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Methane Energy Corp. and Cascadia Energy Corp.

8
9 UNITED STATES BANKRUPTCY COURT
10 FOR THE DISTRICT OF OREGON

11 In re:
12 TORRENT ENERGY CORPORATION,
13 METHANE ENERGY CORP., and
14 CASCADIA ENERGY CORP.
15 Debtors.

Bankruptcy Case Nos.
08-32638 **LEAD CASE**
08-32639
08-32640
(Jointly Administered Under 08-32638)

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17 **JOINT PLAN OF REORGANIZATION FOR REORGANIZING DEBTORS**

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INTRODUCTION

I. DEFINED TERMS AND RULES OF INTERPRETATION

A. Rules of Construction

Unless this Plan expressly provides or the context requires otherwise, all capitalized terms used in this Plan shall have the meanings assigned to them in this Article I. Whenever the context requires, terms used in this Plan shall include the plural as well as the singular. A term used in this Plan and not defined in this Plan has the meaning, if any, given in the Bankruptcy Code or the Bankruptcy Rules.

B. Definitions

1. "Administrative Claim" means a Claim for payment of an administrative expense or cost of a kind specified in Bankruptcy Code section 503(b) and referenced in Bankruptcy Code sections 507(a)(1), 507(b) or 1114(e)(2) including, without limitation, the actual, necessary costs and expenses of preserving the Estates and operating the businesses of Debtors, taxes incurred by the Estate, including wages, salaries, or commissions for services rendered after the commencement of these Chapter 11 Cases, compensation for legal and other services and reimbursement of expenses allowed or awarded under Bankruptcy Code sections 328, 330(a) or 331 and all fees and charges assessed against Debtors under chapter 123 of title 28 United States Code.

2. "Administrative Claim Bar Date" means (i) with respect to Professional Fee Claims, the date that is sixty (60) days after the Effective Date of this Plan, and (ii) with respect to all other Administrative Claims, the date that is thirty (30) days after the Effective Date of this Plan.

3. "Allowed" means with respect to either a Claim or an Interest, (i) any Claim against Debtors, proof of which is timely filed, or which by order of the Bankruptcy Court is not or will not be required to be filed, or (ii) any Claim that has been or is hereafter listed in the

1 Schedules filed by Debtors as liquidated in amount and not disputed or Contingent and in each
2 case as to which either (a) no objection to the allowance thereof has been interposed within the
3 applicable period of time fixed by the Bankruptcy Code, the Bankruptcy Rules or the Bankruptcy
4 Court or (b) such an objection is so interposed and the Claim will have been allowed by a Final
5 Order (but only to the extent so allowed), or (iii) any Claim Allowed pursuant to this Plan. A
6 Claim or Interest is not Allowed merely because it has been addressed in or defined in this Plan.
7 An Allowed Claim shall not include interest on the principal amount of such Claim from and
8 after the Petition Date. Notwithstanding the foregoing, Claims and Interests shall be Allowed to
9 the extent that this Plan provides that they are deemed Allowed.

10 4. "Avoidance Claims" means all avoidance claims arising under Chapter 5 of the
11 Bankruptcy Code or otherwise and the proceeds thereof, of whatever kind or nature, and whether
12 asserted or unasserted, including, but not limited to, all avoidance actions instituted pursuant to
13 sections 510, 542, 544, 545, 547, 548, 549, 550, 551 and 553 of the Bankruptcy Code.

14 5. "Ballot Deadline" means the date set by the Bankruptcy Court for receipt of
15 Ballots indicating acceptance or rejection of this Plan and/or participation in the Rights Offering.

16 6. "Ballot" means the voting form distributed to each Holder entitled to vote on this
17 Plan, to indicate acceptance or rejection of this Plan and/or participation in the Rights Offering.

18 7. "Bankruptcy Code" means Title 11 of the United States Code, 11 U.S.C. §§ 101 et
19 seq., and all amendments thereto.

20 8. "Bankruptcy Court" means the United States Bankruptcy Court for the District of
21 Oregon.

22 9. "Bankruptcy Rules" means the Federal Rules of Bankruptcy Procedure, and the
23 Local Rules of the Bankruptcy Court, as the same may be amended and modified from time to
24 time, and as applicable to cases pending before the Bankruptcy Court.
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1 10. "Bar Date" means the applicable deadlines for filing Claims against Debtors as set
2 forth in the Bankruptcy Court's Order entered on June 9, 2008, which deadlines are (i) with
3 respect to Claims against any of Debtors that arose prior to the Petition Date, August 15, 2008,
4 (ii) with respect to Claims arising from the rejection of an Executory Contract, the date that is the
5 later of (a) August 15, 2008, and (b) the date that is 30 days following the effective date of such
6 rejection (unless the order authorizing such rejection provides otherwise).

7 11. "Blue Sky Laws" means as any and all applicable state and local securities laws,
8 rules and regulations.

9 12. "Business Day" means any day other than a Saturday, Sunday or "legal holiday"
10 as that term is defined in Bankruptcy Rule 9006(a).

11 13. "Bylaws" means the bylaws of Debtors collectively and individually, as
12 applicable, including any prior versions.

13 14. "Cascadia Energy" means Cascadia Energy Corp.

14 15. "Cash" means Cash, or Cash equivalents, including currency, checks, and wire
15 transfers of immediately available funds.

16 16. "Chapter 11 Cases" means the above-captioned cases filed by Debtors, which
17 cases are jointly administered under Case Number 08-32638, including all adversary proceedings
18 pending in connection therewith.

19 17. "Claim" has the same meaning as that term is defined in Bankruptcy Code section
20 101(5).

21 18. "Claims Objection Bar Date" means the date that is ninety (90) days after the
22 Effective Date, which is the deadline by which the parties in interest must file an objection with
23 the Bankruptcy Court to any Claim or such Claim shall be deemed an Allowed Claim pursuant to
24 this Plan, which date may be excluded by subsequent application.

1 19. "Class" shall mean any Claims or Interests classified together by this Plan
2 pursuant to Section 1122(a)(1) of the Bankruptcy Code.

3 20. "Committee" means any Official Unsecured Creditor's Committee or any other
4 official committee which may be appointed by the Office of the United States Trustee in these
5 Chapter 11 Cases pursuant to Bankruptcy Code section 1102, if such a committee is appointed.

6 21. "Common Shareholders" means Holders of Torrent's Common Shares as of the
7 Record Date.

8 22. "Common Shares" means Torrent Energy's outstanding common stock Interests as
9 of the Record Date.

10 23. "Confirmation" means entry of a Final Order confirming this Plan in accordance
11 with Bankruptcy Code section 1129.

12 24. "Confirmation Date" means the date on which the Confirmation Order is entered
13 on the docket maintained by the Clerk of the Bankruptcy Court.

14 25. "Confirmation Hearing" means the duly noticed hearing held by the Bankruptcy
15 Court pursuant to Bankruptcy Code section 1128 to consider confirmation of this Plan. The
16 Confirmation Hearing may be adjourned by the Bankruptcy Court from time to time without
17 further notice.

