 20, 2016, the RBL Agent filed the *Objection of Wells Fargo Bank, N.A., in Its Capacity as First Lien Agent, to the First and Second Motions of (I) Official Committee of Unsecured Creditors and (II) the Forest Notes Indentures Trustees for Leave, Standing, and Authority to Commence and Prosecute on Behalf of the Debtors' Estates Fraudulent Transfer and Related Claims* [Docket No. 717] ("First RBL Agent Standing Objection"). Therein, the RBL Agent argued that (1) in light of the investigation by the Independent Directors' Committee, the Debtors did not "unjustifiably" fail to assert the claims proposed by the Committee; (2) those proposed claims are not colorable; and (3) prosecution of the litigation would jeopardize the Debtors' reorganization prospects and harm the Debtors' estates. Regarding "colorability," the First RBL Agent Standing Objection first argued that the intentional fraudulent transfer claim was not colorable because the Committee did not properly plead actual fraudulent intent (including failing to allege sufficient "badges of fraud"). Additionally, the First RBL Agent Standing Objection argued that structuring the transaction to avoid triggering the change of control provision did not constitute an actual intent to hinder or delay. Second, the First RBL Agent Standing Objection argued the proposed claims for constructive fraudulent transfer were not colorable because the Debtors received reasonably equivalent value from the RBL Lenders. The First RBL Agent Standing Objection also advanced an affirmative defense under section 548(c) of the Bankruptcy Code: that the claims and liens granted to the RBL Agent and the RBL Lenders

could not be avoided because those liens and claims were exchanged in good faith and for value. Third, the First RBL Agent Standing Objection argued that the claim for equitable subordination was not colorable because neither the RBL Agent nor any of the RBL Lenders were "insiders" of the Debtors and even if they were, there was no evidence of inequitable conduct; further, there was no injury to the creditors. Fourth, the First RBL Agent Standing Objection argued that claims for aiding and abetting fiduciary breach would fail because there was no underlying breach, and there were no allegations of actual knowledge of or substantial assistance in any such breach. Finally, the First RBL Agent Standing Objection joined in the objection of the Second Lien Agent with respect to the proposed debt recharacterization claim.

On January 20, 2016, the RBL Agent filed the *Objection of Wells Fargo Bank, N.A., as First Lien Agent, to the Motion of the Official Committee of Unsecured Creditors for (I) Leave, Standing and Authority to Commence and Prosecute Certain Claims and Causes of Action on behalf of the Debtors' Estates and (II) Non-Exclusive Settlement Authority with respect to the Alleged Disputed Cash, Lien Scope and Preference Claims* [Docket No. 720]. Therein, the RBL Agent argued that the Debtors did not unjustifiably fail to bring suit because litigating the proposed lien and preference claims would not result in proceeds for unsecured creditors in light of, among other things, the lack of merit to those claims and the substantial adequate protection claim held by the RBL Lenders. Regarding "colorability," the RBL Agent argued that the Committee's claims related to the extent of the RBL Agent's liens were not colorable because the plain meaning of the broadly-drafted granting clauses in each of the RBL Mortgages provides the RBL Agent with a perfected blanket lien on all of the Debtors' real property interests located in counties in Texas where an RBL Mortgage has been recorded, regardless of whether each of those interests has been listed on the exhibit to the RBL Mortgage or there are alleged defects in the recording of those interests. The RBL Agent also argued that the Committee's claim to avoid certain real property interests that were allegedly perfected during the preference period fails because those liens related to oil and gas leases that were already subject to the RBL Agent's blanket lien under the RBL Mortgages previously recorded in those same counties. Moreover, those liens were granted while the Debtors' own records show that the RBL Lenders were oversecured. In addition, the RBL Agent argued that the Committee has no basis to unwind adequate protection payments made to the RBL Lenders of proceeds from the termination of certain swap agreements because the Debtors or the creditors were not "unduly disadvantaged" by such payment. Finally, the RBL Agent argued that the RBL Mortgage granted the RBL Lenders a security interest in the Disputed Cash, which in any case would be subject to a constructive trust.

5. The Barclays Standing Objection

On January 20, 2016, Barclays filed an *Objection of Barclays Bank PLC and Barclays Capital Inc., and Joinder in the Objections of Wells Fargo, N.A., in Its Capacity as First Lien Agent, to the First and Second Motions of the Official Committee of Unsecured Creditors and the Motion of the Forest Notes Indenture Trustees for Leave, Standing, and Authority to Commence and Prosecute Certain Claims and Causes of Action on Behalf of the Debtors' Estates* [Docket No. 716] (the "Barclays Standing Objection"). Barclays joined and incorporated by reference two objections filed by the RBL Agent. Further, the Barclays Standing Objection expanded on several of the arguments therein with respect to constructive fraudulent transfer, including by stating that the Debtors received reasonably equivalent value (the loan proceeds) in exchange for the obligations and liens that the proposed claims sought avoid. Barclays also argued that there were no colorable claims for intentional fraudulent transfer, aiding and abetting breaches of fiduciary duty, and equitable subordination, because, among other reasons, the alternative structure adopted for the Combination in December 2014 was a substantial improvement for Sabine. More specifically, as for the proposed intentional fraudulent conveyance claims, the Barclays Standing Objection argued that movants had failed to allege specific facts demonstrating that a critical mass of the decision-making directors acted with the requisite intent. In addition, Barclays maintained that there were no colorable claims for aiding and abetting, because there were no underlying breaches, and even if movants could establish one, the Committee's own allegations established that Barclays did not aid and abet any such underlying breach. Finally, Barclays stated that because, among other reasons, there was no evidence that their conduct was "egregious and severely unfair," as required, the proposed equitable subordination claims failed.

6. The Second Lien Agent's Standing Objection

On January 20, 2016, counsel for the Second Lien Agent filed the *Omnibus Objection of the Second Lien Agent to the Standing Motions* [Docket No. 719] (the "Second Lien Agent's Standing Objection"). The Second Lien

Agent first challenged the proposed constructive fraudulent transfers claims, arguing that the neither Sabine's incurrence, nor the grant of liens to secure, loan obligations was constructively fraudulent when both applicable merger and fraudulent conveyance law are correctly applied. With respect to the proposed intentional fraudulent transfer claims, the Second Lien Agent's Standing Objection stated that the transferor's intent must be analyzed at the time of the transfer or incurrence of obligation, and that the movants alleged no facts regarding Old Sabine's intent in connection with the incurrence of the obligations, which the Second Lien Agent contended was two years before the Combination. Further, the Second Lien Agent's Standing Objection argued that the movants had presented no colorable claim to avoid liens granted to the Second Lien Agent in connection with the Combination, reasoning that because the obligations were valid and not subject to avoidance, Sabine received, as a matter of law, reasonably equivalent value when it subsequently granted additional liens to secure its own obligations. Next, the Second Lien Agent argued that the proposed causes of action, if successful, would not restore parties to their pre-Combination position, as that was not possible as a legal or practical matter. The Second Lien Agent also argued that the Second Lien Lenders could not be held liable for the collateral's decline in value, because a monetary recovery was not appropriate where the transferee had received a lien, and the debtor had continued to operate, manage and possess the asset, as the Second Lien Agent contended was the case here. In addition, the Second Lien Agent argued that there was no colorable basis to recharacterize $50 million in incremental obligations that Sabine incurred on the date the Combination closed, as the factors applied by courts in evaluating such claims did not support recharacterization. The Second Lien Agent further argued that the proposed claims for equitable subordination was not colorable, as, among other reasons, the Committee acknowledged that the Second Lien Lenders were not directly involved in the structuring of the Combination or the alleged efforts to "enrich the Secured Parties." As for the alleged aiding and abetting claims against the Second Lien Lenders, the Second Lien Agent's Standing Objection stated that the movants had identified no basis on which to maintain a colorable claim. Finally, the Second Lien Agent challenged certain of the Bucket II Claims, arguing that the Debtors were actively pursuing those very claims and thus not "unjustifiably refused to prosecute such claims," and that accordingly there is no basis to grant standing to pursue them.

7. The First Reserve Standing Objection

On the same date counsel for several parties affiliated with First Reserve filed, substantially under seal, the *Objection of FRC Founders Corporation, Sabine Investor Holdings LLC, First Reserve Fund XI, L.P., First Reserve GP XI, L.P., First Reserve GP XI, Inc., Michael France, Alex Krueger, Brooks Shughart, and Joshua Weiner to the Second Motion of the Official Committee of Unsecured Creditors for (I) Leave, Standing, and Authority to Commence and Prosecute Certain Claims and Causes of Action on Behalf of the Debtors' Estates and (II) Non-Exclusive Settlement Authority* [Docket No. 714] (the "First Reserve Standing Objection" and together with the Debtors' Standing Objection, the Forest D&Os' Standing Objection, the Sabine Directors' Standing Objection, the Barclays Standing Objection, the First RBL Standing Objection, the Second RBL Standing Objection, and the Second Lien Agent's Standing Objection, the "Standing Objections"). The First Reserve Standing Objection argued that the Committee's claims against those parties were implausible. With respect to the alleged breach of fiduciary duty claims, the First Reserve Standing Objection argued that no fiduciary duties were owed to Old Sabine, Old Sabine's Subsidiaries, or Forest Oil, and that, regardless, the Committee had not alleged any viable claim that any duties owed had been breached. Further, the First Reserve Standing Objection argued that the alleged claims of aiding and abetting breaches of fiduciary duties failed for several reasons, namely that there was no predicate breach, and that the Committee had not and could not allege the requisite "substantial assistance" to any of the parties allegedly aided and abetted. Finally, the First Reserve Standing Objection stated that the Committee could not show that the Debtors unjustifiably refused to bring claims against the First Reserve-affiliated parties.

8. The Committee's Omnibus Reply

On February 2, 2016, the Committee filed the *Omnibus Reply of the Official Committee of Unsecured Creditors in Support of STN Motions* [Docket No. 771]. There, the Committee again argued that the claims on which it had sought standing in its First Standing Motion and Second Standing Motion were colorable. In addition, on the issue of best interests, the Committee argued that the prospective benefits of litigating the proposed claims would justify the costs and that adequate protection does not alter the Committee's cost-benefit analysis.

G. The Standing Decision

A trial to consider the Standing Motions commenced on February 8, 2016 and concluded on March 17, 2016. In total, the trial spanned fifteen (15) days of witness testimony and lawyer argument. At trial, the parties called a total of seven (7) witnesses to testify live and submitted deposition testimony from fourteen (14) witnesses, and submitted more than five hundred (500) exhibits. On March 24, 2016, the Court issued a ruling on the Standing Motions~~,~~ (the "STN Ruling"), denying the movants' requests for standing on all counts. Specifically, the Bankruptcy Court denied standing to pursue claims for a constructive fraudulent transfer that the Committee sought to assert on behalf of Forest Oil because Forest Oil's incurrence of Legacy Sabine Parents' debt could not be viewed in isolation from the remainder of the merger, ~~in which Forest Oil received reasonably equivalent value~~ and because the Committee had repeatedly confirmed it was not interested in pursuing a cause of action that could compensate the Legacy Forest unsecured creditors for the alleged harm. Moreover, the Bankruptcy Court found that since the Debtors filed an adversary proceeding seeking to recover on behalf of the Legacy Forest unsecured creditors, there was no need for the Court to address STN standing for the Committee on such a claim. With respect to the constructive fraudulent transfer claims that the Committee sought to assert on behalf of the Legacy Sabine subsidiaries, the Bankruptcy Court found such claims were colorable given that those subsidiaries were insolvent at the time of the Business Combination and there existed a question of fact as to whether the subsidiaries received reasonably equivalent value in the transaction. ~~The Court, however, rejected the Committee's claims to avoid liens granted by the Legacy Sabine Subsidiaries, because, among other things, the Committee's expert's calculation of the purported value of avoiding those liens was flawed, the Committee failed to show the subsidiaries had granted new liens in the Business Combination, and the Committee could not recover for the diminution in value of the liens. Moreover~~Nevertheless, the Bankruptcy Court ~~also~~ found ~~that~~ it was not in the best interests of the estates to pursue such claims because ~~of the relatively low value of~~the potential recovery from pursuing them~~,~~ was relatively low as compared to the high costs and risks associated with that litigation. Specifically, the Court stated that the maximum value of the lien avoidance claims was $68 million according to the Committee's expert. The only remedy potentially available to the Legacy Sabine Subsidiaries if their constructive fraudulent transfer claims were successful would be the avoidance of liens actually granted to secure the incremental borrowings on the RBL and Second Lien Credit Facility, and the facts alleged suggested the value would be closer to $0 than $68 million. Accordingly, it would not be in the best interests of the estates to pursue those claims. The Bankruptcy Court also found the Committee, as a legal matter, could not recover for the diminution in value of the secured lenders' liens, even if the Committee were successful on their constructive fraudulent conveyance claims. The Court further found that other claims related to the constructive fraudulent conveyance claims to be brought on behalf of the Legacy Sabine Subsidiaries, including recovery of the $206 million paydown to the RBL Lenders, recovery of merger and financing fees and prejudgment interest ~~has zero value~~would not be recoverable for the benefit of the Legacy Sabine Subsidiaries because the Committee confirmed that no portion of the RBL paydown came from the Legacy Sabine Subsidiaries.

The Bankruptcy Court also found that the movants failed to show the "bad acts" claims were colorable. Specifically, the claims for intentional fraudulent transfer were not colorable because, among other considerations, the ~~Committee failed to show that the relevant decision makers had the requisite intent to defraud, hinder, or delay creditors. Also, the Court held that leaving the existing Forest bonds in place had benefitted, not harmed, Sabine.~~Committee's narrative that First Reserve pressed to complete the Combination in service of its own interests is implausible and the Committee failed to allege sufficient facts that could substantiate such a theory. The Bankruptcy Court also ruled it could not infer the requisite intent to defraud, hinder, or delay creditors from the fact the new structure for the Combination was not disclosed publicly until after the share exchange. Likewise, the Court found the Committee failed to allege any facts in the Bad Acts Complaint that support the inference that the clear and intended consequences of the "3:30 Board" were to hinder, delay, or defraud creditors. Nor were the Committee's proposed fiduciary-breach claims colorable because the Committee failed to plead sufficient facts to state a claim for a duty of care or a duty of loyalty violation at either Forest Oil or Legacy Sabine, or by the "Sabine Slate" board. With respect to the fiduciary-breach claims against the Forest Oil Board, the Bankruptcy Court held, among other things, that the Committee did not allege sufficient facts which, if proven, would establish the Forest Oil Board ~~had no duty~~ acted with "reckless indifference to ~~conduct~~or a ~~formal solvency analysis, given other information~~deliberate disregard of" the interests to whom the fiduciary duties were owed. For example, the Bankruptcy Court found that the ~~board could consider, the board was protected by exculpatory provisions in corporate governance documents,~~Committee did not sufficiently allege facts that would establish that the Legacy Forest Directors and ~~there was no showing of self dealing by~~ Officers responded to Mr. Sambrooks' letter in a

~~majority~~manner inconsistent with a proper discharge of ~~the board.~~their duty of care. The Court also held the fiduciary-breach claims against the "~~Sabine Slate" board~~3:30 Board" were not colorable because, among other things, the Committee's assertions that the board should have unwound the business combination were not plausible. As for the fiduciary-breach claims at the Sabine-subsidiary level, the Court held the putative defendants did not owe fiduciary duties to the subsidiaries. As for fiduciary-breach claims at the Sabine-parent level, the Court held, among other things, that the Committee's "scant" allegations were insufficient ~~and that operating agreement likely barred the proposed claims.~~.