18 26. "Confirmation Order" means the Order issued and entered by the Bankruptcy
19 Court confirming this Plan pursuant to Bankruptcy Code section 1129.

20 27. "Contingent" means, with reference to a Claim, a Claim that has not accrued at
21 the time in question, or is not otherwise currently payable and the accrual of which, or the
22 obligation to make payment on which, is dependent upon a future event that may or may not
23 occur.

1 28. "Conversion Date" means the day on which the DIP Lender delivers a notice of
2 conversion to Debtors in a manner consistent with that defined in the Senior Secured Convertible
3 Debt.

4 29. "Conversion Price" means with respect to any conversion of the Senior Secured
5 Convertible Debt to the Reorganized Torrent Energy Common Shares, the lower of the Fixed
6 Conversion Price or the Market Conversion Price.

7 30. "Creditor" means any Entity who holds a Claim against one or more of Debtors.

8 31. "Cure" means the distribution of Cash by Debtors, or such other property as may
9 be agreed upon by the parties or ordered by the Bankruptcy Court, with respect to the assumption
10 or assumption and assignment of an Executory Contract, pursuant to Bankruptcy Code section
11 365(b), in an amount equal to all unpaid monetary obligations and all nonmonetary obligations
12 that can be cured through the payment of Cash, without interest, or such other amount as may be
13 agreed upon by the parties, under such executory contract or unexpired lease, to the extent such
14 obligations are enforceable under the Bankruptcy Code and applicable bankruptcy law.

15 32. "Debtors" means, collectively: (a) Torrent Energy Corporation, a Colorado
16 corporation; (b) Methane Energy Corp., an Oregon corporation; and (c) Cascadia Energy Corp.,
17 a Washington corporation.

18 33. "DIP Lender Claim" means any Claim by or on the behalf of the DIP Lender
19 against Debtors representing any unsatisfied portion of the obligation under the DIP Loan on the
20 Effective Date.

21 34. "DIP Lender" means, collectively, YA Global Investment, LP or its affiliates, in
22 their capacity as debtor in possession lenders to Debtors.

23 35. "DIP Loan" means the post petition debtor in possession financing provided to
24 Torrent Energy by YA Global Investment, LP or its affiliates.

1 36. "DIP Loan Documents" means (a) the Senior Secured, Super-Priority Debtor-in-
2 Possession Credit Agreement and Guaranty Agreement dated as of June 6, 2008 between Torrent
3 Energy, as borrower, Methane Energy and Cascadia Energy, as guarantors and DIP Lender, as
4 lender; (b) the Security Agreement dated June 6, 2008 between the DIP Lender as secured party
5 and Debtors, as debtors and (c) any other documents that memorialize, evidence or encompass
6 any aspect, term, condition or part of the DIP Loan between Debtors and the DIP Lender.

7 37. "Disclosure Statement" means the disclosure statement relating to this Plan as
8 approved by the Bankruptcy Court as containing "adequate information," as that term is defined
9 in Bankruptcy Code section 1125(a)(1), and any exhibits annexed thereto and any documents
10 delivered in connection therewith, as the same may be amended from time to time by any duly
11 authorized amendment or modification.

12 38. "Distribution" means any distribution payments made pursuant to this Plan to
13 Holders of Claim or Interests.

14 39. "Effective Date" means the day that all conditions precedent to the Effective Date
15 have been satisfied.

16 40. "Entity" shall have the meaning set forth in Bankruptcy Code section 101(15).

17 41. "Estates" means Debtors' bankruptcy estates created in these Chapter 11 Cases
18 pursuant to Bankruptcy Code section 541.

19 42. "Exchange Act" means the Securities Exchange Act of 1934 as now in effect or
20 hereafter amended.

21 43. "Executory Contract" means any executory contract or unexpired lease of real or
22 personal property, as contemplated by Bankruptcy Code sections 365, 1113, and 1114, in effect
23 on the Petition Date, between Debtors and any Entity, and including, without limitation, any
24 written employment agreements or plans and employee benefit plans and agreements.

1 44. "Final Decree" means a Final Order of the Bankruptcy Court closing these
2 Chapter 11 Cases.

3 45. "Final Order" means an order or judgment entered by the Bankruptcy Court, or
4 another court of competent jurisdiction, in connection with these Chapter 11 Cases or
5 proceedings therein, which has not been reversed, stayed, modified or amended and as to which
6 the time to appeal or to seek certiorari, review or rehearing has passed.

7 46. "Fixed Conversion Price" means, with respect to any conversion of the Senior
8 Secured Convertible Debt to the Reorganized Torrent Energy Common Shares, a price equal to
9 \$0.16 per share for the Reorganized Torrent Energy Common Shares. The Fixed Conversion
10 Price is subject to broad based and full ratchet anti-dilution protection upon any equity or equity
11 linked issuance.

12 47. "Gordian Claim" means any Claim by or on behalf of Gordian Group LLC, its
13 affiliates, successors and assigns with respect to services provided or costs incurred by Gordian
14 with respect to that certain engagement letter dated February 10, 2008, as amended from time to
15 time,

16 48. "Holder" means any Entity with a Claim or Interest.

17 49. "Impaired" means, when used with reference to a Claim or Interest, that such
18 Claim or Interest is impaired within the meaning of Bankruptcy Code section 1124.

19 50. "Interest" means: (a) any interest in one or more of Debtors pursuant to an "equity
20 security" within the meaning of Section 101(16) of the Bankruptcy Code; (b) all claims subject
21 to subordination under Section 510(b) of the Bankruptcy Code; and (c) any claims arising from
22 the termination or rejection of any stock option or equity incentive plan in existence immediately
23 prior to the Effective Date, including but not limited to the following (as amended from time to
24 time): (i) 2005 Equity Incentive Plan; and (ii) 2006 Equity Incentive Plan.

1 51. "Lien" means, with respect to any interest in property, any mortgage, lien, pledge,
2 charge, security interest, hypothecation, constructive or other trusts, or encumbrance of any kind
3 whatsoever in respect of or affecting such interests in property, subject to the DIP Lender's
4 approval.

5 52. "Management Incentive Plan" means an employee incentive plan substantially in
6 the form of Exhibit D, pursuant to which management will be entitled to acquire options to
7 purchase up to 5% of the Reorganized Torrent Energy Common Shares after the Effective Date,
8 subject to the DIP Lender's approval.

9 53. "Management Incentive Shares" means shares representing five percent (5%) of
10 the Reorganized Torrent Energy Common Shares issuable on or after the Effective Date pursuant
11 to the Management Incentive Plan.

12 54. "Market Conversion Price" means a price equal to eighty five percent (85%) of
13 the lowest VWAP during the 15 trading days immediately preceding the Conversion Date.

14 55. "Methane Energy" means Methane Energy Corp.