The Bankruptcy Court also denied standing for claims for aiding and abetting breaches of fiduciary duty because, among other things, the Committee failed adequately to plead the requirements of substantial participation or actual knowledge, or underlying fiduciary breaches. The Bankruptcy Court also denied the Committee standing to pursue a claim for equitable subordination because, among other things, the ~~lenders had engaged in arms' length, contentious negotiations with Legacy Sabine and First Reserve over the proposed financing, and were not involved in developing the revised transaction structure that Forest Oil proposed and that Legacy Sabine accepted.~~allegation that the New RBL Agent and the New RBL Lenders knew the Combination was "doomed to fail" was contradicted and rendered implausible by the record, and the Committee, by its own admission, did not allege any conduct approaching unconscionable, unjust, or unfair, let alone any double dealing or foul conduct by the Second Lien Agent or Second Lien Lenders. In addition, the Bankruptcy Court rejected the Committee's request to pursue a claim for recharacterization. Finally, the Bankruptcy Court rejected the Committee's proposed calculation for the size of the First Lien Adequate Protection Claim and instead accepted as appropriate the Debtors' methodology for calculating the size of that claim, estimated to be $480 million.

Finally, the Court declined to rule on the colorability of the Bucket II Claims because the Debtors argued that they were pursuing settlement of those Claims in the context of a chapter 11 plan.

H. The Committee's Appeal of the Standing Decision and Motion to Stay Pending Appeal

On April 5, 2016, the Committee filed a Notice of Appeal [Docket No. 936] appealing the Court's STN Ruling (the "STN Appeal"). Similarly, on April 14, 2016, the Senior Notes Trustees each filed a Notice of Appeal [Docket Nos. 981 & 983] appealing the Court's STN Ruling. The STN Appeal is currently pending in the United States District Court for the Southern District of New York before the Honorable John G. Koeltl (Case No. 16-cv-2561). The Committee contends that, if the STN Ruling is overturned and the Committee prevails on the claims and causes of action that it sought authority to bring in its motions for standing, the recovery on such claims and causes of action will result in recoveries to unsecured creditors far in excess of the consideration that is to be provided to unsecured creditors under the Plan. The Debtors do not agree, but believe that a reversal of the Bankruptcy Court ruling that denied the standing motions could result in a remand to the Bankruptcy Court, at which time the Debtors could still prevail on other grounds, including based on arguments that the Bankruptcy Court did not address in its Standing Decision.

On April 11, 2016, Judge Koeltl entered an order setting a schedule for briefing of the STN Appeal, pursuant to which appellant briefs shall be filed no later than April 26, 2016, appellee briefs shall be filed no more than 21 days after service of the appellant brief, and appellant reply briefs shall be filed no later than seven days after the service of the appellee briefs [Distr. Ct. Docket No. 5]. Oral argument on the STN Appeal is scheduled for June 10, 2016.

On April 5, 2016, the Committee also filed a *Motion of Committee of Unsecured Creditors For a Stay Pending Appeal of (A) Any Action to Release Denied STN Claims and (B) Expiration of the Challenge Deadline to Pursue the Denied STN Claims* (the "Committee's Motion to Stay") [Docket No. 939]. On April 18, 2016, the Debtors filed an objection to the Committee's Motion to Stay ("Debtors' Stay Objection") [Docket No. 988], and the the other parties that had contested the Committee's STN Motion joined in the Debtors' Stay Objection or filed their own objections [Docket Nos. 989-994]. On April 18 and 19, 2016, the Committee filed its reply brief in support of the Committee's Motion to Stay, and the Senior Notes Trustees each filed a joinder [Docket Nos. 1000, 1002]. On April 22, 2016, the Bankruptcy Court held a hearing on the Committee's Motion to Stay, and, after oral argument, ruled from the bench, denying the motion.

~~H.~~I. Exclusivity

Under section 1121 of the Bankruptcy Code, a debtor has the exclusive right to file a plan of reorganization for an initial period of 120 days from the date on which the debtor filed for voluntary relief under chapter 11, which period (the "Exclusive Filing Period") may be extended by the bankruptcy court for a period of up to 18 months after the petition date. During the Exclusive Filing Period, no other party in interest may file a competing chapter 11 plan or plans; however, the bankruptcy court may modify the Exclusive Filing Period upon request of a party in interest and "for cause."

On November 9, 2015, the Debtors filed the *Motion for Entry of an Order Extending the Exclusive Periods During Which Only the Debtors May File a Chapter 11 Plan and Solicit Acceptances Thereof* [Docket No. 496] (the "Exclusivity Motion"). The Debtors asserted, among other things, that an extension of the exclusivity period in which only the Debtors may file a plan of reorganization was critical to the Debtors' continued progress toward achieving a consensual plan and ensuring the Debtors' emergence from chapter 11. On December 16, 2015, the Bankruptcy Court extended the Exclusive Filing Period through February 10, 2016 and the exclusive period for the Debtors to solicit votes on a chapter 11 plan through April 11, 2016 [Docket No. 614].

On February 5, 201~~5~~6, the Debtors filed a motion seeking to further extend the Exclusive Filing Period through June 9, 2016, and the exclusive period for the Debtors to solicit votes on a chapter 11 plan through August 9, 2016 [Docket No. 795] (the "Second Exclusivity Motion"). ~~No objections were filed to the Second Exclusivity Motion. The Bankruptcy Court has scheduled a hearing on the Second Exclusivity Motion for early April 2016.~~The Bankruptcy Court entered an order approving the Second Exclusivity Motion and extending the Exclusive Filing Period through and including June 9, 2016 and the exclusive period for the Debtors to solicit votes on a chapter 11 plan through and including August 9, 2016 [Docket No. 959]. The Debtors reserve the right to seek further extensions of their exclusive right to file a plan and solicit votes thereon as necessary and appropriate.

~~I.~~J. Mediation

On January 5, 2016, the Bankruptcy Court entered the *Order Selecting Mediator and Governing Mediation Procedure* [Docket No. 669] (the "Mediation Order"), appointing the Honorable Alan L. Gropper (ret.) as mediator (the "Mediator") in these Chapter 11 Cases. Pursuant to the Mediation Order, which was agreed to by several parties, including the Debtors, the Committee, certain of the RBL Lenders, the Second Lien Agent, an ad hoc group of holders of the 2019 and 2020 Notes, an ad hoc group of holders of the 2017 Notes, BNY, Delaware Trust, Wilmington, Barclays, certain current and former directors of Sabine, FRC Founders Corporation, and certain former officers and directors of Forest Oil (collectively, the "Mediation Parties").

With the Mediation Order, the Bankruptcy Court authorized the Mediator to mediate any issues concerning, among other things, the terms of any plan of reorganization relating to the claims and causes of action raised in the Adversary Proceeding, the Proposed Complaints, and the Independent Committee's Reports, as well as any issues related to the confirmation of a plan of reorganization, as the Bankruptcy Court deems appropriate (the "Mediation").

In accordance with the terms of the Mediation Order, the Mediation Parties participated in a "meet and confer" session with the Mediator on January 6, 2016 to establish procedures and timing for the Mediation. On January 22, 2016, the Mediation Parties submitted their mediation statements directly to the Mediator. Formal Mediation sessions were held on January 26, 27, and 28, 2016.

~~J.~~K. Negotiations Surrounding a Revised Plan

In January 2016, the Second Lien Lenders asserted that because the RBL Lenders were oversecured on the Petition Date, the Second Lien Lenders are also entitled to an adequate protection claim under the Cash Collateral Order.

The Second Lien Lenders further argued that, because of their right to adequate protection, including potential Adequate Protection Liens and administrative priority claims pursuant to 11 U.S.C.§ 507(b), the Second Lien Lenders were entitled to receive a greater recovery than general unsecured creditors. After extensive arms'~~-~~-length, good-faith negotiations among the Debtors, the RBL Agent and the Second Lien Agent, the parties agreed to

provide the Second Lien Lenders with additional consideration in the form of the Second Lien Equity Pool on account of the Second Lien Lenders' claim for adequate protection.

Finally, after several days of negotiations, the RBL Agent, the Second Lien Agent, and the Debtors agreed on the terms of the restructuring transaction embodied in the Plan.

VIII. THE DEBTORS' FINANCIAL PROJECTIONS AND VALUATION

A. Adequate Protection

The value of the Prepetition Collateral has decreased markedly during the pendency of these Chapter 11 Cases. As a result of that Collateral Diminution, under the terms of the Cash Collateral Order and Sections 361 and 363 of the Bankruptcy Code, the RBL Lenders, the RBL Agent, the Second Lien Agent, and the Second Lien Lenders have Adequate Protection Liens on and Adequate Protection Claims against all of the Debtors' prepetition and postpetition property in respect of the Collateral Diminution that has occurred since the Petition Date.

The Debtors calculated the amount of Collateral Diminution by calculating the difference between the fair-market or going-concern value of their prepetition collateral as of the Petition Date and as of the anticipated Effective Date. *See STN Ruling* [Docket No. 923] at p. 97-99. Specifically, the Debtors applied the methodology described below, which calculates a fair-market or going-concern value, on a risked basis, of encumbered assets at the two measurement dates.

These calculations have been made solely for the purposes of the plan of reorganization and for estimating adequate protection claims, and do not necessarily represent the value that would be realized in a liquidation or sale of the Debtors' assets.

These calculations are based principally on reserve information, development schedules, and other financial information provided by the Debtors' management, assuming continued operation of the Debtors' assets, as of the Petition Date and Effective Date. The Debtors and their advisors also conducted a lengthy and thorough analysis of the collateral as of the Petition Date and as of the anticipated Effective Date.

The Debtors and their advisors calculated the Collateral Diminution based on (1) the reserve value of the encumbered oil and gas assets ("Reserve Collateral Value"), and (2) the value of other collateral assets ("Other Collateral Asset Value," and together with the Reserve Collateral Value, the "Total Collateral Value"), at the Petition Date and at the Effective Date.

The value of the Debtors' oil and gas reserves were calculated using a net asset value ("NAV") approach. The NAV analysis estimates the value of the reserves by calculating the sum of the present value of cash flows generated by the Debtors' proved, probable, and possible oil and gas reserves. Under this methodology, future cash flows derived from the reserves are discounted at an industry-standard to (10) percent discount rate to estimate the aggregate present value of the cash flows. In addition, the discounted cash flows are risk adjusted based on specific reserve adjustment factors ("RAF") for each reserve category (proved, probable, and possible) that the Society of Petroleum Evaluation Engineers ("SPEE") has developed in its 34th annual survey dated June 2015.

The Debtors and their advisors then determined the Reserve Collateral Value at the Petition Date and at the Effective Date by reviewing the Debtors' records detailing the properties on which the RBL Lenders, RBL Agent, Second Lien Agent, and Second Lien Lenders held a valid and perfected lien based on the Debtors' views about the extent of the prepetition liens granted to the RBL Agent and the Second Lien Agent. Using this lien analysis, the Debtors and their advisors estimated the reserve value of the wells encumbered by the RBL Agent's and Second Lien Agent's mortgages, on the Petition Date and the Effective Date.

Based on this approach, the Debtors calculated the Reserve Collateral Value as of the Petition Date to be approximately $900.1 million - $1,097.2 million (with a midpoint of $998.7 million) and as of the Effective Date to be and $492.8 million - $624.6 million (with a midpoint of $558.7 million).

In addition to the oil and gas reserves, the RBL Agent and the Second Lien Agent also have a valid and perfected lien on: (1) oil and gas receivables, to the extent these receivables relate to the sale of the RBL Lenders' and Second Lien Lenders' collateral; (2) joint interest billing receivables, to the extent these receivables relate to the production and sale of the RBL Agent's and Second Lien Agent's collateral; and (3) cash, to the extent that it represents net proceeds from the sale of the RBL Agent's and Second Lien Agent's collateral (collectively, "Other Collateral Assets"). The Debtors estimate the Other Collateral Asset Value as of the Petition Date and as of the Effective Date to be approximately $35.5 million and $70.6 million, respectively.

Given the Total Collateral Value, the RBL Lenders were oversecured on the Petition Date; thus, the Second Lien Lenders also had liens on Prepetition Collateral. Because the value of the Second Lien Agent's Prepetition Collateral—like the value of the RBL Agent's Prepetition Collateral—has declined during the pendency of these chapter 11 cases, the Second Lien Agent also has Adequate Protection Claims.

To reflect the Debtors' $24.3 million swap-related payments made in accordance with the Cash Collateral Order—the Huntington Payment and the ML Commodities Payment (defined in VII.D.2.d, *supra*)—the Debtors have reduced the RBL Lenders' and the RBL Agent's Adequate Protection Claims by $24.3 million.

The Debtors and their advisors thus calculate the RBL Lenders', the RBL Agent's, the Second Lien Lenders', and the Second Lien Agent's Adequate Protection Claims as follows:[22],[23],[24]

	Low	High	Midpoint
($ in millions)			
	Petition Date		
Reserve Collateral Value	$900.1	$1,097.2	$998.7
Other Collateral Value	35.5	35.5	35.5
Total Collateral Value	**$935.6**	**$1,132.7**	**$1,034.1**
	Effective Date		
Reserve Collateral Value	$492.8	$624.6	$558.7
Other Collateral Value	70.6	70.6	70.6
Total Collateral Value	**$563.4**	**$695.2**	**$629.3**
	Adequate Protection Claim		
Initial RBL Lender Adequate Protection Claim	$363.4	$231.6	$297.5
Post-petition Paydown	(24.3)	(24.3)	(24.3)
Final RBL Lender Adequate Protection Claim	$339.1	$207.2	$273.2
Second Lien Lender Adequate Protection Claim	8.8	205.9	107.3
Total Remaining Adequate Protection Claim	**$347.9**	**$413.1**	**$380.5**

[22] The RBL Agent and Second Lien Agent hold valid and perfected prepetition liens on the Debtors' North Texas Gathering System. The Debtors have not included the value of that gas gathering system in its estimates of Total Collateral Value at either the Petition Date or the Effective Date. The Debtors, however, expect that the value of the North Texas Gathering System has declined during the pendency of these Chapter 11 Cases and that including that asset value in these calculations would increase the RBL Agent and Second Lien Agent's Adequate Protection Claims.

[23] The Debtors' estimate of Total Collateral Value at the Petition Date excludes approximately 225 probable undeveloped drilling locations in the Haynesville formation (the "Additional Haynesville Locations"). The Additional Haynesville Locations are included in the Debtors' estimate of Total Collateral Value as of the Effective Date. The Additional Haynesville Locations existed and had been identified as of Petition Date, but were not reflected in the Debtors' reserve information and development schedule at that time. The RBL Agent and Second Lien Agent hold a valid and perfected prepetition lien on the substantial majority of the Additional Haynesville Locations. The Debtors expect that including the value of the Additional Haynesville Locations in the estimate of Total Collateral Value at the Petition Date would result in a substantial increase in the RBL Lenders, the RBL Agent, the Second Lien Agent, and the Second Lien Agent's Adequate Protection Claims.

[24] The Debtors have not included a surcharge on account of any 506(c) or 552(b) claim because encumbered wells were cash flow positive and the only feasible surcharge would be the allocation of Unallocated G&A. *See* Discussion of Disputed Cash, SectionVII.D.2.a.

B. Consolidated Income Statement

Attached hereto as **Exhibit C** is a projected consolidated income statement, which includes ~~the following: (a) the Debtors' consolidated, unaudited, preliminary, financial statement information for the fiscal year ended December 31, 2015 and (b)~~ consolidated, projected, unaudited, financial statement information of the Reorganized Debtors (collectively, the "Financial Projections") for the period beginning 2016 and continuing through 2020. The Financial Projections are based on an assumed Effective Date of June 30, 2016. To the extent that the Effective Date occurs before or after June 30, 2016, recoveries on account of Allowed Claims could be impacted. Creditors and other interested parties should see the below "Risk Factors" for a discussion of certain factors that may affect the future financial performance of the Reorganized Debtors.

In conjunction with formulating the Plan and satisfying its obligations under section 1129 of the Bankruptcy Code, the Debtors determined that it was necessary to estimate the post-confirmation going concern value of the Debtors. Accordingly, a valuation analysis is attached hereto as **Exhibit D**.

IX. RISK FACTORS

Holders of Claims should read and consider carefully the risk factors set forth below before voting to accept or reject the Plan. Although there are many risk factors discussed below, these factors should not be regarded as constituting the only risks present in connection with the Debtors' businesses or the Plan and its implementation.

A. Certain Bankruptcy Law Considerations

The occurrence or non-occurrence of any or all of the following contingencies, and any others, could affect distributions available to Holders of Allowed Claims under the Plan but will not necessarily affect the validity of the vote of the Impaired Classes to accept or reject the Plan or necessarily require a re-solicitation of the votes of Holders of Claims in such Impaired Classes.

1. Parties-in-Interest May Object to the Plan's Classification of Claims and Interests

Section 1122 of the Bankruptcy Code provides that a plan may place a claim or an equity interest in a particular class only if such claim or equity interest is substantially similar to the other claims or equity interests in such class. The Debtors believe that the classification of the Claims under the Plan complies with the requirements set forth in the Bankruptcy Code because the Debtors created Classes of Claims, each encompassing Claims that are substantially similar to the other Claims in each such Class. Nevertheless, there can be no assurance that the Bankruptcy Court will reach the same conclusion.

The Committee contends that there are several flaws in the Plan's classification of Claims and Interests. First, the Committee contends that the Plan improperly classifies the Second Lien Lenders' alleged adequate protection claim. Specifically, the Plan treats Class 4a Second Lien Adequate Protection Claims as having an Allowed Claim in the amount of $50 million which, according to this Disclosure Statement, "provides the Second Lien Agent with a recovery on account of its claim for adequate protection." The Committee asserts that the Second Lien Lenders' alleged adequate protection claim is a postpetition administrative expense under section 507(b) of the Bankruptcy Code and, as such, should neither be classified in Class 4a nor be entitled to vote on the Plan.

Second, the Committee contends that the Plan improperly divides unsecured claims into several different voting classes. Specifically, the Plan separately classifies (i) Class 5a 2017 Senior Notes Claims, (ii) Class 5b 2019 Senior Notes Claims, (iii) Class 5c 2020 Senior Notes Claims and (iv) Class 6 General Unsecured Claims. The Debtors have separately classified the Senior Notes Claims so that holders of such claims can receive their recovery on the Effective Date or as soon as practicable thereafter without having to wait for the Debtors to complete the claims reconciliation process. Nevertheless, the Committee intends to object to the Plan on the basis of these classification issues, and believes that other parties-in-interest may object to the Plan on similar grounds.

2. Parties-in-Interest May Object to the Plan on Substantive Consolidation Grounds

The Plan states that it does not provide for the substantive consolidation of the Debtors' Estates, and that on the Effective Date, the Debtors' Estates shall not be deemed to be substantively consolidated for any reason. The Debtors and the RBL Agent agreed to the fair treatment of all creditors, so all creditors at all entities, whether or not entitled to any value, receive an equal distribution.

The Committee contends that the Plan does, in fact, effect a substantive consolidation of the Debtors' Estates because the Plan's proposed classification and treatment do not distinguish between claims held against one Debtor Estate as opposed to claims held against multiple Debtor Estates. Specifically, the Committee argues that the Plan provides the same treatment to holders of Allowed Senior Notes Claims and holders of Allowed General Unsecured Claims, notwithstanding that Allowed Senior Notes Claims are claims against each Debtor Estate while Allowed General Unsecured Claims (other than deficiency claims of the Second Lien Agent) may be claims against just one Debtor Estate. The Committee further contends that the Liquidation Analysis does not include detail on an Estate by Estate basis, but rather analyzes all of the Debtors' Estates together on a substantively consolidated basis. Accordingly, the Committee intends to object to the Plan on the basis that they effect an improper substantive consolidation without providing appropriate disclosure or justification to establish that substantive consolidation is necessary or appropriate. The Committee further believes that other parties-in-interest may raise similar objections.

~~2.~~3. *The Conditions Precedent to the Effective Date of the Plan May Not Occur*

As more fully set forth in Article IX of the Plan, the Effective Date is subject to a number of conditions precedent. If such conditions precedent are not met or waived, the Effective Date will not take place.

~~3.~~4. *Failure to Satisfy Vote Requirements*

If votes are received in number and amount sufficient to enable the Bankruptcy Court to confirm the Plan, the Debtors intend to seek, as promptly as practicable thereafter, Confirmation of the Plan. In the event that sufficient votes are not received, the Debtors may seek to confirm an alternative chapter 11 plan. There can be no assurance that the terms of any such alternative chapter 11 plan would be similar or as favorable to the Holders of Allowed Claims as those proposed in the Plan.

~~4.~~5. *The Debtors May Not Be Able to Secure Confirmation of the Plan*

Section 1129 of the Bankruptcy Code sets forth the requirements for confirmation of a chapter 11 plan, and requires, among other things, a finding by the bankruptcy court that: (a) such plan "does not unfairly discriminate" and is "fair and equitable" with respect to any non-accepting classes; (b) confirmation of such plan is not likely to be followed by a liquidation or a need for further financial reorganization unless such liquidation or reorganization is contemplated by the plan; and (c) the value of distributions to non-accepting holders of claims and equity interests within a particular class under such plan will not be less than the value of distributions such holders would receive if the debtors were liquidated under chapter 7 of the Bankruptcy Code.

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 Bankruptcy Court will confirm the Plan. A non-accepting Holder of an Allowed Claim might challenge either the adequacy of this Disclosure Statement or whether the solicitation procedures and voting results satisfy the requirements of the Bankruptcy Code or Bankruptcy Rules. Even if the Bankruptcy Court determined that this Disclosure Statement, the solicitation procedures and voting results were appropriate, the Bankruptcy Court could still decline to confirm the Plan if it found that any of the statutory requirements for Confirmation had not been met.

Confirmation of the Plan is also subject to certain conditions as described in Article VIII of the Plan. If the Plan is not confirmed, it is unclear what distributions, if any, Holders of Allowed Claims would receive with respect to their Allowed Claims.

The Debtors, subject to the terms and conditions of the Plan, reserve the right to modify the terms and conditions of the Plan as necessary for Confirmation. Any such modifications could result in a less favorable treatment of any non-accepting Class, as well as of any Classes junior to such non-accepting Class, than the treatment currently provided in the Plan. Such a less favorable treatment could include a distribution of property to the Class affected by the modification of a lesser value than currently provided in the Plan or no distribution of property whatsoever under the Plan.

~~5.~~6. *Nonconsensual Confirmation*

In the event that any Impaired Class of Claims or Interests does not accept a chapter 11 plan, a bankruptcy court may nevertheless confirm a plan at the proponents' request if at least one Impaired Class has accepted the plan (with such acceptance being determined without including the vote of any "insider" in such class), and, as to each impaired class that has not accepted the plan, the bankruptcy court determines that the plan "does not discriminate unfairly" and is "fair and equitable" with respect to the dissenting impaired classes. The Debtors believe that the Plan satisfies these requirements, and the Debtors may request such nonconsensual Confirmation in accordance with subsection 1129(b) of the Bankruptcy Code. Nevertheless, there can be no assurance that the Bankruptcy Court will reach this conclusion. In addition, the pursuit of nonconsensual Confirmation or Consummation of the Plan may result in, among other things, increased expenses relating to Accrued Professional Compensation Claims.

~~6.~~7. The Debtors May Object to the Amount or Classification of a Claim

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

~~7.~~8. Risk of Non-Occurrence of the Effective Date

Although the Debtors believe that the Effective Date may occur quickly after the Confirmation Date, there can be no assurance as to such timing or as to whether the Effective Date will, in fact, occur.

~~8.~~9. Contingencies Could Affect Votes of Impaired Classes to Accept or Reject the Plan

The distributions available to Holders of Allowed Claims under the Plan can be affected by a variety of contingencies, including, without limitation, whether the Bankruptcy Court orders certain Allowed Claims to be subordinated to other Allowed Claims. The occurrence of any and all such contingencies, which could affect distributions available to Holders of Allowed Claims under the Plan, will not affect the validity of the vote taken by the Impaired Classes to accept or reject the Plan or require any sort of revote by the Impaired Classes.

The estimated Claims and creditor recoveries set forth in this Disclosure Statement are based on various assumptions, and the actual Allowed amounts of Claims may significantly differ from the estimates. Should one or more of the underlying assumptions ultimately prove to be incorrect, the actual Allowed amounts of Claims may vary from the estimated Claims contained in this Disclosure Statement. Moreover, the Debtors cannot determine with any certainty at this time, the number or amount of Claims that will ultimately be Allowed. Such differences may materially and adversely affect, among other things, the percentage recoveries to Holders of Allowed Claims under the Plan.

~~9.~~10. Releases, Injunctions, and Exculpations Provisions May Not Be Approved

The Plan provides for certain releases, injunctions, and exculpations. However, such releases, injunctions, and exculpations are subjection to objection by parties-in-interest and may not be approved. If the releases are not approved, certain Released Parties may not support the Plan.

B. Risks Related to Recoveries Under the Plan

1. Debtors Cannot State with Certainty What Recovery Will Be Available to Holders of Allowed Claims in Voting Classes

The Debtors cannot know with certainty, at this time, the number or amount of Claims in Voting Classes that will ultimately be Allowed. Accordingly, because certain Claims under the Plan will be paid on a Pro Rata basis, the Debtors cannot state with certainty what recoveries will be available to Holders of Allowed Claims in Voting Classes.

2. The Debtors May Not Be Able to Achieve Their Projected Financial Results

With respect to holders of Interests in the Reorganized Debtors, the Reorganized Debtors may not be able to achieve their projected financial results. The Financial Projections set forth in this Disclosure Statement represent the Debtors' management team's best estimate of the Reorganized Debtors' future financial performance, which is necessarily based on certain assumptions regarding the anticipated future performance of the Reorganized Debtors' operations, as well as the United States and world economies in general, and the particular industry segments in which the Reorganized Debtors will operate in particular. While the Debtors believe that the Financial Projections contained in this Disclosure Statement are reasonable, there can be no assurance that they will be realized. If the Reorganized Debtors do not achieve their projected financial results, (a) the value of the New Common Stock may be negatively affected, (b) the Reorganized Debtors may lack sufficient liquidity to continue operating as planned after the Effective Date and (c) the Reorganized Debtors may be unable to service their debt obligations as they

come due. Moreover, the financial condition and results of operations of the Reorganized Debtors from and after the Effective Date may not be comparable to the financial condition or results of operations reflected in the Debtors' historical financial statements.

3. The Reorganized Debtors' New Common Stock Will Not Be Publicly Traded

There can be no assurance that an active market for the New Common Stock will develop, nor can any assurance be given as to the prices at which such stock might be traded. The New Common Stock to be issued under the Plan will not be listed on or traded on any nationally recognized market or exchange. Further, the New Common Stock to be issued under the Plan has not been registered under the Securities Act, any state securities laws or the laws of any other jurisdiction. Absent such registration, the New Common Stock may be offered or sold only in transactions that are not subject to, or that are exempt from, the registration requirements of the Securities Act and other applicable securities laws. As explained in more detail in Article XII herein, most recipients of New Common Stock will be able to resell such securities without registration pursuant to the exemption provided by Rule 144 of the Securities Act, subject to any restrictions set forth in the certificate of incorporation and bylaws of Sabine.

4. The Warrants May Not Become Exercisable Prior to Expiration

There can be no assurance that the total enterprise value of the Reorganized Debtors will ever reach the thresholds at which the Tranche 1 Warrants and the Tranche 2 Warrants become exercisable, respectively, prior to the respective expiration of the Tranche 1 Warrants and the Tranche 2 Warrants.

5. Actual Amounts of Allowed Claims May Differ from the Estimated Claims and Adversely Affect the Percentage Recovery on Unsecured Claims

The Claims estimates set forth in Article IV.D above, "What will I receive from the Debtors if the Plan is consummated?," are based on various assumptions. The actual amounts of Allowed Claims may differ significantly from those estimates should one or more underlying assumptions prove to be incorrect. Such differences may adversely affect the percentage of recovery.

6. Small Number of Holders or Voting Blocks May Control the Reorganized Debtors

Consummation of the Plan may result in a small number of holders owning a significant percentage of the shares of the New Common Stock. These holders may, among other things, exercise a controlling influence over the Reorganized Debtors and have the power to elect directors and approve significant transactions.

7. Impact of Interest Rates

Changes in interest rates may affect the fair market value of the Reorganized Debtors' assets and/or the distributions to Holders of Claims under the Plan.

8. Oil and Natural Gas Prices Are Volatile, and Low Oil or Natural Gas Prices Could Materially Adversely Affect the Debtors' Businesses, Results of Operations, and Financial Condition

The Reorganized Debtors' revenues, profitability and the value of the Debtors' properties substantially depend on prevailing oil and natural gas prices. Oil and natural gas are commodities, and therefore, their prices are subject to wide fluctuations in response to changes in supply and demand. Oil and natural gas prices historically have been volatile and are likely to continue to be volatile in the future, especially given current economic and geopolitical conditions. During the second half of 2014, prompt month NYMEX-WTI oil prices fell from in excess of $100 per barrel to the mid $50s, the lowest price since 2009, when prices briefly fell below $35 per barrel. Thus far in 201~~5~~6, commodity prices have continued to be depressed, with NYMEX-Henry Hub natural gas prices ranging from approximately $~~2.55~~1.64 per MMBtu to $~~3.30~~2.47 per MMBtu and NYMEX-WTI oil prices ranging from approximately $~~38~~26 per barrel to $~~61~~44 per barrel through ~~September 16, 2015~~April 26, 2016. The Debtors expect such volatility to continue in the future. The prices for oil and natural gas are subject to a variety of factors beyond the Debtors' control, such as:

- domestic and global economic conditions impacting the supply and demand of oil and natural gas;
- uncertainty in capital and commodities markets;
- the price and quantity of foreign imports;
- domestic and global political conditions, particularly in oil and natural gas producing countries or regions, such as the Middle East, Russia, the North Sea, Africa and South America;
- the ability of members of the OPEC and other producing countries to agree upon and maintain oil prices and production levels;
- the level of consumer product demand, including in emerging markets such as China;
- weather conditions and force majeure events such as earthquakes and nuclear meltdowns;
- technological advances affecting energy consumption and the development of oil and natural gas reserves;
- domestic and foreign governmental regulations and taxes, including administrative or agency actions and policies;
- commodity processing, gathering and transportation cost and availability, and the availability of refining capacity;
- the price and availability of alternative fuels and energy;
- the strengthening and weakening of the United States dollar relative to other currencies; and
- variations between product prices at sales points and applicable index prices.

Oil and natural gas prices will affect the amount of cash flow available to the Reorganized Debtors to meet their financial commitments and fund capital expenditures. Oil and natural gas prices also impact the Reorganized Debtors' ability to borrow money and raise additional capital. For example, the amount the Reorganized Debtors will be able to borrow under the Exit Revolver Credit Facility will be subject to periodic redeterminations based, in part, on current oil and natural gas prices and on changing expectations of future prices. Lower prices may also reduce the amount of oil and natural gas that the Reorganized Debtors can economically produce and have an adverse effect on the value of the Reorganized Debtors' reserves, which could result in material impairments to the Reorganized Debtors' oil and natural gas properties. As a result, if there is a further decline or sustained depression in commodity prices, the Reorganized Debtors may, among other things, be unable to maintain or increase their borrowing capacity, meet their debt obligations or other financial commitments, or obtain additional capital, all of which could materially adversely affect the Reorganized Debtors' businesses, results of operations, and financial condition.

9. Drilling for and Producing Oil and Natural Gas Are High Risk Activities with Many Uncertainties That Could Materially Adversely Affect the Reorganized Debtors' Businesses, Results of Operations, and Financial Condition

The Reorganized Debtors' operations are subject to many risks, including the risk that the Reorganized Debtors will not discover commercially productive reservoirs. Drilling for oil and natural gas can be unprofitable, not only from dry holes, but from productive wells that do not produce sufficient revenue to return a profit. The Reorganized Debtors' decisions to purchase, explore, develop, or otherwise exploit prospects or properties will depend in part on the evaluation of data obtained through geophysical and geological analyses, as well as production data and engineering studies, the results of which are often inconclusive or subject to varying interpretations. In addition, the results of the Reorganized Debtors' exploratory drilling in new or emerging areas are more uncertain than drilling results in areas that are developed and have established production, and the Reorganized Debtors' operations may involve the use of recently-developed drilling and completion techniques. The Reorganized

Debtors' cost of drilling, completing, equipping, and operating wells is often uncertain before drilling commences. Declines in commodity prices and overruns in budgeted expenditures are common risks that can make a particular project uneconomic or less economic than forecasted. Further, many factors may curtail, delay, or cancel drilling and completion projects, including the following:

- delays or restrictions imposed by or resulting from compliance with regulatory and contractual requirements;
- delays in receiving governmental permits, orders, or approvals;
- differing pressure than anticipated or irregularities in geological formations;
- equipment failures or accidents;
- adverse weather conditions;
- surface access restrictions;
- loss of title or other title related issues;
- shortages or delays in the availability of, increases in the cost of, or increased competition for, drilling rigs and crews, fracture stimulation crews and equipment, pipe, chemicals, and supplies; and
- restrictions in access to or disposal of water resources used in drilling and completion operations.