15 56. "Offering Conditions" means that before the Effective Date, the following
16 conditions that are either satisfied or waived by both Debtors and the DIP Lender: (i) the
17 Common Shareholders consent (either individually or as a Class) to the conversion of the Series
18 E Preferred Interest into Senior Secured Convertible Debt; (ii) the Common Shareholders
19 participate in the Rights Offering to an extent that the gross proceeds to Debtors is equal to or
20 greater than the Rights Offering Threshold; and (iii) the Bankruptcy Court makes a final
21 determination that Bankruptcy Code section 1145 applies with respect to the Rights Offering,
22 including the offer, sale, issuance, distribution, resale and transfer of the Reorganized Torrent
23 Energy Common Shares, and that any offer, sale, distribution, resale or transfer of such
24 Reorganized Torrent Energy Common Shares by the holders thereof, except as to any holder
25 who is an "underwriter" (as defined in section 1145(b)(1) of the Bankruptcy Code), will be
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1 exempt from registration under the Securities Act of 1933, as amended, and all rules and
2 regulations promulgated thereunder, as well as under any Blue Sky Laws.

3 57. "Other Equity Interests" means any Equity Interests other than Series E Preferred
4 Shares and Common Stock.

5 58. "Participating Common Shareholder" means a Shareholder who has participated
6 in the Rights Offering.

7 59. "Petition Date" means June 2, 2008, the date of commencement of these Chapter
8 11 Cases under chapter 11 of the Bankruptcy Code.

9 60. "Plan Funding" means the proceeds of the DIP Loan available for payment of
10 Allowed Claims as further described in section V of this Plan.

11 61. "Plan" means this plan, and any exhibits annexed hereto and any documents
12 delivered in connection herewith as the same may be amended from time to time by any duly
13 authorized amendment or modification.

14 62. "Plan Supplement" means the supplement to this Plan, which shall be filed on or
15 before the hearing on the Disclosure Statement.

16 63. "Priority Tax Claim" means an Allowed Claim that is entitled to priority under
17 Bankruptcy Code section 507(a)(8).

18 64. "Professional Fee Claim" means a Claim of a Professional for compensation or
19 reimbursement of costs and expenses relating to services incurred after the Petition Date and
20 prior to and including the Effective Date.

21 65. "Professional" means any professional employed in these Chapter 11 Cases
22 pursuant to Bankruptcy Code sections 327 or 1103 and any professional seeking compensation
23 or reimbursement of expenses in connection with these Chapter 11 Cases pursuant to Bankruptcy
24 Code section 503(b)(4).

1 66. "Record Date" means the date set by the Bankruptcy Court for the solicitation of
2 votes of Holders of Common Shares.

3 67. "Reorganized Debtors" means, Debtors on and after the Effective Date.

4 68. "Reorganized Torrent Energy Common Shares" means common equity interests
5 to be issued in the Reorganized Torrent Energy on or after the Effective Date pursuant to this
6 Plan or otherwise and having the rights set forth in the Certificate of Incorporation and the By-
7 Laws for Reorganized Torrent Energy.

8 69. "Reorganized Torrent Energy" means Torrent Energy Corporation from and after
9 the Effective Date.

10 70. "Rights Offering Threshold" shall mean an amount equal to \$2,000,000, or such
11 lesser amount as determined by the DIP Lender in its sole discretion.

12 71. "Rights Offering" means the offering of Reorganized Torrent Energy Common
13 Shares to Common Shareholders as described in Article V of this Plan and which terms as of the
14 date of hereof are outlined in Exhibit A hereto.

15 72. "Rights Offering Purchase Price" means, with respect to the Rights Offering and
16 price for the Reorganized Torrent Energy Common Shares, for each Common Share, the price
17 set forth on Exhibit A to this Plan.

18 73. "SEC" means the Securities and Exchange Commission.

19 74. "Securities Act" means the Securities Act of 1933, 15 U.S.C. §§77a-77aa, as now
20 in effect or hereafter amended.

21 75. "Senior Secured Convertible Debt" means the Senior Secured Convertible
22 Debentures issued in accordance with this Plan substantially in the form attached hereto as
23 Exhibit B.

24 76. "Series E Preferred Holders" mean the Holders, as of the Effective Date of
25 Torrent Energy's Series E Preferred Shares.

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- 1 77. "Series E Preferred Shares" means Torrent Energy's Series E preferred Interests.
- 2 78. "Subordinated Claim" means any Claim subordinated pursuant to Bankruptcy
3 Code section 510(b) or (c).
- 4 79. "Subsidiary Interests" means the outstanding common stock Interests as of the
5 Effective Date of Methane Energy and Cascadia Energy.
- 6 80. "Term Sheet" means that certain Summary of terms for Debtor-in-Possession
7 Credit Facility for Torrent Energy dated May 5, 2008.
- 8 81. "Torrent Energy" means Torrent Energy Corporation.
- 9 82. "Trustee Fee Claim" means a Claim of the Office of the United States Trustee for
10 the payment of Trustee Fees.
- 11 83. "Trustee Fees" means all fees payable pursuant to 28 U.S.C. § 1930.
- 12 84. "Unclassified Claims" means Administrative Claims, Trustee Fee Claims, and
13 Priority Tax Claims.
- 14 85. "Unimpaired" means a Claim or Interest that is not Impaired within the meaning
15 of Bankruptcy Code section 1124.
- 16 86. "Voting Deadline" means the deadline for voting to either accept or reject this
17 Plan as set forth in the Disclosure Statement or otherwise.
- 18 87. "VWAP" means volume weighted average price of the Common Shares.
- 19 88. "Other Definitions. Unless the context otherwise requires, any capitalized term
20 used and not defined herein or elsewhere in this Plan but that is defined in the Bankruptcy Code,
21 the Bankruptcy Rules, or the Disclosure Statement shall have the meaning set forth therein.

22 **C. Rules Of Interpretation**

23 For purposes of this Plan (i) any reference in this Plan to a contract, instrument, release,
24 indenture, or other agreement or document being in a particular form or on particular terms and
25 conditions means that such document shall be substantially in such form or substantially on such
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1 terms and conditions, (ii) any reference in this Plan to an existing document or exhibit filed or to
2 be filed means such document or exhibit as it may have been or may be amended, modified, or
3 supplemented, (iii) unless otherwise specified, all references in this Plan to sections, articles,
4 schedules and exhibits are references to sections, articles, schedules and exhibits of or to this
5 Plan, (iv) the words "herein" and "hereto" refer to this Plan in its entirety rather than to a
6 particular portion of this Plan, (v) captions and headings to Articles and sections are inserted for
7 convenience of reference only and are not intended to be a part of or to affect the interpretation
8 of this Plan and (vi) to the extent not modified herein, the rules of construction set forth in
9 Bankruptcy Code section 102 and in the Bankruptcy Rules shall apply.

10 **D. Computation of Time**

11 In computing any period of time prescribed or allowed by this Plan, the provisions of
12 Bankruptcy Rule 9006(a) shall apply.

13 **II. CLASSIFICATION OF CLAIMS AND INTERESTS**

14 **A. Introduction**

15 All Claims and Interests, except the DIP Lender Claim, Administrative Claims, Trustee
16 Fee Claims, and Priority Tax Claims, are placed in the Classes set forth below.