Historically, there have been shortages of drilling and workover rigs, pipe, other oilfield equipment, and skilled personnel as demand for rigs, equipment, and personnel has increased along with the number of wells being drilled. These factors may, among other things, cause significant increases in costs for equipment, services, and/or personnel. Such shortages or increases in costs could significantly decrease the Debtors' profit margin, cash flow, and operating results, or restrict the Reorganized Debtors' operations in the future.

The occurrence of certain of these events, particularly equipment failures or accidents, could impact third parties, including persons living in proximity to the Reorganized Debtors' operations, the Reorganized Debtors' employees, and employees of the Reorganized Debtors' contractors, leading to possible injuries, death, or significant property damage. As a result, the Reorganized Debtors face the possibility of liabilities from these events that could materially adversely affect the Reorganized Debtors' businesses, results of operations, and financial condition.

10. The Reorganized Debtors May Be Adversely Affected by Potential Litigation, Including Litigation Arising Out of the Chapter 11 Cases

In the future, the Reorganized Debtors may become party to litigation. In general, litigation can be expensive and time consuming to bring or defend against. Such litigation could result in settlements or damages that could significantly affect the Reorganized Debtors' financial results. It is also possible that certain parties will commence litigation with respect to the treatment of their Claims under the Plan. It is not possible to predict the potential litigation that the Reorganized Debtors may become party to, nor the final resolution of such litigation. The impact of any such litigation on the Reorganized Debtors' businesses and financial stability, however, could be material.

11. Certain Claims May Not Be Discharged and Could Have a Material Adverse Effect on the Debtors' Financial Condition and Results of Operations

The Bankruptcy Code provides that the confirmation of a plan of reorganization discharges a debtor from substantially all debts arising prior to confirmation. With few exceptions, all claims that arise prior to the Debtors' filing a petition for reorganization under the Bankruptcy Code or before confirmation of the plan of reorganization (a) would be subject to compromise and/or treatment under the Plan and/or (b) would be discharged in accordance with the terms of the Plan. Any claims not ultimately discharged through the Plan could be asserted against the

reorganized entity and may have an adverse effect on the Reorganized Debtors' financial condition and results of operations on a post-reorganization basis.

C. Disclosure Statement Disclaimer

1. Information Contained Herein Is for Soliciting Votes

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

2. This Disclosure Statement Was Not Approved by the United States Securities and Exchange Commission

This Disclosure Statement was not filed with the United States Securities and Exchange Commission under the Securities Act or applicable state securities laws. Neither the United States Securities and Exchange Commission nor any state regulatory authority has passed upon the accuracy or adequacy of this Disclosure Statement, or the exhibits or the statements contained herein, and any representation to the contrary is unlawful.

3. Reliance on Exemptions from Registration

This Disclosure Statement has been prepared pursuant to section 1125 of the Bankruptcy Code and Bankruptcy Rule 3016(b) and is not necessarily in accordance with federal or state securities laws or other similar laws.

4. No Legal or Tax Advice Is Provided to You by this Disclosure Statement

This Disclosure Statement is not legal advice to you. The contents of this Disclosure Statement should not be construed as legal, business, or tax advice. Each Holder of a Claim or Interest should consult his or her own legal counsel and accountant with regard to any legal, tax, and other matters concerning his or her Claim or Interest. This Disclosure Statement may not be relied upon for any purpose other than to determine how to vote on the Plan or object to Confirmation of the Plan.

5. No Admissions Made

The information and statements contained in this Disclosure Statement will neither (a) constitute an admission of any fact or liability by any Entity (including, without limitation, the Debtors) nor (b) be deemed evidence of the tax or other legal effects of the Plan on the Debtors, Holders of Allowed Claims or Interests, or any other parties-in-interest.

6. Failure to Identify Litigation Claims or Projected Objections

No reliance should be placed on the fact that a particular litigation claim or projected objection to a particular Claim or Interest is, or is not, identified in this Disclosure Statement. The Debtors or Reorganized Debtors, as the case may be, may seek to investigate, File, and prosecute Claims and may object to Claims after the Confirmation or Effective Date of the Plan irrespective of whether this Disclosure Statement identifies such Claims or objections to Claims.

7. No Waiver of Right to Object or Right to Recover Transfers and Assets

The vote by a Holder of an Allowed Claim or Interest for or against the Plan does not constitute a waiver or release of any Claims, Causes of Action, including Causes of Action against any "insider" as that term is defined in section 101(31) of the Bankruptcy Code, or rights of the Debtors, or the Reorganized Debtors (or any party in interest, as the case may be) to object to that Holder's Allowed Claim, or recover any preferential, fraudulent, or other voidable transfer of assets, regardless of whether any Claims or Causes of Action, including Causes of Action against any "insider" as that term is defined in section 101(31) of the Bankruptcy Code of the Debtors or their respective Estates, are specifically or generally identified herein.

8. Information Was Provided by the Debtors and Was Relied Upon by the Debtors' Advisors

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

9. Potential Exists for Inaccuracies, and the Debtors Have No Duty to Update

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

10. No Representations Outside This Disclosure Statement Are Authorized

No representations concerning or relating to the Debtors, these Chapter 11 Cases, or the Plan are authorized by the Bankruptcy Court or the Bankruptcy Code, other than as set forth in this Disclosure Statement. Any representations or inducements made to secure your acceptance or rejection of the Plan that are other than as contained in, or included with, this Disclosure Statement, should not be relied upon by you in arriving at your decision. You should promptly report unauthorized representations or inducements to the counsel to the Debtors, the U.S. Trustee, and counsel to the Committee.

D. Liquidation Under Chapter 7

If no plan can be Confirmed, the Debtors' Chapter 11 Cases may be converted to cases under chapter 7 of the Bankruptcy Code, pursuant to which a trustee would be elected or appointed to liquidate the assets of the Debtors for distribution in accordance with the priorities established by the Bankruptcy Code. A discussion of the effects that a chapter 7 liquidation would have on the recoveries of Holders of Claims and the Debtors' Liquidation Analysis is described herein and attached hereto as **Exhibit E**.

X. SOLICITATION AND VOTING PROCEDURES

This Disclosure Statement, which is accompanied by a Ballot or Ballots to be used for voting on the Plan, is being distributed to the Holders of Claims in those Classes that are entitled to vote to accept or reject the Plan, as well as to Holders that are not entitled to vote but may elect to opt out of certain third party releases contained in the Plan. The procedures and instructions for voting or making an opt out election and related deadlines are set forth in the exhibits annexed to the Disclosure Statement Order, which is attached hereto as **Exhibit B**.

The Disclosure Statement Order is incorporated herein by reference and should be read in conjunction with this Disclosure Statement and in formulating a decision to vote to accept or reject the Plan or to elect to opt out of certain third party releases.

THE DISCUSSION OF THE SOLICITATION, VOTING, AND OPT OUT ELECTION PROCESS SET FORTH IN THIS DISCLOSURE STATEMENT IS ONLY A SUMMARY.

PLEASE REFER TO THE DISCLOSURE STATEMENT ORDER ATTACHED HERETO FOR A MORE COMPREHENSIVE DESCRIPTION OF SOLICITATION, VOTING, AND OPT OUT ELECTION PROCESSES.

A. Holders of Claims Entitled to Vote on the Plan

Under the provisions of the Bankruptcy Code, not all Holders of claims against a debtor are entitled to vote on a chapter 11 plan. The table in Article IV.C of this Disclosure Statement provides a summary of the status and voting rights of each Class (and, therefore, of each Holder within such Class absent an objection to the Holder's Claim) under the Plan. As shown in the table, the Debtors are soliciting votes to accept or reject the Plan only from Holders of Claims in Classes 3, 44b, 5a, 5b, 5c, 6, and 7 (collectively, the "Voting Classes").

The Holders of Claims in the Voting Classes are Impaired under the Plan and may, in certain circumstances, receive a distribution under the Plan. Accordingly, Holders of Claims in the Voting Classes have the right to vote to accept or reject the Plan.

The Debtors are **not** soliciting votes from Holders of Claims and Interests in Classes 1, 2, 8, 9, 10, and 11; however, the Debtors are sending this Disclosure Statement, along with a notice of non-voting status (the "Notice of Non-Voting Status"), to such Holders, along with an election form (each such form an "Election Form") to permit such Holders to opt out of the third-party releases contained in the Plan. Additionally, the Disclosure Statement Order provides that certain Holders of Claims in the Voting Classes, such as those Holders whose Claims have been disallowed or are subject to a pending objection, are not entitled to vote to accept or reject the Plan.

B. Voting Record Date

The Voting Record Date is [April 21], 2016. The Voting Record Date is the date on which it will be determined which Holders of Claims in the Voting Classes are entitled to vote to accept or reject the Plan and whether Claims have been properly assigned or transferred under Bankruptcy Rule 3001(e) such that an assignee can vote as the Holder of a Claim.

C. Voting on the Plan

The Voting Deadline is [June 83], 2016, at 5:00 p.m. (prevailing Eastern Time). In order to be counted as votes to accept or reject the Plan, all Ballots must be properly executed, completed and delivered (either by using the return envelope provided, by first class mail, overnight courier or personal delivery) so that they are **actually received** on or before the Voting Deadline by the Debtors' Notice and Claims Agent at the following address:

DELIVERY OF BALLOTS AND ELECTION FORMS

If by Regular Mail, Hand-Delivery or Overnight Courier to:

Sabine Ballot Processing
c/o Prime Clerk LLC
830 Third Avenue, 3rd Floor
New York, NY 10022

If you received an envelope addressed to your nominee, please allow sufficient time when you return your Ballot or Election Form for your nominee to receive your vote and/or election and include it on its Master Ballot or master Election Form, which must be submitted to the Notice and Claims Agent before the Voting Deadline.

D. Opting Out of the Third Party Releases

The Plan contains third party releases as part of the Settlement. In that respect, parties-in-interest should be aware that, if the Plan is confirmed and the Effective Date occurs, certain parties will be getting releases and certain parties will be giving releases as set forth in Article VIII.G of the Plan and as further described in Article IV.Q.4 of this Disclosure Statement.

The Committee contends that the "opt out" mechanism described below for the third party release provision contained in Article VIII.G of the Plan is improper and must be stricken or replaced with an "opt in" mechanism. An "opt in" mechanism would require that a Holder of a Claim or Interest grants the release contained in Article VIII.G of the Plan only if such Holder checks a box to affirmatively indicate that it elects to grant the release contained in Article VIII.G of the Plan. The Committee contends that such an "opt in" mechanism is the only means of protecting Holders of Claims or Interests from inadvertently or involuntarily granting the release contained in Article VIII.G of the Plan. The Committee intends to object to the Plan to the extent that it does not include an "opt in" mechanism as described herein.

1. Opting Out: Holders of Claims Entitled to Vote

If a Holder of a Claim entitled to vote does not consent to the third party releases contained in Article VIII.G of the Plan, such Holder may elect to opt out and not grant such releases but only if such Holder checks the "opt out" box set forth on such Holder's Ballot and only with respect to Released Parties other than ~~(a) the RBL Agent, (b) each of the RBL Lenders, (c) each of the RBL Agent's and RBL Lender's respective affiliates and (d) each of their and their respective affiliates' current and former equity Holders (regardless of whether such interests are held directly or indirectly), predecessors, successors, and assigns, subsidiaries, and their current and former officers, directors, managers, principals, members, employees, agents, advisory board members, financial advisors, partners, attorneys, accountants, investment bankers, consultants, representatives, and other professionals, each in their capacity as such.~~the RBL Released Parties. Election to withhold consent is at each Holder's option. If a Holder of a Claim entitled to vote (a) fails to submit a Ballot by the Voting Deadline, or (b) submits a Ballot but does not check the "opt out" box, then such Holder will be deemed to consent to the third party releases contained in Article VIII.G of the Plan.

The Committee contends that the Plan does not provide unsecured creditors with value in exchange for granting the third party releases contained in Article VIII.G of the Plan. **Accordingly, the Committee recommends that all Holders of Class 5a 2017 Senior Notes Claims, Class 5b 2019 Senior Notes Claims, Class 5c 2020 Senior Notes Claims and Class 6 General Unsecured Claims opt out of the third party releases contained in Article VIII.G of the Plan.**

As described above, the third party release of the RBL Released Parties is mandatory and does not contain an opt out.

2. Opting Out: Holders of Claims and Interests Not Entitled to Vote

With respect to a Holder of a Claim or Interest that is not entitled to vote, a Holder that is deemed to accept or reject the Plan will be deemed also to consent to the third party releases contained in Article VIII.G of the Plan **unless** such Holder completes and returns prior to the Voting Deadline the Election Form included with such Holder's Notice of Non-Voting Status, and such Election Form indicates such Holder's desire to opt out of the third party releases contained in Article VIII.G of the Plan. The Indenture Trustees for each of the Senior Notes will receive an Election Form, and will be entitled to opt out of the third party releases other than the mandatory third party releases of the RBL Released Parties.

E. Ballots and Election Forms Not Counted

No Ballot or Election Form will be counted toward Confirmation if, among other things: (i) it is illegible or contains insufficient information to permit the identification of the Holder of the Claim; (ii) it was transmitted by facsimile, email or other electronic means; (iii) it was cast by an entity that is not entitled to vote on the Plan; (iv) it was cast for a Claim listed in the Debtors' schedules of assets and liabilities as contingent, unliquidated or disputed for which the applicable bar date has passed and no proof of claim was timely filed; (v) it was cast for a Claim that is subject to an objection pending as of the Voting Record Date (unless temporarily allowed in accordance with the Disclosure Statement Order); (vi) it was sent to the Debtors, the Debtors' agents/representatives (other than the Notice and Claims Agent), an indenture trustee or the Debtors' financial or legal advisors instead of the Notice and Claims Agent; (vii) it is unsigned; or (viii) it is not clearly marked to either accept or reject the Plan or it is marked both to accept and reject the Plan. **Please refer to the Disclosure Statement Order for additional requirements with respect to voting to accept or reject the Plan.**

IF YOU HAVE ANY QUESTIONS ABOUT SOLICITATION, VOTING, OR OPT OUT PROCESSES, PLEASE CONTACT THE NOTICE AND CLAIMS AGENT TOLL-FREE AT (866) 692-6696. ANY BALLOT RECEIVED AFTER THE VOTING DEADLINE OR OTHERWISE NOT IN COMPLIANCE WITH THE SOLICITATION ORDER WILL NOT BE COUNTED.

XI. CONFIRMATION OF THE PLAN

A. Requirements for Confirmation of the Plan

Among the requirements for Confirmation of the Plan pursuant to section 1129 of the Bankruptcy Code are: (i) the Plan is accepted by all Impaired Classes of Claims, or if rejected by an Impaired Class, the Plan "does not discriminate unfairly" and is "fair and equitable" as to the Class; (ii) the Plan is feasible; and (iii) the Plan is in the "best interests" of holders of Claims.

At the Confirmation Hearing, the Bankruptcy Court will determine whether the Plan satisfies all of the requirements of section 1129 of the Bankruptcy Code. The Debtors believe that: (i) the Plan satisfies or will satisfy all of the necessary statutory requirements of chapter 11; (ii) the Debtors have complied or will have complied with all of the necessary requirements of chapter 11; and (iii) the Plan has been proposed in good faith.