17 A Claim or Interest is placed in a particular Class only to the extent that the Claim or
18 Interest falls within the description of that Class, and is classified in other Classes to the extent
19 that any portion of the Claim or Interest falls within the description of such other Classes. A
20 Claim is also placed in a particular Class for the purpose of receiving distributions pursuant to
21 this Plan only to the extent that such Claim is an Allowed Claim in that Class and such Claim has
22 not been paid, released, withdrawn, waived, settled or otherwise satisfied prior to the Effective
23 Date.

24 Debtors have set forth the Classes below.

25 **B. Unclassified Claims**

26 1. DIP Lender Claim

2. Administrative Claims
3. Priority Tax Claims
4. Trustee Fee Claims

C. Unimpaired Classes of Claims.

1. Class 1: Allowed Priority Claims
2. Class 2: Allowed Unsecured Claims

D. Impaired Classes of Interests.

1. Class 3: Series E Preferred Interests
2. Class 4: Common Shareholder Interests
3. Class 5: Other Equity Interests

E. Unimpaired Class of Interests.

1. Class 6: Subsidiary Interests

III. TREATMENT OF CLAIMS AND INTERESTS

A. Unclassified Claims

1. DIP Lender Claim

On the Effective Date, in full satisfaction of the DIP Lender Claim, the DIP Lender shall receive Senior Secured Convertible Debt of Reorganized Torrent Energy in the amount of the DIP Lender Claim. On the Effective Date, and from time to time thereafter, the DIP Lender, at its sole discretion, shall have the right to convert all or any portion of the Senior Secured Convertible Debt into Reorganized Torrent Energy Common Shares pursuant to the terms of the Senior Secured Convertible Debt.

2. Administrative Claims

Holders of Allowed Administrative Claims will receive Cash equal to the unpaid portion of such Allowed Administrative Claim that has come due for payment under any applicable order or law, unless otherwise agreed to by the holder of an Allowed Administrative Claim or order of the Bankruptcy Court, as soon as practicable after the later of: (a) the Effective Date; (b)

1 the date on which such Entity becomes the holder of an Allowed Administrative Claim; or (c) the
2 date or dates when that Claim is payable by its terms, consistent with past practice and in
3 accordance with past terms. All Administrative Claims shall be filed on or before the
4 Administrative Claim Bar Date.

5 There are two (2) different types of Allowed Administrative Claims, each of which
6 receives treatment as follows:

- 7 (a) Liabilities or obligations incurred by Debtors in the ordinary course of their
8 business during the Chapter 11 Cases to vendors or trade creditors, shall be paid
9 or performed by Debtors, in the ordinary course of business in accordance with
10 the terms and conditions of any agreements, orders, or applicable law relating
11 thereto; and
- 12 (b) Allowed Professional Fee Claims of Debtors' and Committee's Professionals,
13 including any amounts held back pursuant to an order of the Bankruptcy Court,
14 shall be paid in full in Cash on the Effective Date, or when allowed, provided
15 however, payment of such Allowed Professional Fee Claims shall not exceed
16 \$250,000.

17 **3. Priority Tax Claims**

18 On, or as soon as reasonably practicable after, the latest of (a) the Effective Date; or (b)
19 the date such claim becomes an Allowed Priority Tax Claim, each Holder of such Allowed
20 Priority Tax Claim shall receive on account of such Allowed Priority Tax Claim, in full
21 satisfaction, settlement, release and discharge of and in exchange for such Allowed Priority Tax
22 Claim, (i) Cash equal to the unpaid portion of such Allowed Priority Tax claim or (ii) such other
23 treatment as to which the Allowed Priority Tax Claim Holder and the Reorganized Debtors shall
24 have agreed in writing.

1 **4. Trustee Fee Claims**

2 In accordance with the Bankruptcy Code and the United States Code, all Trustee Fees
3 will be paid in full by Debtors as such Trustee Fees become due.

4 **B. Unimpaired Claims**

5 **1. Class 1: Allowed Priority Claims**

6 This Class consists of all Allowed Priority Claims against Debtors that are specified as
7 having priority in Bankruptcy Code section 507, if any such Claims still exist as of the Effective
8 Date. Unless otherwise agreed by the holder of any Claim in this Class, each Allowed Claim
9 under Bankruptcy Code section 507, which has not been satisfied as of the Effective Date, shall
10 be paid in full in Cash on the latest of: (a) the Effective Date; or (b) the date on which there is a
11 Final Order allowing such Claim.

12 **2. Class 2: Allowed Unsecured Claims**

13 This Class consists of all Allowed Unsecured Claims that are not entitled to priority,
14 including, without limitation, Allowed Unsecured Claims arising from the rejection of Executory
15 Contracts and the Gordian Claim. Claims in this Class will be paid in full satisfaction,
16 settlement, release and discharge of and in exchange for such Claim either (i) in Cash in the full
17 amount of such Holder's Allowed Unsecured Claim, on or within three (3) Business Days of the
18 Effective Date, (ii) pursuant to the terms of Debtors' obligations to the Holder of such Claim, or
19 (iii) as may be agreed by Debtors and the Holder of such Claim.

20 **C. Impaired Classes of Interests.**

21 **1. Class 3: Series E Preferred Interests**

22 On the Effective Date:

23 (a) If all of the Offering Conditions have been satisfied or waived by Debtors and the
24 DIP Lender, all Series E Preferred Shares held by the DIP Lender shall be exchanged for Senior
25 Secured Convertible Debt of Reorganized Torrent Energy in the principal amount equal to the
26 liquidation amount of the Series E Preferred Shares and accumulated dividends thereon.

1 (b) If the Offering Conditions are not satisfied or waived by both Debtors and the DIP
2 Lender, upon the Effective Date, the DIP Lender's Series E Preferred Shares shall be converted
3 into 100% of the Reorganized Torrent Energy Common Shares, subject to the terms of the
4 Management Incentive Plan.

5 **2. Class 4: Common Shareholder Interests**

6 (a) On the Effective Date all Common Shareholders shall have the opportunity to
7 participate in the purchase of Reorganized Torrent Energy Common Shares in a Rights Offering
8 as described in more detail in Exhibit A. If all the Offering Conditions are satisfied, or waived
9 by the Debtors and the DIP Lender, as applicable, then each Participating Common Shareholder
10 shall receive such number of Reorganized Torrent Energy Common Shares the Participating
11 Common Shareholder subscribed to in the Rights Offering. The Rights Offering shall be
12 available to all Common Shareholders and must be completed by the Ballot Deadline. Common
13 Shareholders who do not participate in the Rights Offering will have their Common Shares
14 canceled and shall not be entitled to, and shall not receive or retain any property or interest in
15 property on account of, such Common Shares.

16 (b) If the Offering Conditions are not satisfied or waived by the Debtors and the DIP
17 Lender, upon the Effective Date, the Common Shareholders will have their Common Shares
18 canceled and shall not be entitled to, and shall not receive or retain any property or interest in
19 property on account of, such Common Shares.

20 **3. Class 5: Other Equity Interests**

21 On the Effective Date, all Other Equity Interests, as well as any and all securities,
22 warrants, options or agreements relating to the Other Equity Interests, shall be canceled and each
23 Holder thereof shall not be entitled to, and shall not receive or retain any property or interest in
24 property on account of, such Other Equity Interests. Class 5 is deemed to have rejected this Plan
25 and, therefore, Holders of Other Equity Interests are not entitled to vote to accept or reject this
26 Plan.