B. Best Interests of Creditors/Liquidation Analysis

Often called the "best interests" test, section 1129(a)(7) of the Bankruptcy Code requires that a bankruptcy court find as a condition to confirmation that a chapter 11 plan provide, with respect to each class, that each holder of a claim or an equity interest in the class either (i) has accepted the plan or (ii) will receive or retain under the plan property of a value that is not less than the amount that the holder would receive or retain if the debtors liquidated under chapter 7.

Attached hereto as **Exhibit E** and incorporated herein by reference is a liquidation analysis (the "Liquidation Analysis") prepared by the Debtors with the assistance of Zolfo Cooper and Lazard. As reflected in the Liquidation Analysis, the Debtors believe that liquidation under chapter 7 of the Bankruptcy Code of the Debtors' businesses would result in a substantial decrease in the value to be realized by Holders of Claims as compared to distributions contemplated under the Plan. Consequently, the Debtors and their management believe that Confirmation of the Plan will provide a substantially greater return to Holders of Claims than would a liquidation under chapter 7 of the Bankruptcy Code.

The Committee disagrees and contends that unsecured creditors would receive more under a chapter 7 liquidation than they will receive under the Plan and, consequently, that the Plan does not satisfy the "best interests" test. The Committee reaches this conclusion for two reasons. First, the Committee argues that the Plan releases the estates' claims and causes of action against the RBL Lenders and the Debtors' directors, officers and equity sponsor, based upon the conclusion that those claims and causes of action are not colorable. Despite the Courts' STN Ruling and the Debtors' other reasons for such releases, the Committee maintains that these claims and causes of action have significant value which will be realized following the appeal.

Second, the Committee contends that the going concern value of the Debtors as reorganized entities is lower than the value of the Debtors' assets if they were sold immediately in a chapter 7 liquidation and, consequently, that unsecured creditors will receive less on their claims under the Plan than they would in a chapter 7 liquidation. To satisfy the "best interests" test, the Debtors must demonstrate that the value received by unsecured creditors under the Plan—2% of the new Common Stock and 100% of the Tranche 2 Warrants—is greater than the value those same creditors would receive if the unencumbered assets were liquidated immediately in a chapter 7. The Committee believes that to do so, the Debtors must demonstrate that commodity prices will rise sufficiently to provide unsecured creditors—who are forced to shoulder a share of the additional operating expenses incurred by the Reorganized Debtors during the de facto liquidation contemplated under the business plan prior to commodity prices rising—with greater value (through their 2% equity interest and warrants) than the value recoverable under a chapter 7 liquidation. The Committee maintains that the Debtors have not done so.

The Debtors, on the other hand, intend to establish at the Confirmation Hearing that regardless of future commodities pricing, unsecured creditors are receiving more under the Plan than they are entitled because of, among other reasons, the size of the adequate protection claim of the RBL Lenders.

C. Feasibility

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

To determine whether the Plan meets this feasibility requirement, the Debtors have analyzed their ability to meet their respective obligations under the Plan.

The Plan contemplates the reorganization of the Debtors as a going concern and will significantly reduce the Debtors' long-term debt and annual interest payments. In addition, the Plan will result in a stronger, de-levered balance sheet for the Debtors while allowing creditors to participate in future upside in the Reorganized Debtors. Specifically, the Plan contemplates the conversion of most of the Debtors' current outstanding debt to equity. As such, the Debtors believe that the confirmation of the Plan is not likely to be followed by a further financial reorganization and, therefore, is feasible.

D. Acceptance by Impaired Classes

The Bankruptcy Code requires, as a condition to confirmation, except as described in the following section, that each class of claims or equity interests impaired under a plan, accept the plan. A class that is not "impaired" under a plan is deemed to have accepted the plan and, therefore, solicitation of acceptances with respect to such a class is not required.[25]

Section 1126(c) of the Bankruptcy Code defines acceptance of a plan by a class of impaired claims as acceptance by holders of at least two-thirds in a dollar amount and more than one-half in a number of allowed claims in that class, counting only those claims that have *actually* voted to accept or to reject the plan. Thus, a class of claims will have voted to accept the Plan only if two-thirds in amount and a majority in number actually cast their ballots in favor of acceptance.

E. Confirmation without Acceptance by All Impaired Classes

Section 1129(b) of the Bankruptcy Code allows a bankruptcy court to confirm a plan even if all impaired classes have not accepted it; *provided*, that the plan has been accepted by at least one impaired class. Pursuant to section 1129(b) of the Bankruptcy Code, notwithstanding an impaired class's rejection or deemed rejection of the plan, the plan will be confirmed, at the plan proponent's request, in a procedure commonly known as a "cramdown" so long as the plan does not "discriminate unfairly" and is "fair and equitable" with respect to each class of claims or equity interests that is impaired under, and has not accepted, the plan.

If any Impaired Class rejects the Plan, the Debtors reserve the right to seek to confirm the Plan utilizing the "cramdown" provision of section 1129(b) of the Bankruptcy Code. To the extent that any Impaired Class rejects the Plan or is deemed to have rejected the Plan, the Debtors will request Confirmation of the Plan, as it may be modified from time to time, under section 1129(b) of the Bankruptcy Code. The Debtors reserve the right to alter, amend, modify, revoke or withdraw the Plan or any Plan Supplement document, including the right to amend or modify it to satisfy the requirements of section 1129(b) of the Bankruptcy Code.

1. No Unfair Discrimination

The "unfair discrimination" test applies to classes of claims or interests that are of equal priority and are receiving different treatment under a plan. The test does not require that the treatment be the same or equivalent, but that treatment be "fair." In general, bankruptcy courts consider whether a plan discriminates unfairly in its treatment of classes of claims of equal rank (*e.g.*, classes of the same legal character). Bankruptcy courts will take into

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25 A class of claims is "impaired" within the meaning of section 1124 of the Bankruptcy Code unless the plan (a) leaves unaltered the legal, equitable and contractual rights to which the claim or equity interest entitles the holder of such claim or equity interest or (b) cures any default, reinstates the original terms of such obligation, compensates the holder for certain damages or losses, as applicable, and does not otherwise alter the legal, equitable or contractual rights to which such claim or equity interest entitles the holder of such claim or equity interest.

account a number of factors in determining whether a plan discriminates unfairly. A plan could treat two classes of unsecured creditors differently without unfairly discriminating against either class.

2. Fair and Equitable Test

The "fair and equitable" test applies to classes of different priority and status (*e.g.*, secured versus unsecured) and includes the general requirement that no class of claims receive more than one hundred percent (100%) of the amount of the allowed claims in the class. As to the dissenting class, the test sets different standards depending upon the type of claims or equity interests in the class.

The Debtors submit that if the Debtors "cramdown" the Plan pursuant to section 1129(b) of the Bankruptcy Code, the Plan is structured so that it does not "discriminate unfairly" and satisfies the "fair and equitable" requirement. With respect to the unfair discrimination requirement, all Classes under the Plan are provided treatment that is substantially equivalent to the treatment that is provided to other Classes that have equal rank. The Debtors believe that the Plan and the treatment of all Classes of Claims and Interests under the Plan satisfy the foregoing requirements for nonconsensual Confirmation of the Plan.

XII. CERTAIN SECURITIES LAW MATTERS

A. New Equity

As discussed herein, ~~the Reorganized Debtors will distribute~~ New Common Stock and/or Warrants (collectively, "New Interests") will be distributed to Holders of Allowed Claims in Classes 3, 4, 5a, 5b, 5c, and 6. The Debtors believe that the New Interests are "securities," as defined in Section 2(a)(1) of the Securities Act, section 101 of the Bankruptcy Code and any applicable state securities laws ("Blue Sky Laws").

B. Issuance of New Interests Under the Plan; Resale of New Interests

1. Exemptions from Registration Requirements of the Securities Act and State Blue Sky Laws

Section 1145 of the Bankruptcy Code provides that the registration requirements of section 5 of the Securities Act (and any applicable state Blue Sky Laws) will not apply to the offer or sale of stock, options, warrants or other securities by a debtor if: (a) the offer or sale occurs under a plan of reorganization; (b) the recipients of the securities hold a claim against, an interest in, or claim for administrative expense against, the debtor; and (c) the securities are issued in exchange for a claim against or interest in a debtor or are issued principally in such exchange and partly for cash and property. In reliance upon these exemptions, the offer and sale of the New Interests under the Plan will not be registered under the Securities Act or any applicable state Blue Sky Laws.

To the extent that the issuance of the New Interests is covered by section 1145 of the Bankruptcy Code, the New Interests may be resold without registration under the Securities Act or other federal securities laws, unless the holder is an "underwriter" (as discussed below) with respect to such securities, as that term is defined in section 2(a)(11) of the Securities Act and in the Bankruptcy Code. In addition, the New Interests generally may be able to be resold without registration under applicable state Blue Sky Laws pursuant to various exemptions provided by the respective Blue Sky Laws of those states; however, the availability of those exemptions for any such resale cannot be known unless individual state Blue Sky Laws are examined.

The Plan contemplates the application of section 1145 of the Bankruptcy Code to the New Interests, but at this time, the Debtors express no view as to whether the issuance of the New Interests is exempt from registration pursuant to section 1145 of the Bankruptcy Code and, in turn, whether any Person may freely resell New Interests without registration under the Securities Act, other federal securities laws, or applicable state Blue Sky Laws. Recipients of the New Interests are advised to consult with their own legal advisors as to the applicability of section 1145 of the Bankruptcy Code to the New Interests and the availability of any exemption from registration under the Securities Act, other federal securities laws, or applicable state Blue Sky Laws.

2. Resale of New Equity by Persons Deemed to be "Underwriters;" Definition of "Underwriter"

Section 1145(b)(1) of the Bankruptcy Code defines an "underwriter" as one who, except with respect to "ordinary trading transactions" of an entity that is not an "issuer": (a) purchases a claim against, interest in, or claim for an administrative expense in the case concerning, the debtor, if such purchase is with a view to distribution of any security received or to be received in exchange for such Claim or Interest; (b) offers to sell securities offered or sold under a plan for the holders of such securities; (c) offers to buy securities offered or sold under a plan from the holders of such securities, if such offer to buy is (i) with a view to distribution of such securities and (ii) under an agreement made in connection with the Plan, with the consummation of the Plan, or with the offer or sale of securities under the Plan; or (d) is an issuer of the securities within the meaning of section 2(a)(11) of the Securities Act. In addition, a Person who receives a fee in exchange for purchasing an issuer's securities could also be considered an underwriter within the meaning of section 2(a)(11) of the Securities Act.

The definition of an "issuer" for purposes of whether a Person is an underwriter under section 1145(b)(1)(D) of the Bankruptcy Code, by reference to section 2(a)(11) of the Securities Act, includes as "statutory underwriters" any person directly or indirectly controlling or controlled by an issuer, or any person under direct or indirect common control with an issuer, of securities. As a result, the reference to "issuer," as used in the definition of "underwriter" contained in section 2(a)(11) of the Securities Act, is intended to cover "controlling Persons" of the

issuer of the securities. "Control," as defined in Rule 405 of the Securities Act, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a person, whether through the ownership of voting securities, by contract, or otherwise. Accordingly, an officer, director or significant shareholder of a reorganized debtor or its successor under a plan of reorganization may be deemed to be a "controlling Person" of such debtor or successor, particularly, with respect to officers and directors, if the management position or directorship is coupled with ownership of a significant percentage of the reorganized debtor's or its successor's voting securities. In addition, the legislative history of section 1145 of the Bankruptcy Code suggests that a creditor who owns ten percent (10%) or more of a class of securities of a reorganized debtor may be presumed to be a "controlling Person" and, therefore, an underwriter.

Resales of the New Interests by Entities deemed to be "underwriters" (which definition includes "controlling Persons" of an issuer) are not exempted by section 1145 of the Bankruptcy Code from registration under the Securities Act, state Blue Sky Laws, or other applicable law. Under certain circumstances, holders of New Interests who are deemed to be "underwriters" may be entitled to resell their New Interests pursuant to the limited safe harbor resale provisions of Rule 144 of the Securities Act. Generally, Rule 144 of the Securities Act would permit the public sale of securities received by such Person if current information regarding the issuer is publicly available and if volume limitations and certain other conditions are met by the holder of the securities. The issuer of the New Interests, however, does not intend to file periodic reports under the Securities Act or seek to list the New Interests for trading on a national securities exchange. Consequently, "current public information" (as such term is defined in Rule 144) regarding the issuer of the New Interests is not expected to be available for purposes of sales of New Interests under Rule 144 by holders who are deemed to be "underwriters." Whether any particular Person would be deemed to be an "underwriter" (including whether such Person is a "controlling Person" of an issuer) with respect to the New Interests would depend upon various facts and circumstances applicable to that Person. Accordingly, the Debtors express no view as to whether any Person would be deemed an "underwriter" with respect to the New Interests and, in turn, whether any Person may freely resell New Interests. The Debtors recommend that potential recipients of New Interests consult their own counsel concerning their ability to freely trade such securities without compliance with the Securities Act, other federal securities laws, or applicable state Blue Sky Laws.

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

The following is a summary of certain United States federal income tax consequences of the Plan to the Debtors and certain Holders of Allowed Claims. This summary is based on the Internal Revenue Code of 1986, as amended (the "IRC"), Treasury Regulations thereunder ("Treasury Regulations") and administrative and judicial interpretations and practice, all as in effect on the date of this Disclosure Statement and all of which are subject to change, with possible retroactive effect. Due to the lack of definitive judicial and administrative authority in a number of areas, substantial uncertainty may exist with respect to some of the tax consequences described below. No opinion of counsel has been obtained and the Debtors do not intend to seek a ruling from the Internal Revenue Service ("IRS") as to any of the tax consequences of the Plan discussed below. There can be no assurance that the IRS will not challenge one or more of the tax consequences of the Plan described below.

This summary does not address all aspects of United States federal income taxation that may be relevant to a beneficial owner of an Allowed Claim (a "Holder") in light of its individual circumstances or to a Holder that may be subject to special tax rules (including, without limitation, governmental authorities or agencies, insurance companies, pass-through entities, tax-exempt organizations, brokers and dealers in securities, mutual funds, small business investment companies, employees, persons holding Claims that are a hedge against, or that are hedged against, currency risk or that are part of a straddle, constructive sale, or conversion transaction, persons holding Claims that are subject to the net investment tax or the alternative minimum tax, and regulated investment companies). Moreover, this summary does not purport to cover all aspects of United States federal income taxation that may apply to the Debtors, the Reorganized Debtors, or Holders of Allowed Claims or Interests based upon their particular circumstances. Additionally, this summary does not discuss any tax consequences of the Plan that may arise under any laws other than United States federal income tax law, including under state, local, or non-U.S. tax law.

For purposes of this discussion, a "U.S. Holder" is a Holder of a Claim that is: (a) an individual citizen or resident of the United States for United States federal income tax purposes; (b) a corporation (or other entity treated as a corporation for United States federal income tax purposes) created or organized under the laws of the United States, any state thereof or the District of Columbia; (c) an estate the income of which is subject to United States federal income taxation regardless of the source of such income; or (d) a trust (1) if a court within the United States is able to exercise primary jurisdiction over the trust's administration and one or more United States persons have authority to control all substantial decisions of the trust or (2) that has a valid election in effect under applicable Treasury Regulations to be treated as a United States person. For purposes of this discussion, a "non-U.S. Holder" is any Holder of a Claim that is not a U.S. Holder other than any partnership (or other entity treated as a partnership or other pass-through entity for United States federal income tax purposes).

If a partnership (or other entity treated as a partnership or other pass-through entity for United States federal income tax purposes) is a Holder, the tax treatment of a partner (or other owner) of such entity generally will depend upon the status of the partner (or other owner) and the activities of the entity. Partners (or other owners) of partnerships (or other pass-through entities) that are Holders should consult their respective tax advisors regarding the United States federal income tax consequences of the Plan.

ACCORDINGLY, THE FOLLOWING SUMMARY OF CERTAIN UNITED STATES FEDERAL INCOME TAX CONSEQUENCES IS FOR INFORMATIONAL PURPOSES ONLY AND IS NOT A SUBSTITUTE FOR CAREFUL TAX PLANNING AND ADVICE BASED UPON THE INDIVIDUAL CIRCUMSTANCES PERTAINING TO A HOLDER OF A CLAIM. ALL HOLDERS OF CLAIMS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS FOR THE FEDERAL, STATE, LOCAL, AND OTHER TAX CONSEQUENCES APPLICABLE UNDER THE PLAN.[26]

[26] Tax consequences of New Holdco structure being discussed.