1 **D. Unimpaired Interests**

2 **1. Class 6: Subsidiary Interests**

3 On the Effective Date, the Subsidiary Interests shall revest and be held by Torrent Energy
4 and Methane Energy and Cascadia Energy shall continue to be wholly-owned subsidiaries of
5 Torrent Energy.

6 **IV. ACCEPTANCE OR REJECTION OF THE PLAN**

7 **A. Impaired Classes of Claims Entitled to Vote**

8 Subject to Article III of this Plan, Holders in Classes 3 and 4 are entitled to vote as a
9 Class to accept or reject this Plan.

10 **B. Acceptance by an Impaired Class**

11 In accordance with Bankruptcy Code section 1126(d) and except as provided in
12 Bankruptcy Code section 1126(e), an Impaired Class of Interests shall have accepted this Plan if
13 the Holders of at least two-thirds (2/3) in amount of the Allowed Interests of such Class entitled
14 to vote that actually have timely and properly voted on this Plan have voted to accept this Plan.
15 If any Impaired Class of Claims entitled to vote shall not accept this Plan by the requisite
16 statutory majority, Debtors reserve the right to seek confirmation of this Plan over the objection
17 of such class under section 1129(b) of the Bankruptcy Code.

18 **C. Presumed Acceptances by Unimpaired Classes**

19 In accordance with Bankruptcy Code section 1124, Holders of Claims in Classes 1 and 2
20 and the Holder of Interests in Class 6, are not Impaired by this Plan. Under Bankruptcy Code
21 section 1126(f), each Holder of a Claim in Classes 1 and 2 and each Holder of an Interest in
22 Class 6 is presumed to have accepted this Plan, and the votes of such Claim and Interest Holders
23 will not be solicited.

24 **D. Presumed Rejection by Impaired Classes**

25 Under Bankruptcy Code section 1126(g), Class 5, consisting of the holders of Other
26 Equity Interests in Debtors, is deemed not to have accepted this Plan and the vote of holders of

1 such Interests in these Classes will not be solicited. Any Holder of an Interest in this Class may,
2 however, object to this Plan provided that such Holder has not otherwise waived such right.

3 **E. Summary of Classes Voting on this Plan**

4 As a result of the provisions of Article III of this Plan, only the votes of Holders of
5 Interests in Classes **3 and 4** will be solicited with respect to this Plan.

6 **V. MEANS FOR IMPLEMENTATION OF THE PLAN**

7 Debtors will implement and consummate this Plan as contemplated by Bankruptcy Code
8 sections 1123(a)(5), through the Rights Offering, or if there is no Rights Offering, through the
9 alternative treatments provided herein.

10 **A. Continued Corporate Existence**

11 Each Debtor shall, as a Reorganized Debtor, continue to exist after the Effective Date as
12 a separate legal entity, each with all the powers of a corporation under the laws of its respective
13 jurisdiction of organization and without prejudice to any right to alter or terminate such existence
14 (whether by merger or otherwise) under applicable state law.

15 **B. Issuance of Reorganized Torrent Energy Common Shares**

16 On or as soon as reasonably practicable after the Effective Date (or as otherwise
17 specifically set forth herein), Reorganized Torrent Energy shall issue the Reorganized Torrent
18 Energy Common Shares. The Reorganized Torrent Energy Common Shares shall be divided, as
19 applicable, between the Participating Common Shareholders, the DIP Lenders, participants in the
20 Management Incentive Plan and the Series E Preferred Holders pursuant to this Plan. To the
21 maximum extent provided by section 1145 of the Bankruptcy Code and applicable non-
22 bankruptcy laws, the Reorganized Torrent Energy Common Shares, shall be exempt from
23 registration under the Securities Act.

1 **C. Rights Offering**

2 The terms and conditions of the Rights Offering, in addition to the Offering Conditions,
3 are set forth on Exhibit A. In addition, the following terms and conditions are applicable to the
4 Rights Offering:

5 If the Offering Conditions are satisfied or waived by the Debtors and DIP Lender, as
6 applicable, the Rights Offering shall be completed on or prior to the Effective Date as part of this
7 Plan.

8 If the Offering Conditions are not satisfied or waived by the Debtors and DIP Lender, as
9 applicable, the Series E Holder and Common Shareholders shall receive the treatment described
10 in Article III C.1(b) and C.2(b), respectively.

11 Concurrent with the mailing of the Ballots, each Common Shareholder will be offered the
12 opportunity to participate in the Rights Offering. The Rights Offering shall be available to all
13 Common Shareholders and must be elected by the Ballot Deadline. If (a) the Offering
14 Conditions are not satisfied or waived by the Debtors and DIP Lender, as applicable, or (b) the
15 SEC determines that the Rights Offering and any offer, sale, transfer, resale, or distribution of
16 the Reorganized Torrent Energy Common Shares does not comply with Bankruptcy Code
17 section 1145 or will otherwise not be exempt from registration under the Securities Act, all rules
18 and regulations promulgated thereunder, and any and all Blue Sky Laws (other than with respect
19 to any holder who is an "underwriter" as defined in the Bankruptcy Code section 1145(b)(1)), all
20 monies tendered will be returned.

21 **D. Plan Funding**

22 Pursuant to the terms of the DIP Loan, and subject to the Conditions set forth herein,
23 Debtors will utilize Plan Funding to pay Allowed Claims up to a maximum of One Million
24 Dollars (\$1,000,000). However, such use of the DIP Loan proceeds shall be limited to this Plan
25 Funding.

1 **E. Post-Effective Date Compensation of Professionals**

2 The Professionals employed by Debtors shall be entitled to reasonable compensation and
3 reimbursement of actual, necessary expenses for post-Effective Date activities, including the
4 preparation, filing and prosecution of final fee applications, upon the submission of invoices to
5 Debtors. Notwithstanding the foregoing, if the total amount of fees awarded exceeds Two
6 Hundred and Fifty Thousand Dollars (\$250,000) the DIP Lender shall have no obligation to fund
7 the Plan and may call the DIP Loan due. Any time or expenses incurred in the preparation, filing
8 and prosecution of final fee applications shall be disclosed by each Professional in its final fee
9 application and shall be subject to approval of the Bankruptcy Court.

10 **F. Sources for Plan Distribution**

11 Debtors intend to implement this Plan with funds generated from the Rights Offering
12 and/or Plan Funding, as necessary.

13 **VI. TREATMENT OF EXECUTORY CONTRACTS**

14 **A. Assumption and Rejection of Executory Contracts**

15 Subject to Article VIII of this Plan, on the Effective Date, those Executory Contracts set
16 forth on Exhibit C shall be assumed as of the Effective Date ("Assumed Contracts"). All
17 Executory Contracts, including all written employment agreements, severance contracts,
18 employee benefit or retirement or supplemental retirement benefit plans and agreements and
19 unexpired leases of Debtors, that have not been the subject of a motion or order to assume or
20 reject pending the occurrence of the Effective Date, shall be deemed rejected by Debtors as of
21 the Petition Date ("Rejected Contracts"). Debtors shall have the right, subject to the consent of
22 the DIP Lender, to change the designation of an Executory Contract from Assumed to Rejected,
23 upon notice to the counterparty to such contract no later than ten (10) days prior to the
24 Confirmation Date.

25 Subject to the occurrence of the Effective Date, the entry of the Confirmation Order by
26 the Bankruptcy Court shall constitute approval of such assumption or rejection pursuant to

1 Bankruptcy Code sections 365(a) and 1123(b)(2) and a finding by the Bankruptcy Court that
2 such assumption or rejection is in the best interest of Debtors, their estates, and all parties in
3 interest in these Chapter 11 Cases. Debtors shall Cure any and all defaults required to be cured
4 under the Assumed Contracts, on or before the Effective Date in an amount either agreed to by
5 the parties or determined by the Bankruptcy Court pursuant to a Final Order. Debtors reserve the
6 right to seek rejection of any Executory Contract designated as an Assumed Contract if the Cure
7 determined by the Bankruptcy Court is higher than expected and Debtors determine that the
8 Executory Contract is not necessary under those circumstances to their continued operations.

9 **B. Claims Based Upon Rejection of Executory Contracts or Unexpired Leases**

10 Each Entity who is a party to an Executory Contract that was not rejected prior to the
11 Effective Date or which is rejected pursuant to this Plan, shall be entitled to file a proof of claim
12 for damages alleged to have arisen from the rejection of the Executory Contract to which such
13 Entity is a party. All proofs of claim with respect to Claims arising from the rejection of any
14 Executory Contract shall be filed with the Bankruptcy Court within thirty (30) days after the
15 earlier of the date of the Bankruptcy Court order approving Debtors' rejection of such Executory
16 Contract, or such other date ordered by the Bankruptcy Court. All Claims arising out of the
17 rejection of Executory Contracts shall be Allowed Unsecured Claims and classified in **Class 2**,
18 which shall be allowed or disallowed as provided in Article II of this Plan.

19 **C. Disallowance of Contribution Claims**

20 On the Effective Date, any Claim for reimbursement, indemnification, contribution or
21 subrogation of an Entity that is liable with any Debtors on or that has secured the Claim of a
22 Creditor not heretofore disallowed by order of the Bankruptcy Court shall be deemed disallowed
23 to the extent (a) such Creditor's Claim against Debtors is disallowed; (b) such Claim for
24 reimbursement, indemnification, contribution or subrogation is Contingent as of the
25 Confirmation Date, including, without limitation, all Claims which are disallowed under
26 Bankruptcy Code section 502(e); or (c) such Entity asserts a right of subrogation to the rights of

1 such Creditor under Bankruptcy Code section 509 except as otherwise specifically provided
2 therein.

3 **VII. PROVISIONS REGARDING CORPORATE GOVERNANCE OF THE**
4 **REORGANIZED DEBTORS**

5 **A. Corporate Action**

6 On the Effective Date, the adoption, filing, approval and ratification, as necessary, of all
7 corporate or related actions contemplated hereby with respect to each of the Reorganized
8 Debtors shall be deemed authorized and approved in all respects. Without limiting the
9 foregoing, such actions may include: (i) the adoption and filing of the new certificate(s) of
10 incorporation, (ii) the approval of the new Reorganized Debtors' Bylaws, (iii) the election or
11 appointment, as the case may be, of directors and officers for the Reorganized Debtors, and (iv)
12 the issuance of the Reorganized Torrent Energy Common Shares.

13 All matters provided for herein involving the corporate structure of any Debtor or any
14 Reorganized Debtor, or any corporate action required by any Debtor or any Reorganized Debtor
15 in connection with this Plan, shall be deemed to have occurred and shall be in effect, without any
16 requirement of further action by the security holders or directors of such Debtor or Reorganized
17 Debtor or by any other stakeholder.

18 On or after the Effective Date, the appropriate officers of each Reorganized Debtor and
19 members of the board of directors, board of managers or equivalent body of each Reorganized
20 Debtor are authorized and directed to issue, execute, deliver, file and record any and all
21 agreements, documents, securities, deeds, bills of sale, conveyances, releases and instruments
22 contemplated by this Plan in the name of and on behalf of such Reorganized Debtor and take
23 such actions as may be necessary or appropriate to effectuate and further evidence the terms and
24 conditions of this Plan.

1 **B. Issuance of New Securities.**

2 The issuance of the Reorganized Torrent Energy Common Shares and the distribution of
3 the Reorganized Torrent Energy Common Shares to the Participating Common Shareholders
4 and/or the DIP Lender is hereby authorized and directed, without the need for any further
5 corporate action, under applicable law, regulation, order, rule or otherwise. Bankruptcy Code
6 section 1145 applies with respect to the issuance and transfer of the Reorganized Torrent Energy
7 Common Shares under this Plan and, therefore, the Reorganized Torrent Energy Common Shares
8 offered and issued pursuant to this Plan and the transfer, distribution, and resale of the
9 Reorganized Torrent Energy Common Shares issued pursuant to this Plan will be exempt from
10 registration under the Securities Act and all rules and regulations promulgated thereunder, as
11 well as any and all applicable Blue Sky Laws.

12 For purposes of Rule 144 promulgated under the Securities Act, to the extent the DIP
13 Lender receives a new Interest in the Reorganized Torrent Energy upon conversion of the Senior
14 Secured Convertible Debt, the DIP Lender will be deemed to have acquired such Interest at the
15 same time as it originally acquired the securities surrendered for conversion.

16 **C. SEC Reporting Status of Reorganized Torrent Energy Upon Consummation of this
17 Plan**

18 Torrent Energy's Common Shares are currently registered under the Securities Act. If the
19 Offering Conditions are satisfied and the Rights Offering occurs, then Reorganized Torrent
20 Energy will continue to be an SEC reporting company.

21 Alternatively, if the Offering Conditions are not satisfied and the Rights Offering does
22 not occur, then after the Effective Date there will be only one holder of the Reorganized Torrent
23 Energy Common Shares. If there is only one holder of the Reorganized Torrent Energy
24 Common Shares, Reorganized Torrent Energy will, as soon as practicable after the Effective
25 Date, make an application for termination of registration of the Common Shares pursuant to
26 Section 12(g)(4) of the Exchange Act. Termination of the registration of the Reorganized

1 Torrent Energy Common Shares under the Exchange Act would substantially reduce the
2 information required to be furnished by the Reorganized Debtors to its shareholders and to the
3 SEC and would make certain provisions of the Securities Act, including the filing of annual and
4 quarterly reports and proxy statements, no longer applicable to the Reorganized Torrent Energy.
5 If the registration of the Reorganized Torrent Energy Common Shares is terminated, the
6 Reorganized Debtors will cease to be public reporting companies.