A. Certain United States Federal Income Tax Consequences to the Debtors and the Reorganized Debtors

1. Cancellation of Debt Income

In general, absent an exception, a debtor will realize and recognize cancellation of debt income ("COD Income") upon satisfaction of its outstanding indebtedness for total consideration less than the amount of such indebtedness. The amount of COD Income, in general, is the excess of (a) the adjusted issue price of the indebtedness satisfied, over (b) the sum of (x) the amount of Cash paid, (y) the issue price (defined below under "Original Issue Discount on the Exit Revolver Credit Facility and the New Second Lien Credit Facility") of any debt issued (such as the Exit Revolver Credit Facility and the New Second Lien Credit Facility) and (z) the fair market value of any other new consideration (such as the New Common Stock and Warrants) given in satisfaction of such indebtedness at the time of the exchange.

Under section 108 of the IRC, a debtor is not required to include COD Income in gross income if the debtor is under the jurisdiction of a court in a case under title 11 of the Bankruptcy Code and the discharge of debt occurs pursuant to that proceeding. Instead, as a consequence of such exclusion, a debtor must reduce its tax attributes by the amount of COD Income that it excluded from gross income pursuant to the rule discussed in the preceding sentence. In general, tax attributes will be reduced in the following order: (a) NOLs and NOL carryforwards; (b) general business credit carryovers; (c) minimum tax credit carryovers; (d) capital loss carryovers; (e) tax basis in assets; (f) passive activity loss and credit carryovers; and (g) foreign tax credit carryovers. Alternatively, a debtor with COD Income may elect first to reduce the basis of its depreciable assets pursuant to section 108(b)(5) of the IRC. The Debtors do not expect to make an election under section 108(b)(5), and accordingly, the Debtors expect to reduce tax attributes under the general rule of section 108. The remainder of this summary assumes that the Debtors do not elect to reduce the basis of their depreciable assets pursuant to section 108(b)(5). The reduction in tax attributes occurs only after the tax for the year of the debt discharge has been determined. Any excess COD Income over the amount of available tax attributes is not subject to United States federal income tax and has no other United States federal income tax impact.

The Treasury Regulations address the method and order for applying tax attribute reduction to an affiliated group of corporations, such as the Debtors. Under these regulations, the tax attributes of each member of an affiliated group of corporations that is excluding COD Income is first subject to reduction. To the extent the debtor member's tax basis in stock of a lower-tier member of the affiliated group is reduced, a "look through rule" requires that a corresponding reduction be made to the tax attributes of the lower-tier member. If a debtor member's excluded COD Income exceeds its tax attributes, the excess COD Income is applied to reduce certain remaining consolidated tax attributes of the affiliated group. Because the Plan provides that Holders of certain Allowed Claims will receive Cash, interests in the Exit Revolver Credit Facility and the New Second Lien Credit Facility, New Common Stock and/or Warrants, the amount of COD Income, and accordingly the amount of tax attributes required to be reduced, will depend in part on the amount of Cash received, the issue price of the Exit Revolver Credit Facility and the New Second Lien Credit Facility, and the fair market value of the New Common Stock and the Warrants exchanged therefor, none of which can be known with certainty at this time. However, as a result of Confirmation, the Debtors expect that there will be a significant amount of COD Income and, accordingly, reductions in NOLs, NOL carryforwards, and other tax attributes of the Debtors, as a result of which the Debtors likely will have no NOLs or NOL carryforwards remaining following the year of emergence.

2. Limitation of NOL Carry Forwards and Other Tax Attributes

The Debtors expect that the Reorganized Debtors will succeed to the tax attributes (including NOL and other loss or credit carryovers, if any) of the Debtors remaining after any reduction attributable to COD Income (described above) or to any gain on a disposition of assets. Following the Effective Date, if there are any remaining NOL carryovers, capital loss carryovers, tax credit carryovers, or certain other tax attributes (such as losses and deductions that have accrued economically but are unrecognized as of the date of the ownership change) of the Reorganized Debtors allocable to periods before the Effective Date (collectively, the "Pre-Change Losses"), such Pre-Change Losses may be subject to limitation or elimination under sections 382 and 383 of the IRC as a result of an "ownership change" of the Debtors by reason of the transactions pursuant to the Plan. As a general matter, the issuance of the New Common Stock pursuant to the Plan, along with the cancellation of existing Interests through

the Plan, is expected to cause an ownership change with respect to the Debtors on the Effective Date. Therefore, the Reorganized Debtors' use of the Debtors' Pre-Change Losses, if any, will be subject to limitation under sections 382 and 383 unless an exception applies. This limitation is independent of, and in addition to, the reduction of tax attributes described in the preceding section resulting from the exclusion of COD Income and the recognition of gain on the disposition of assets.

In general, the amount of the annual limitation under section 382 to which a corporation that undergoes an ownership change would be subject is equal to the product of (a) the fair market value of the stock of the corporation immediately before the "ownership change" (with certain adjustments) multiplied by (b) the "long-term tax-exempt rate" (which is the highest of the adjusted federal long-term rates in effect for any month in the 3-calendar-month period ending with the calendar month in which the "ownership change" occurs, currently at two-point-two-five percent (2.25%)). Section 383 applies a similar limitation to capital loss carryforwards and tax credits. Any unused limitation may be carried forward, thereby increasing the annual limitation in the subsequent taxable year.

An exception to the foregoing annual limitation rules generally applies when so-called "qualified creditors" of a debtor corporation in chapter 11 receive, in respect of their claims, at least fifty percent (50%) of the vote and value of the stock of the reorganized debtor (or a controlling corporation if also in chapter 11) pursuant to a confirmed chapter 11 plan (the "382(l)(5) Exception"). Under the 382(l)(5) Exception, a debtor's Pre-Change Losses are not limited on an annual basis, but, instead, NOL carryforwards will be reduced by the amount of any interest deductions claimed during the three taxable years preceding the Effective Date of the Plan, and during the part of the taxable year prior to and including the Effective Date, in respect of all debt converted into stock in the reorganization.

Where the 382(l)(5) Exception is not applicable to a corporation in bankruptcy (either because the debtor does not qualify for it or the debtor otherwise elects not to utilize the 382(l)(5) Exception), a second special rule will generally apply (the "382(l)(6) Exception"). Under the 382(l)(6) Exception, the annual limitation will be calculated by reference to the lesser of the value of the debtor corporation's new stock (with certain adjustments) immediately after the ownership change or the value of such debtor corporation's assets (determined without regard to liabilities) immediately before the ownership change.

Because the Debtors do not expect to have any NOLs or NOL carryforwards remaining as a result of the attribute reduction rule described above following the ownership change, nor do they expect to have accrued but unrecognized losses at the time of the ownership change, the Debtors expect to elect to not utilize the 382(l)(5) Exception. And even though the 382(l)(6) Exception should apply, there are not expected to be any remaining Pre-Change Losses that would be subject to limitation under section 382 (though remaining capital loss carryforwards and tax credits, if any, would still be subject to limitation under section 383) following the Effective Date.

3. Alternative Minimum Tax

In general, an alternative minimum tax ("AMT") is imposed on a corporation's alternative minimum taxable income ("AMTI") at a twenty percent (20%) rate to the extent such tax exceeds the corporation's regular federal income tax for the year. AMTI is generally equal to regular taxable income with certain adjustments. For purposes of computing AMTI, certain tax deductions and other beneficial allowances are modified or eliminated. For example, except for alternative tax NOLs generated in certain years, which can offset one hundred percent (100%) of a corporation's AMTI, only ninety percent (90%) of a corporation's AMTI may be offset by available alternative tax NOL carryforwards. The effect of this rule could cause the Reorganized Debtors to owe federal and state income tax (at the reduced AMT rate) on taxable income in future years even if NOL carryforwards would otherwise be available to fully offset that taxable income. Additionally, under section 56(g)(4)(G) of the IRC, an ownership change (as discussed above) that occurs with respect to a corporation whose adjusted basis in its assets exceeds the fair market value of its assets by more than a threshold amount (a "net unrealized built-in loss") will cause, for AMT purposes, the adjusted basis of each asset of the corporation immediately after the ownership change to be equal to its proportionate share (determined on the basis of respective fair market values) of the fair market value of the assets of the corporation, as determined under section 382(h) of the IRC, immediately before the ownership change, the effect of which may increase the amount of AMT owed by the Reorganized Debtors.

B. Certain United States Federal Income Tax Consequences to U.S. Holders of Claims

The following summary applies to Holders of Allowed Claims that are U.S. Holders (as such term is defined above).

1. Consequences of the Exchange to U.S. Holders of Class 3 Claims

Pursuant to the Plan, in full satisfaction and discharge of their Claims, each U.S. Holder of an Allowed Class 3 RBL Secured Claim will receive its pro rata share of (a) commitments under the Exit Revolver Credit Facility (including borrowings equal to $100 million on the Effective Date, of which up to $100 million shall be repaid by the Reorganized Debtors in Cash on the Effective Date), (b) the principal amount of loans outstanding under the New Second Lien Credit Facility Agreement on the Effective Date, and (c) the RBL Equity Pool, which consists of ninety three percent (93%) of the New Common Stock (subject to dilution by the Warrants and shares issued in connection with the Management Incentive Plan) in the Reorganized Debtors.

Whether and to what extent the U.S. Holder of an Allowed Class 3 RBL Secured Claim recognizes gain or loss as a result of such exchange depends, in part, on whether the debt underlying the Allowed Class 3 RBL Secured Claim (i.e., the RBL Credit Facility) surrendered and the new debt received in the exchange (i.e., the Exit Revolver Credit Facility and the New Second Lien Credit Facility) are treated as "securities" for purposes of the reorganization provisions of the IRC. Whether a debt instrument constitutes a security for United States federal income tax purposes is determined based on all the relevant facts and circumstances, but most authorities have held that the length of the term of a debt instrument is an important factor in determining whether such instrument is a security for United States federal income tax purposes. These authorities have indicated that a term of less than five years is evidence that the instrument is not a security, whereas a term of ten years or more is evidence that it is a security. However, it is unclear whether the term of a revolver debt should be measured based on each draw down or on the term of the entire credit facility. There are numerous other factors that could be taken into account in determining whether a debt instrument is a security, including the security for payment, the creditworthiness of the obligor, the subordination or lack thereof to other creditors, the right to vote or otherwise participate in the management of the obligor, convertibility of the instrument into an equity interest of the obligor, whether payments of interest are fixed, variable or contingent, and whether such payments are made on a current basis or accrued.

In general, the exchange will be treated as at least in part a tax-free recapitalization as long as the RBL Credit Facility is treated as a security, with the amount of gain recognized potentially subject to change depending on whether the Exit Revolver Credit Facility and the New Second Lien Credit Facility are also treated as securities. The Debtor expects to take the position that the RBL Credit Facility, the Exit Revolver Credit Facility, and the New Second Lien Credit Facility are treated as securities for purposes of the reorganization provisions of the IRC. However, there can be no assurance that the IRS would agree with this conclusion. If each of the RBL Credit Facility, the Exit Revolver Credit Facility and the New Second Lien Credit Facility is treated as a security, then each U.S. Holder of an Allowed Class 3 RBL Secured Claim will recognize income and gain (but not loss) for United States federal income tax purposes only as a result of the Cash received. The gain recognized will be limited to the lesser of (i) the amount of Cash the U.S. Holder receives in exchange for its Claim and (ii) the amount of gain realized, if any, in the transaction (which should be equal to the excess of the amount of Cash received, the issue price of all new debt and the fair market value of the New Common Stock received over such U.S. Holder's adjusted tax basis in its Class 3 RBL Secured Claim).

If the RBL Credit Facility is treated as a security but either the Exit Revolver Credit Facility or the New Second Lien Credit Facility (or both) is not treated as a security, then the exchange would be treated as a partially tax-free recapitalization to the extent the RBL Credit Facility is exchanged for New Common Stock and any new debt that constitutes a security, but each U.S. Holder of an Allowed Class 3 RBL Secured Claim will recognize gain (but not loss) for United States federal income tax purposes as a result of the Cash received and any new debt received that is not a security. The gain recognized will be limited to the lesser of (i) the amount of Cash received and the issue price of any new debt that is not considered a security received in exchange for its Claim and (ii) the amount of gain realized, if any, in the transaction (which should be equal to the excess of the amount of Cash received, the issue price of all new debt and the fair market value of the New Common Stock received over such U.S. Holder's adjusted tax basis in its Class 3 RBL Secured Claim). If any gain is recognized in the exchange, the character of such gain as capital gain or as ordinary income will be determined by a number of factors, including the

tax status of the U.S. Holder, the nature of the Claim in such U.S. Holder's hands, whether the Claim constitutes a capital asset in the hands of the U.S. Holder, whether the Claim was purchased at a discount, and whether and to what extent the U.S. Holder has previously claimed a bad debt deduction with respect to its Claim. See the discussions of "Accrued but Untaxed Interest" and "Market Discount" below.

If the RBL Credit Facility, the Exit Revolver Credit Facility and the New Second Lien Credit Facility are treated as securities, then a U.S. Holder's aggregate tax basis in the Exit Revolver Credit Facility, the New Second Lien Credit Facility and the New Common Stock received will be equal to the U.S. Holder's adjusted tax basis in its Class 3 RBL Secured Claim surrendered therefor, increased by the amount of any gain recognized as a result of any Cash received in the exchange and reduced by the amount of Cash received. Such aggregate tax basis will be allocated between the Exit Revolver Credit Facility, the New Second Lien Credit Facility and the New Common Stock received in accordance with their relative fair market values. If the RBL Credit Facility is a security but the Exit Revolver Credit Facility or the New Second Lien Credit Facility (or both) is not a security, then a U.S. Holder's aggregate tax basis in any new debt that is a security and the New Common Stock received will be equal to the U.S. Holder's adjusted tax basis in its RBL Secured Claim surrendered therefor, increased by the amount of any gain recognized and reduced by the amount of Cash received and the issue price of any new debt received that is not a security. Such aggregate tax basis will be allocated between any new debt that is a security and the New Common Stock received in accordance their relative fair market values. The basis in any new debt received that is not a security will be equal to such instrument's issue price. A U.S. Holder's holding period in the New Common Stock and any instrument received that is a security will include such U.S. Holder's holding period in the RBL Credit Facility surrendered therefor. A U.S. Holder will have a new holding period in any instrument received that is not a security beginning on the day following the Effective Date.

If the RBL Credit Facility is not treated as a security, then regardless of whether the Exit Revolver Credit Facility or the New Second Lien Credit Facility is treated as a security, the exchange will be treated as a fully taxable transaction. If the exchange were fully taxable, a U.S. Holder of an Allowed Class 3 RBL Secured Claim will recognize gain or loss equal to the difference between (i) the sum of the issue price of the new debt, the amount of Cash received and the fair market value of the New Common Stock received, and (ii) such U.S. Holder's adjusted tax basis in its Class 3 RBL Secured Claim. The character of such gain or loss as capital or ordinary will be determined by a number of factors, including the tax status of the U.S. Holder, the nature of the Claim in such U.S. Holder's hands, whether the Claim constitutes a capital asset in the hands of the U.S. Holder, whether the Claim was purchased at a discount and whether and to what extent the U.S. Holder has previously claimed a bad debt deduction with respect to its Claim. See the discussions of "Accrued but Untaxed Interest", "Market Discount" and "Limitations on Use of Capital Losses" below. If the exchange were fully taxable, a U.S. Holder's tax basis in the New Common Stock will be equal to the fair market value of such stock, and such U.S. Holder's tax basis in the Exit Revolver Credit Facility and the New Second Lien Credit Facility will be equal to their respective issue price. A U.S. Holder will have a new holding period in each of the New Common Stock, the Exit Revolver Credit Facility and the New Second Lien Credit Facility beginning on the day following the Effective Date.