7 **D. Certificates of Incorporation and Bylaws**

8 The certificates of incorporation and bylaws (or other formation documents, if applicable)
9 of Debtors shall be amended or deemed amended as may be required to be consistent with the
10 provisions of this Plan and the Bankruptcy Code. The Reorganized Debtors' Certificates of
11 Incorporation shall be deemed amended, without further action, to include (i) a provision
12 prohibiting the issuance of nonvoting equity securities to the extent required by Bankruptcy
13 Code section 1123(a)(6) and (ii) a provision setting forth an appropriate distribution of voting
14 power among classes, if any, of equity securities possessing voting power, including, in the case
15 of any class of equity securities having a preference over another class of equity securities with
16 respect to dividends, adequate provisions for the election of directors representing such preferred
17 class in the event of default in the payment of such dividends.

18 After the Effective Date, any of the Reorganized Debtors may file restated certificates of
19 incorporation (or other formation documents, if applicable) with the Secretary of State in any
20 appropriate jurisdiction.

21 **E. Directors and Officers of the Reorganized Debtors**

22 On the Effective Date, the management, control and operation of each Reorganized
23 Debtor shall become the general responsibility of the board of directors, of such Reorganized
24 Debtor.

25 Subject to the approval of the DIP Lender, in the Plan Supplement, Debtors will
26 designate the Reorganized Debtors' officers and directors. The classification and composition of

1 these individuals shall be consistent with the Reorganized Debtors' Certificates of incorporation
2 and bylaws. Each such director shall serve from and after the Effective Date in accordance with
3 applicable non-bankruptcy law and the terms of the Reorganized Debtors' Certificates of
4 incorporation and bylaws.

5 Debtors will also disclose the nature of the compensation payable to each person
6 proposed to serve on the board of the Reorganized Debtors, as well as the Reorganized Debtors'
7 chief executive officer, chief financial officer and three other most highly compensated officers.

8 **F. Consummation Of This Plan Pursuant To Bankruptcy Code Section 1129**

9 To the extent that any Impaired Class rejects this Plan or is deemed to have rejected this
10 Plan, Debtors will request confirmation of this Plan, as it may be modified from time to time,
11 under Bankruptcy Code section 1129(b). Debtors reserve the right to alter, amend, modify,
12 revoke or withdraw this Plan or any Plan exhibit or schedule, including the right to amend or
13 modify it to satisfy the requirements of Bankruptcy Code section 1129(b), if necessary.

14 **VIII. EFFECT OF CONFIRMATION**

15 **A. Vesting of Assets**

16 Upon the Effective Date, pursuant to sections 1141(b) and (c) of the Bankruptcy Code, all
17 property of each Debtor shall vest in each of the respective Reorganized Debtor free and clear of
18 all Claims, Liens, encumbrances, charges and other interests, except as otherwise specifically
19 provided in this Plan, including with respect to the Senior Secured Convertible Debt. All Liens,
20 Claims, encumbrances, charges and other interests shall be deemed fully released and discharged
21 as of the Effective Date, except as otherwise provided in this Plan. As of the Effective Date, the
22 Reorganized Debtors may operate their businesses and may use, acquire and dispose of property
23 and settle and compromise Claims and Interests without supervision or approval by the
24 Bankruptcy Court and free of any restrictions of the Bankruptcy Code or the Bankruptcy Rules
25 and in all respects as if there were no pending cases under any chapter or provision of the
26 Bankruptcy Code.

1 **B. Implementation of Management Incentive Plan**

2 The Reorganized Debtors shall be authorized to implement a Management Incentive Plan
3 from and after the Effective Date in accordance with documents filed with the Plan Supplement;
4 provided, however, such Management Incentive Plan shall not entitle participants to acquire
5 options to purchase more than five percent (5%) of the Reorganized Torrent Energy Common
6 Shares, subject to the consent of the DIP Lender. For the avoidance of doubt, all existing
7 management and employee incentive plans providing for the issuance or obtaining of any
8 Interest, equity incentive plans or other such similar plans in existence immediately prior to the
9 Effective Date shall be deemed terminated on the Effective Date.

10 **C. Releases and Discharges**

11 The releases and discharges of Claims set forth this Plan, including releases by Debtors
12 and by holders of Interests, constitute good faith compromises and settlements of the matters
13 covered thereby and are consensual. Such compromises and settlements are made in exchange
14 for consideration and are in the best interest of holders of Claims and Interests, are fair,
15 equitable, and reasonable and are integral elements of the resolution of the Chapter 11 Cases in
16 accordance with this Plan. Each discharge, release, indemnification and exculpation provisions
17 set forth in this Plan (a) is within the jurisdiction of the Bankruptcy Court under sections
18 1334(a), 1334(b) and 1334(d) of title 28 of the United States Code, (b) is an essential means of
19 implementing this Plan pursuant to Bankruptcy Code section 1123(a)(5), (c) is an integral
20 element of the transactions incorporated into this Plan, (d) confers material benefit on, and is in
21 the best interests of, Debtors, their estates and their creditors, (e) is important to the overall
22 objectives of this Plan to finally resolve all Claims among or against the parties-in-interest in the
23 Chapter 11 Cases with respect to Debtors and (f) is consistent with sections 105, 1123, 1129 and
24 other applicable provisions of the Bankruptcy Code.
25
26

1 **D. Discharge and Injunction**

2 Except as otherwise specifically provided herein or in the Confirmation Order, the rights
3 afforded in this Plan and Distributions to be made hereunder shall discharge all existing debts
4 and Claims whatsoever against or in Debtors or any of their assets or properties to the fullest
5 extent permitted by Bankruptcy Code section 1141. Except as otherwise specifically provided
6 herein or in the Confirmation Order, upon the Effective Date, all Claims against Debtors shall be,
7 and shall be deemed to be, discharged and terminated, and all holders of Claims shall be
8 precluded and enjoined from asserting against the Reorganized Debtors, their successors or
9 assignees, or any of their assets or properties, any other or further Claim based upon any act or
10 omission, transaction or other activity of any kind or nature that occurred prior to the Effective
11 Date, whether or not such holder has filed a proof of claim and whether or not the facts or legal
12 bases therefore were known or existed prior to the Effective Date. The Confirmation Order shall
13 be a judicial determination of the discharge of all Claims against, liabilities of Debtors, subject to
14 the treatments provided for in this Plan and the occurrence of the Effective Date.

15 Except as otherwise specifically provided herein or in the Confirmation Order, the rights
16 afforded in this Plan and Distributions to be made hereunder shall terminate all Common Shares
17 and Series E Preferred Shares in Torrent Energy to the fullest extent permitted by Bankruptcy
18 Code section 1141. The Confirmation Order shall be a judicial determination of the discharge of
19 all Interests in Torrent Energy, subject to the treatments provided for in this Plan and the
20 occurrence of the Effective Date.