2. Consequences of the Exchange to U.S. Holders of Classes 4 through 6 Claims

Pursuant to the Plan, in full satisfaction and discharge of their Claims, each U.S. Holder of an Allowed Class ~~4~~4a Second Lien ~~Secured~~Adequate Protection Claim will receive its pro rata share of the Second Lien Equity Pool, which consists of five percent (5%) of the New Common Stock (subject to dilution by the Warrants) and one hundred percent (100%) of the Tranche 1 Warrants. Also pursuant to the Plan, in full satisfaction and discharge of their Claims, each U.S. Holder of (a) an Allowed Class 4b Second Lien Deficiency Claim, (b) an Allowed Class 5a 2017 Senior Notes Claim, (~~b~~c) an Allowed Class 5b 2019 Senior Notes Claim, (~~c~~d) an Allowed Class 5c 2020 Senior Notes Claim and (~~d~~e) an Allowed Class 6 General Unsecured Claim (clauses (a) through (~~d), together with Allowed Class 4 Second Lien Secured Claims,~~e), the "Subordinate Claims") will receive their pro rata share of the Unsecured Equity Pool, which consists of two percent (2%) of the New Common Stock (subject to dilution by the Warrants) and one hundred percent (100%) of the Tranche 2 Warrants.

In general, the exchange will be treated as a tax-free recapitalization as long as each Subordinate Claim surrendered in such exchange is treated as a "security" for purposes of the reorganization provisions of the IRC (see above, under the discussion applicable to U.S. Holders of Class 3 Claims, for a discussion of whether a creditor interest constitutes a security for these purposes). The Debtors believe, and this discussion assumes, that each of the

Second Lien ~~Secured~~Adequate Protection Claims, the Senior Notes Claims, and the Second Lien Deficiency Claims should constitute securities, and that the remaining General Unsecured Claims will not constitute securities. Additionally, the Debtors believe, and this discussion assumes, that the Warrants constitute rights to acquire stock in the Reorganized Debtor that should be treated as securities under the applicable guidance. However, there can be no assurance that the IRS would agree with these conclusions.

For U.S. Holders of Second Lien ~~Secured~~Adequate Protection Claims, Senior Notes Claims, and Second Lien Deficiency Claims (unless recoveries with respect thereto have been waived), the exchange should be treated as a tax-free recapitalization. Assuming such treatment applies, each U.S. Holder of such a Claim will not recognize gain, loss or other income on the exchange (subject to the discussion of "Accrued but Untaxed Interest" below). The U.S. Holder's adjusted tax basis in the Claim surrendered will generally be apportioned between the New Common Stock and Warrants received therefor on the basis of the relative fair market values of such interests, and its holding period for each of the items received will include such U.S. Holder's holding period for the Claim surrendered therefor.

For U.S. Holders of the remaining General Unsecured Claims, the exchange will generally be treated as a fully taxable exchange in which such U.S. Holders recognize gain or loss equal to the difference between the sum of the fair market value of the New Common Stock and Warrants received and their tax basis in the General Unsecured Claim surrendered. The character of such gain or loss as capital or ordinary will be determined by a number of factors, including the tax status of the U.S. Holder, the nature of the Claim in such U.S. Holder's hands, whether the Claim constitutes a capital asset in the hands of the U.S. Holder, whether the Claim was purchased at a discount and whether and to what extent the U.S. Holder has previously claimed a bad debt deduction with respect to its Claim. See the discussions of "Accrued but Untaxed Interest", "Market Discount" and "Limitations on Use of Capital Losses" below. A U.S. Holder's tax basis in each of its New Common Stock and Warrants received should generally each equal the fair market value of such property. A U.S. Holder's holding period for the New Common Stock and Warrants received will each begin on the day following the Effective Date.

The exercise of a Warrant by the U.S. Holder thereof should not give rise to taxable gain or loss. The holding period of the New Common Stock acquired upon exercise of the Warrants should begin on the date of such exercise, and should not include the period during which such Warrants were held. The U.S. Holder's tax basis in the New Common Stock acquired upon exercise should include the U.S. Holder's tax basis in the Warrants increased by the amount paid upon exercise. In the event that a U.S. Holder sells its Warrants in a taxable transaction, the U.S. Holder will recognize gain or loss upon such sale in an amount equal to the difference between the amount realized upon such sale and the U.S. Holder's tax basis in the Warrants. Such gain or loss will be treated as gain or loss from the sale or exchange of property which has the same character as the New Common Stock to which the Warrants relate would have had in the hands of the U.S. Holder if such stock had been acquired by the U.S. Holder upon exercise. If such sale gives rise to capital gain or loss to the U.S. Holder, such gain or loss will be long-term or short-term in character based upon the length of time such U.S. Holder has held his or her Warrants.

If Warrants held by a U.S. Holder expire unexercised, such Warrants should be deemed to have been sold or exchanged on the day of expiration. Such expiration should therefore in most cases give rise to a loss, unless such U.S. Holder previously claimed a deduction for the worthlessness of such Warrants in a previous taxable period.

The rules applicable to the treatment of warrants are complex, particularly in the context of warrants acquired in a complex transaction such as this one. U.S. Holders of Warrants are urged to consult their tax advisors to review and determine the tax consequences associated with the receipt, ownership and disposition of such Warrants.

3. Consequences of the Exchange to U.S. Holders of Class 7 Claims

Pursuant to the Plan, in full satisfaction and discharge of their Claims, each U.S. Holder of an Allowed Class 7 Convenience Claim will receive Cash in an amount equal to three percent (3%) of such Holder's Allowed Convenience Claim. A U.S. Holder who receives Cash for its Claim pursuant to the Plan generally will recognize income, gain or loss for United States federal income tax purposes in an amount equal to the difference between (a) the amount of Cash received in exchange for its Claim and (b) the U.S. Holder's adjusted tax basis in its Claim. The character of such gain or loss as capital gain or loss or as ordinary income or loss will be determined by a

number of factors, including the tax status of the U.S. Holder, the nature of the Claim in such U.S. Holder's hands, whether the Claim constitutes a capital asset in the hands of the U.S. Holder, whether the Claim was purchased at a discount, and whether and to what extent the U.S. Holder has previously claimed a bad debt deduction with respect to its Claim. See the discussions of "Accrued Interest", "Market Discount" and "Limitation on the Use of Capital Losses" below.

4. Accrued but Untaxed Interest

A portion of the consideration received by U.S. Holders of Allowed Claims may be attributable to accrued interest on such Claims. If any amount is attributable to accrued interest, then such amount should be taxable to that U.S. Holder as interest income if such accrued interest has not been previously included in the U.S. Holder's gross income for United States federal income tax purposes. Conversely, U.S. Holders of Allowed Claims should be able to recognize a deductible loss to the extent any accrued interest on the Claims was previously included in the U.S. Holder's gross income but was not paid in full by the Debtors.

If the fair value of the consideration is not sufficient to fully satisfy all principal and interest on Allowed Claims, the extent to which such consideration will be attributable to accrued interest is unclear. Under the Plan, the aggregate consideration to be distributed to U.S. Holders of Allowed Claims in each Class will be allocated first to the principal amount of Allowed Claims, with any excess allocated to unpaid interest that accrued on such Claims, if any. Certain legislative history indicates that an allocation of consideration as between principal and interest provided in a chapter 11 plan is binding for United States federal income tax purposes, while certain Treasury Regulations generally treat payments as allocated first to any accrued but unpaid interest and then as a payment of principal. The IRS could take the position that the consideration received by the U.S. Holder should be allocated in some way other than as provided in the Plan. U.S. Holders of Allowed Claims should consult their own tax advisors regarding the proper allocation of the consideration received by them under the Plan.

U.S. HOLDERS SHOULD CONSULT THEIR OWN TAX ADVISORS CONCERNING THE ALLOCATION OF CONSIDERATION RECEIVED IN SATISFACTION OF THEIR CLAIMS AND THE FEDERAL INCOME TAX TREATMENT OF ACCRUED INTEREST.

5. Original Issue Discount on the Exit Revolver Credit Facility and the New Second Lien Credit Facility

A U.S. Holder of a pro rata share of the Exit Revolver Credit Facility and the New Second Lien Credit Facility will be required to include stated interest on such shares of the Exit Revolver Credit Facility and the New Second Lien Credit Facility in income in accordance with the U.S. Holder's regular method of accounting to the extent such stated interest is "qualified stated interest." Stated interest is generally "qualified stated interest" if it is payable in cash at least annually at a single fixed rate. Where stated interest payable on the pro rata shares of the Exit Revolver Credit Facility or the New Second Lien Credit Facility is not payable at least annually, such portion of the stated interest will be included in the determination of original issue discount ("OID") on such pro rata shares of the loans.

A debt instrument generally has OID if its "stated redemption price at maturity" exceeds its "issue price" by more than a de minimis amount (generally zero-point-two-five percent (0.25%) of the product of the stated redemption price at maturity and the number of complete years to maturity from the issue date). The stated redemption price at maturity of a debt instrument is the sum all payments provided by the debt instrument other than payments of qualified stated interest. The issue price of the Exit Revolver Credit Facility and the New Second Lien Credit Facility will depend on whether a substantial amount of each of the RBL Credit Facility, the Exit Revolver Credit Facility and the New Second Lien Credit Facility is considered to be "traded on an established market." In general, a debt instrument will be treated as traded on an established market if, at any time during the 31-day period ending 15 days after the issue date, (a) a "sales price" for an executed purchase of the debt instrument appears on a medium that is made available to issuers of debt instruments, persons that regularly purchase or sell debt instruments, or persons that broker purchases or sales of debt instruments; (b) a "firm" price quote for the debt instrument is available from at least one broker, dealer or pricing service for property and the quoted price is substantially the same as the price for which the person receiving the quoted price could purchase or sell the property; or (c) an "indicative" price quote for the debt instrument is available from at least one broker, dealer or pricing service for property.

If a debt instrument is considered to be traded on an established market, then the issue price of such instrument is its fair market value on its date of issuance. Therefore, if the Exit Revolver Credit Facility and/or the New Second Lien Credit Facility are traded on an established market at the time of the exchange, the issue price of each of the Exit Revolver Credit Facility and/or the New Second Lien Credit Facility will be its fair market value on the date of the exchange. Additionally, if the Debtors determine that any debt instruments are traded on an established market, then the Debtors are required to provide to U.S. Holders the issue price of such debt instruments. A U.S. Holder may obtain the issue price of the Exit Revolver Credit Facility and the New Second Lien Credit Facility and other information relating to the accrual of OID on the debt instruments by contacting Michael Magilton at 1415 Louisiana, Suite 1600, Houston, Texas 77002 (T: 832-242-9600). The Debtors' determination of the debt instruments' issue price is binding on U.S. Holders unless the holder explicitly discloses that its determination is different from the Debtors' on its United States federal income tax return.

However, if the Exit Revolver Credit Facility or the New Second Lien Credit Facility, or both the Exit Revolver Credit Facility and the New Second Lien Credit Facility, are *not* traded on an established market and the RBL Credit Facility *is* traded on an established market at the time of the exchange, the issue price of any new debt that is not traded on an established market will be determined by applying the "investment unit" rules and treating the Exit Revolver Credit Facility, the New Second Lien Credit Facility and the New Common Stock as part of an investment unit issued in exchange for the RBL Credit Facility. Generally, the issue price of an investment unit is determined by applying the issue price rules applicable to debt instruments, and the issue price of a debt instrument that is part of the investment unit and that is not traded on an established market is its allocable portion of the issue price of the investment unit, based on the relative fair market value of such debt instrument and the other property rights in the investment unit (i.e., the New Common Stock and any debt that is traded on an established market). Thus, if the RBL Credit Facility is traded on an established market, but either the Exit Revolver Credit Facility or the New Second Lien Credit Facility, or both the Exit Revolver Credit Facility and the New Second Lien Credit Facility, are not so traded, then the issue price of the investment unit would be equal to the fair market value of the RBL Credit Facility on the date of the exchange. The issue price of each of the new debt that is not traded on an established market will equal its allocable portion of the investment unit's issue price (determined by multiplying the investment unit's issue price by the fraction obtained by dividing the fair market value of each debt instrument that is not traded on an established market by the sum of the fair market values of the Exit Revolver Credit Facility, the New Second Lien Credit Facility and the New Common Stock).

If none of the Exit Revolver Credit Facility, the New Second Lien Credit Facility or the RBL Credit Facility is traded on an established market at the time of the exchange, the issue price of each of the Exit Revolver Credit Facility and the New Second Lien Credit Facility should equal its stated principal amount.

A U.S. Holder of pro rata shares of the Exit Revolver Credit Facility and the New Second Lien Credit Facility that is issued with OID generally will be required to include any OID in income over the term of such loans in accordance with a constant yield-to-maturity method, regardless of whether the U.S. Holder is a cash or accrual method taxpayer, and regardless of whether and when the U.S. Holder receives Cash payments of interest on such shares of the Exit Revolver Credit Facility or the New Second Lien Credit Facility (other than Cash attributable to qualified stated interest). Accordingly, a U.S. Holder could be treated as receiving income in advance of a corresponding receipt of Cash. Any OID that a U.S. Holder includes in income will increase the U.S. Holder's tax basis in its pro rata shares of the Exit Revolver Credit Facility or the New Second Lien Credit Facility, as applicable. A U.S. Holder of pro rata shares of the Exit Revolver Credit Facility and the New Second Lien Credit Facility will not be separately taxable on any Cash payments that have already been taxed under the OID rules, but will reduce its tax basis in the pro rata shares of such loans by the amount of such payments.

The application of the OID rules is highly complex. U.S. Holders of pro rata shares of the Exit Revolver Credit Facility and the New Second Lien Credit Facility should consult their tax advisors regarding the tax consequences of any OID on such loans.

6. Market Discount

Under the "market discount" provisions of the IRC, some or all of any gain recognized by a U.S. Holder of an Allowed Claim who exchanges the Claim for an amount on the Effective Date may be treated as ordinary income (instead of capital gain), to the extent of the amount of "market discount" on the debt instruments constituting the exchanged Claim. In general, a debt instrument is considered to have been acquired with "market discount" if it is

acquired other than on original issue (subject to certain exceptions) and if its holder's adjusted tax basis in the debt instrument is less than (a) the sum of all remaining payments to be made on the debt instrument, excluding qualified stated interest (as defined above under "Original Issue Discount on the Exit Revolver Credit Facility and the New Second Lien Credit Facility") or (b) in the case of a debt instrument issued with OID, its adjusted issue price, by at least a de minimis amount (equal to zero-point-two-five percent (0.25%) of the sum of all remaining payments to be made on the debt instrument, excluding qualified stated interest, multiplied by the number of remaining whole years to maturity).

Any gain recognized by a U.S. Holder on a fully taxable disposition of an Allowed Claim that had been acquired with market discount should be treated as ordinary income to the extent of the market discount that accrued thereon while such Claim was considered to be held by the U.S. Holder (unless the U.S. Holder elected to include market discount in income as it accrued). To the extent that the Allowed Claims that were acquired with market discount are exchanged in a fully tax-free transaction (for example, in a recapitalization where no gain is recognized), any market discount that accrued on the Allowed Claims up to the time of the exchange but that was not recognized by the U.S. Holder should be carried over to the property received therefor and any gain recognized on the subsequent sale, exchange, redemption or other disposition of such property should be treated as ordinary income to the extent of such accrued, but not recognized, market discount. To the extent that the Allowed Claims that were acquired with market discount are exchanged in a partially taxable disposition (e.g., in a recapitalization where gain is recognized as a result of any Cash or non-security debt instruments received), the rules relating to the amount of gain that must be treated as ordinary income as a result of accrued but not recognized market discount, as well as the allocation of accrued market discount among the property received therefor, are unclear.

The application of the market discount rules is highly complex. In addition there is some uncertainty as to whether the market discount rules should apply to distressed debt in certain circumstances. U.S. Holders should consult their tax advisers regarding the market discount provisions of the IRC.

7. Acquisition Premium/Bond Premium

If a U.S. Holder's initial tax basis in its interest in the Exit Revolver Credit Facility or the New Second Lien Credit Facility is less than or equal to the stated redemption price at maturity of such interest, but greater than the issue price of such interest, the U.S. Holder will be treated as acquiring such interest in the Exit Revolver Credit Facility or New Second Lien Credit Facility, as applicable, at an "acquisition premium." Unless an election is made, the U.S. Holder generally will reduce the amount of OID otherwise includible in gross income for an accrual period by an amount equal to the amount of OID otherwise includible in gross income multiplied by a fraction, the numerator of which is the excess of the U.S. Holder's initial tax basis in its interest in the Exit Revolver Credit Facility or the New Second Lien Credit Facility, as applicable, over such interest's issue price, and the denominator of which is the excess of the sum of all amounts payable on such interest (other than amounts that are qualified stated interest) over its issue price.

If a U.S. Holder's initial tax basis in its interest in the Exit Revolver Credit Facility or the New Second Lien Credit Facility exceeds the stated redemption price at maturity of such interest, such U.S. Holder will be treated as acquiring such interest in the Exit Revolver Credit Facility or New Second Lien Credit Facility, as applicable, with "bond premium" and will not be required to include OID, if any, in income. Such U.S. Holder generally may elect to amortize the premium over the remaining term of the Exit Revolver Credit Facility or New Second Lien Credit Facility, on a constant yield method as an offset to interest when includible in income under such U.S. Holder's regular accounting method. If a U.S. Holder does not elect to amortize the premium, that premium will decrease the gain or increase the loss such U.S. Holder would otherwise recognize on disposition of its interests in the Exit Revolver Credit Facility or New Second Lien Credit Facility.

8. Limitation on Use of Capital Losses

A U.S. Holder of a Claim who recognizes capital losses as a result of the distributions under the Plan will be subject to limits on the use of such capital losses. For a non-corporate U.S. Holder, capital losses may be used to offset any capital gains (without regard to holding periods), and also ordinary income to the extent of the lesser of (a) $3,000 annually ($1,500 for married individuals filing separate returns) or (b) the excess of the capital losses over the capital gains. A non-corporate U.S. Holder may carry over unused capital losses and apply them against future capital gains and a portion of their ordinary income for an unlimited number of years. For corporate U.S.

Holders, capital losses may only be used to offset capital gains. A corporate U.S. Holder that has more capital losses than may be used in a tax year may carry back unused capital losses to the three years preceding the capital loss year or may carry over unused capital losses for the five years following the capital loss year.

C. Certain United States Federal Income Tax Consequences to Non-U.S. Holders of Claims

1. Consequences of the Exchange to Non-U.S. Holders of Allowed RBL Secured Claims, Second Lien ~~Secured~~ Claims, 2017 Senior Notes Claims, 2019 Senior Notes Claims, 2020 Senior Notes Claims, and General Unsecured Claims

The following discussion includes only certain United States federal income tax consequences of the Plan to non-U.S. Holders (as such term is defined above). The discussion does not include any non-U.S. tax considerations. The rules governing the United States federal income tax consequences to non-U.S. Holders are complex. Each non-U.S. Holder should consult its own tax advisor regarding the U.S. federal, state, and local and the non-U.S. tax consequences of the consummation of the Plan to such non-U.S. Holders and the ownership and disposition of the New Common Stock, as applicable. Whether a non-U.S. Holder realizes gain or loss on the exchange and the amount of such gain or loss is determined in the same manner as set forth above in connection with U.S. Holders.

a. Gain Recognition

Any gain realized by a non-U.S. Holder on the exchange of its Claim generally will not be subject to U.S. federal income taxation unless (i) the non-U.S. Holder is an individual who was present in the United States for 183 days or more during the taxable year of the Effective Date and certain other conditions are met or (ii) such gain is effectively connected with the conduct by such non-U.S. Holder of a trade or business in the United States (and if an income tax treaty applies, such gain is attributable to a permanent establishment maintained by such non-U.S. Holder in the United States).

If the first exception applies, to the extent that any gain is taxable, the non-U.S. Holder generally will be subject to U.S. federal income tax at a rate of 30% (or at a reduced rate or exemption from tax under an applicable income tax treaty) on the amount by which such non-U.S. Holder's capital gains allocable to U.S. sources exceed capital losses allocable to U.S. sources during the taxable year of the exchange. If the second exception applies, the non-U.S. Holder generally will be subject to U.S. federal income tax with respect to any gain realized on the exchange if such gain is effectively connected with the non-U.S. Holder's conduct of a trade or business in the United States in the same manner as a U.S. Holder. In order to claim an exemption from withholding tax, such non-U.S. Holder will be required to provide a properly executed IRS Form W-8ECI (or such successor form as the IRS designates). In addition, if such a non-U.S. Holder is a corporation, it may be subject to a branch profits tax equal to 30% (or such lower rate provided by an applicable treaty) of its effectively connected earnings and profits for the taxable year, subject to certain adjustments.

b. Accrued but Untaxed Interest

As discussed above under "Certain United States Federal Income Tax Consequences to U.S. Holders of Claims–Accrued but Untaxed Interest", it is unclear whether a portion of the consideration received by Holders of Allowed Claims may be attributable to accrued interest on such Claims. If payments to a non-U.S. Holder are attributable to accrued but untaxed interest, such payments generally should not be subject to United States federal income or withholding tax pursuant to the "portfolio interest exemption," unless:

1. the non-U.S. Holder actually or constructively owns ten percent (10%) or more of the total combined voting power of all classes of Sabine's stock entitled to vote;

2. the non-U.S. Holder is a "controlled foreign corporation" that is a "related person" with respect to Sabine (each, within the meaning of the IRC);

3. the non-U.S. Holder is a bank receiving interest on an extension of credit made pursuant to a loan agreement entered into in the ordinary course of its trade or business (as described in Section 881(c)(3)(A) of the IRC); or

4. such interest is effectively connected with the conduct by the non-U.S. Holder of a trade or business within the United States (in which case, provided the non-U.S. Holder provides a properly executed IRS Form W-8ECI (or a successor form) to the withholding agent, the non-U.S. Holder (x) generally will not be subject to withholding tax, but (y) will be subject to United States federal income tax in the same manner as a U.S. Holder (unless an applicable income tax treaty provides otherwise), and a non-U.S. Holder that is a corporation for United States federal income tax purposes may also be subject to a branch profits tax with respect to such non-U.S. Holder's effectively connected earnings and profits that are attributable to the accrued but untaxed interest at a rate of thirty percent (30%) (or at a reduced rate or exemption from tax under an applicable income tax treaty)).

If the exceptions above are not applicable, then payments received by to a non-U.S. Holder that are attributable to accrued but untaxed interest should not be subject to United States federal income or withholding tax pursuant to the portfolio interest exemption provided that the withholding agent has received or receives, prior to payment, appropriate documentation (generally, IRS Form W-8BEN or W-8BEN-E (or a successor form)) establishing that the non-U.S. Holder is not a United States person. For purposes of providing a properly executed IRS Form W-8BEN or W-BEN-E (or a successor form), special procedures are provided under applicable Treasury Regulations for payments through qualified foreign intermediaries or certain financial institutions that hold customers' securities in the ordinary course of their trade or business. The rules governing the portfolio interest exception to withholding as described in this section are complex. A non-U.S. Holder should consult its own tax advisor regarding the possible impact of these rules on the exchange of its Allowed Claims.

A non-U.S. Holder that does not qualify for exemption from withholding tax under the portfolio interest exemption (e.g., by nature of being a bank receiving interest as described in point (3), above) with respect to accrued but untaxed interest that is not effectively connected income generally will be subject to withholding of United States federal income tax at a thirty percent (30%) rate upon the receipt of such interest, unless a United States income tax treaty applies to reduce or eliminate such withholding tax and the proper forms are provided to the withholding agent. If the accrued but untaxed interest is effectively connected income (or attributable to a permanent establishment if a United States income tax treaty is applicable), then a non-U.S. Holder would be subject to United States federal income tax upon the receipt of such interest in the same manner as a U.S. Holder. In addition, a non-U.S. Holder that is a corporation for United States federal income tax purposes may also be subject to a branch profits tax with respect to such non-U.S. Holder's effectively connected earnings and profits that are attributable to the accrued but untaxed interest. Non-U.S. Holders that do not qualify for the portfolio interest exemption should consult their own tax advisors regarding their ability to qualify for an exemption from, or a reduced rate of, withholding tax under an applicable United States income tax treaty and any forms that need to be filed in order to qualify.

2. Consequences to Non-U.S. Holders of Owning and Disposing of Shares of New Common Stock

a. Dividends on New Common Stock

Any distributions made with respect to New Common Stock will constitute dividends for United States federal income tax purposes to the extent of Reorganized Sabine's current or accumulated earnings and profits as determined under United States federal income tax principles. To the extent that a non-U.S. Holder receives distributions that would otherwise constitute dividends for United States federal income tax purposes but that exceed such current and accumulated earnings and profits, such distributions will be treated first as a non-taxable return of capital reducing the non-U.S. Holder's basis in its shares. Any such distributions in excess of a non-U.S. Holder's basis in its shares (determined on a share-by-share basis) generally will be treated as capital gain from a sale or exchange (see the discussion of "Sale, Redemption, or Repurchase of New Common Stock" below for the treatment of sale or exchange gain). Except as described below, dividends paid with respect to New Common Stock held by a non-U.S. Holder that are not effectively connected with a non-U.S. Holder's conduct of a United States trade or business (or if an income tax treaty applies, are not attributable to a permanent establishment maintained by such non-U.S. Holder in the United States) will be subject to United States federal withholding tax at a rate of thirty percent (30%), or lower treaty rate or exemption from tax, if applicable. A non-U.S. Holder generally will be required to satisfy certain IRS certification requirements in order to claim a reduction of or exemption from

withholding under a tax treaty by filing IRS Form W-8BEN or W-BEN-E (or a successor form) upon which the non-U.S. Holder certifies, under penalties of perjury, its status as a non-U.S. person and its entitlement to the lower treaty rate or exemption from tax with respect to such payments. Dividends paid with respect to New Common Stock held by a non-U.S. Holder that are effectively connected with a non-U.S. Holder's conduct of a United States trade or business (and if an income tax treaty applies, are attributable to a permanent establishment maintained by such non-U.S. Holder in the United States) generally will be subject to United States federal income tax in the same manner as a U.S. Holder, and a non-U.S. Holder that is a corporation for United States federal income tax purposes may also be subject to a branch profits tax with respect to such non-U.S. Holder's effectively connected earnings and profits that are attributable to the dividends at a rate of thirty percent (30%) (or at a reduced rate or exemption from tax under an applicable income tax treaty).

b. Sale, Redemption, or Repurchase of New Common Stock

The Debtors expect that Reorganized Sabine will constitute a "United States real property holding corporation" within the meaning of section 897 of the IRC as of the Effective Date, and thus that the New Common Stock will constitute a United States real property interest within the meaning of section 897 of the IRC. As such, any non-U.S. Holders of New Common Stock that sell, exchange, or otherwise dispose of their New Common Stock may be subject to United States federal withholding tax at a rate of fifteen percent (15%) on a gross basis, and generally will be required to file United States federal income tax returns and pay United States federal tax on a graduated basis on any gains recognized on such disposition. Non-U.S. Holders who may receive or acquire New Common Stock in connection with the Plan are urged to consult a United States tax advisor with respect to the United States tax consequences applicable to their acquisition, ownership and disposition of such New Common Stock.

3. Consequences to Non-U.S. Holders of Owning and Disposing of the Exit Revolver Credit Facility and the New Second Lien Credit Facility

Payments of interest on the Exit Revolver Credit Facility or the New Second Lien Credit Facility received by a non-U.S. Holder should be subject to United States federal income or withholding tax in substantially the same manner as are payments to a non-U.S. Holder that are attributable to accrued but untaxed interest (as discussed above under "Certain United States Federal Income Tax Consequences to non-U.S. Holders of Claims–Accrued but Untaxed Interest").

In addition, amounts received by a non-U.S. Holder which constitute gain upon the sale, retirement or other disposition of an interest in the Exit Revolver Credit Facility or the New Second Lien Credit Facility should be subject to United States federal income tax in substantially the same manner as are any amounts received by a non-U.S. Holder which constitute gain from the exchange of such non-U.S. Holder's Claim (as discussed above under "Certain United States Federal Income Tax Consequences to non-U.S. Holders of Claims–Gain Recognition").

4. FATCA

Under the Foreign Account Tax Compliance Act ("FATCA"), foreign financial institutions and certain other foreign entities must currently report certain information with respect to their United States account holders and investors or be subject to withholding on the receipt of "withholdable payments." For this purpose, "withholdable payments" are generally United States source payments of fixed or determinable, annual or periodical income (including interest paid on the Exit Revolver Credit Facility and the New Second Lien Credit Facility, and dividends, if any, on shares of New Common Stock), and also include gross proceeds from the sale of any property of a type which can produce United States source interest or dividends (which would include the Exit Revolver Credit Facility, the New Second Lien Credit and the New Common Stock). FATCA withholding will apply even if the applicable payment would not otherwise be subject to United States federal withholding tax.

As currently proposed, FATCA withholding rules apply to United States source payments of fixed or determinable, annual or periodical income and withholding would apply to payments of gross proceeds from the sale or other disposition of property of a type which can produce United States source interest or dividends that occurs after December 31, 2018. Each non-U.S. Holder should consult its own tax advisor regarding the possible impact of FATCA on such non-U.S. Holder's ownership of the Exit Revolver Credit Facility, the New Second Lien Credit Facility and the New Common Stock.

D. Information Reporting and Backup Withholding

In general, information reporting requirements may apply to distributions or payments under the Plan. Additionally, under the backup withholding rules, a Holder of an Allowed Claim may be subject to backup withholding (currently at a rate of twenty-eight percent (28%)) with respect to distributions or payments made pursuant to the Plan unless that Holder: (a) comes within certain exempt categories (which generally include corporations) and, when required, demonstrates that fact; or (b) timely provides a correct taxpayer identification number and certifies under penalty of perjury that the taxpayer identification number is correct and that the Holder is not subject to backup withholding because of a failure to report all dividend and interest income. Backup withholding is not an additional tax but is, instead, an advance payment that may be refunded to the extent it results in an overpayment of tax; *provided* that the required information is timely provided to the IRS.

The Debtors will withhold all amounts required by law to be withheld from payments of interest or dividends, if any. The Debtors will comply with all applicable reporting requirements of the IRS.

THE UNITED STATES FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN ARE COMPLEX. THE FOREGOING SUMMARY DOES NOT DISCUSS ALL ASPECTS OF UNITED STATES FEDERAL INCOME TAXATION THAT MAY BE RELEVANT TO A PARTICULAR HOLDER OF A CLAIM IN LIGHT OF SUCH HOLDER'S CIRCUMSTANCES AND INCOME TAX SITUATION. ALL HOLDERS OF CLAIMS AGAINST THE DEBTORS SHOULD CONSULT WITH THEIR TAX ADVISORS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF THE TRANSACTION CONTEMPLATED BY THE RESTRUCTURING, INCLUDING THE APPLICABILITY AND EFFECT OF ANY STATE, LOCAL, OR NON-U.S. TAX LAWS, AND OF ANY CHANGE IN APPLICABLE TAX LAWS.

XIV. RECOMMENDATION

In the opinion of Sabine and each of the Debtors, the Plan is preferable to all other available alternatives and provides for a larger distribution to the Debtors' creditors than would otherwise result in any other scenario. Accordingly, the Debtors recommend that Holders of Claims entitled to vote on the Plan vote to accept the Plan and support Confirmation of the Plan.

Dated: ~~March 31~~April 27, 2016

Respectfully submitted,

Sabine Oil & Gas Corporation,
(on behalf of itself and each of the Debtors)

By: */s/ ~~[DRAFT]~~Michael Magilton*
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Counsel to the Debtors and Debtors in Possession

Exhibit A

Second Amended Joint Plan of Reorganization

EXHIBIT B

Disclosure Statement Order

[To Come]

EXHIBIT C

Financial Projections

~~[To Come]~~

EXHIBIT D

Valuation Analysis

~~[To Come]~~

EXHIBIT E

Liquidation Analysis

~~[To Come]~~