21 Except as otherwise expressly provided in this Plan, all persons or entities who have held,
22 hold or may hold Claims and all other parties in interest, along with their respective present or
23 former employees, agents, officers, directors, principals, representatives and affiliates, are
24 permanently enjoined, from and after the Effective Date, from (i) commencing or continuing in
25 any manner any action or other proceeding of any kind with respect to any such Claim against
26 Debtors, the Reorganized Debtors or property of any Debtors or Reorganized Debtors, other than

1 to enforce any right to a Distribution pursuant to this Plan, (ii) the enforcement, attachment,
2 collection or recovery by any manner or means of any judgment, award, decree or order against
3 Debtors, the Reorganized Debtors or property of any Debtors or Reorganized Debtors, other than
4 to enforce any right to a Distribution pursuant to this Plan, (iii) creating, perfecting or enforcing
5 any Lien or encumbrance of any kind against Debtors or Reorganized Debtors or against the
6 property or interests in property of Debtors or Reorganized Debtors, other than to enforce any
7 right to a Distribution pursuant to this Plan or (iv) asserting any right of setoff, subrogation or
8 recoupment of any kind against any obligation due from Debtors or Reorganized Debtors or
9 against the property or interests in property of Debtors or Reorganized Debtors, with respect to
10 any such Claim. Such injunction shall extend to any successors or assignees of Debtors and
11 Reorganized Debtors and their respective properties and interest in properties.

12 **E. Term of Injunction or Stays**

13 Unless otherwise provided herein, any injunction or stay arising under or entered during
14 the Chapter 11 Cases under section 105 or 362 of the Bankruptcy Code or otherwise that is in
15 existence on the Confirmation Date shall remain in full force and effect until the later of the
16 Effective Date and the date indicated in the order providing for such injunction or stay.

17 **F. Exculpation**

18 None of the Reorganized Debtors, Debtors, the Committee, the DIP Lender or any of
19 their respective members, officers, employees, agents, attorneys, advisors, partners, accountants,
20 financial advisors, or directors, are to have or incur any liability to any Entity for any act or
21 omission in connection with or arising out of the negotiation of this Plan, the pursuit of
22 confirmation of this Plan, the pursuit of approval of the Disclosure Statement, the consummation
23 of this Plan, the transactions contemplated and effectuated by this Plan, the administration of this
24 Plan or the property to be distributed under this Plan or any other act or omission during the
25 administration of the Chapter 11 Cases or Debtors' Estates (including any and all Claims,
26 obligations, rights, suits, damages, causes of action, remedies, and liabilities based on conduct

1 that constituted or may have constituted ordinary or gross negligence or reckless, willful, or
2 wanton misconduct - but not, in the case of any natural person included among the Entities to
3 which this Section applies, any claims against that person based on intentional misconduct of
4 that person that directly resulted in the unjust enrichment of that person - of any Debtors, the
5 Committee, the DIP Lender or any of their respective members, officers, employees, agents,
6 attorneys, partners, accountants, financial advisors, or directors or any conduct for which any of
7 those Entities may be deemed to have strict liability under any applicable law). In all respects,
8 they will be entitled to rely upon the advice of counsel with respect to their duties and
9 responsibilities under this Plan.

10 **G. Releases by Holders of Claims or Interests**

11 Except as otherwise specifically provided in this Plan, on and after the Effective Date,
12 each holder of a Claim and each Holder of an Equity Interest who has voted to accept this Plan
13 shall be deemed to have unconditionally released Debtors, the Reorganized Debtors, the
14 Committee, if any, and the DIP Lender and with respect to each of the forgoing, all of their
15 respective members, officers, employees, agents, attorneys, advisors, partners, accountants,
16 financial advisors or directors from any and all Claims, obligations, rights, suits, damages, causes
17 of action, remedies and liabilities whatsoever, whether known or unknown, foreseen or
18 unforeseen, existing or hereafter arising, in law, equity or otherwise, that such Entity would have
19 been legally entitled to assert (whether individually or collectively), based in whole or in part
20 upon any act or omission, transaction, agreement, event or other occurrence taking place on or
21 before the Effective Date in any way relating or pertaining to, Debtors or the Reorganized
22 Debtors, the Chapter 11 Cases, or the negotiation, formulation and preparation of this Plan or any
23 related agreement, instruments or other documents.

24 Upon the Effective Date and in consideration of the Distributions to be made hereunder,
25 except as otherwise provided herein, each holder (as well as any representatives, trustees or
26 agents on behalf of each holder) of any Claims or Interests and any affiliate of such holder shall

1 be deemed to have forever waived, released and discharged Debtors and The DIP Lender, to the
2 fullest extent permitted by section 1141 of the Bankruptcy Code, of and from any and all Claims,
3 Interests, rights and liabilities that arose prior to the Effective Date. Upon the Effective Date, all
4 such persons shall be forever precluded and enjoined, pursuant to section 524 of the Bankruptcy
5 Code, from prosecuting or asserting any such discharged Claim against or terminated Interest in
6 Debtors.

7 **H. Release by Debtors**

8 Pursuant to this Plan, as of the Effective Date, Debtors, their Estates and the Reorganized
9 Debtors release all of the Released Parties (defined below) from any and all causes of action
10 (other than the rights of Debtors or the Reorganized Debtors to enforce this Plan and including
11 contracts, instruments, releases, indentures and other agreements or documents delivered
12 thereunder) held, assertable on behalf of or derivative from Debtors, whether known or
13 unknown, foreseen or unforeseen, existing or hereafter arising, in law, equity or otherwise, based
14 on or relating to or in any manner arising from, in whole or in part, Debtors, Debtors'
15 restructuring, the Chapter 11 Cases, the purchase, sale or rescission of the purchase or sale of any
16 security of Debtors, the subject matter of, or the transactions or events giving rise to, any Claim
17 or Interest that is treated in this Plan, the business or contractual arrangements between any
18 Debtor, any Released Party, the restructuring of Claims and Interests prior to or in the Chapter 11
19 Cases, the negotiation, formulation or preparation of this Plan and Disclosure Statement, or
20 related agreements, instruments or other documents, which Causes of Action are based in whole
21 or in part on any act, omission, transaction, event or other occurrence (except for willful
22 misconduct, ultra vires acts, or gross negligence) taking place before the Effective Date. For the
23 purposes of this Plan, "Released Parties" means all present officers and directors of Debtors, the
24 DIP Lender and/or any of their or Debtors' respective affiliates, members, officers, directors,
25 employees, advisors, actuaries, attorneys, financial advisors, investment bankers, professionals
26 or agents; provided, however, that if any Released Party directly or indirectly brings or asserts

1 any claim or cause of action in any way arising out of or related to any document or transaction
2 that was in existence prior to the Effective Date against Debtors, the Reorganized Debtors or any
3 of their respective affiliates, officers, directors, members, employees, advisors, actuaries,
4 attorneys, financial advisors, investment bankers, professionals or agents, then the release set
5 forth herein of this Plan (but not any release or indemnification or any other rights or claims
6 granted under any other section of this Plan or under any other document or agreement) shall
7 automatically and retroactively be null and void ab initio with respect to such Released Party;
8 provided further that the immediately preceding clause shall not apply to the prosecution in the
9 Bankruptcy Court (or any appeal therefrom) of the amount, priority or secured status of any pre-
10 petition Claim against Debtors.

11 **IX. CONDITIONS PRECEDENT TO CONFIRMATION**
12 **AND CONSUMMATION OF THE PLAN**

13 **A. Conditions to Confirmation**

14 The following are conditions precedent to the occurrence of the Confirmation Date: (a)
15 entry of an order finding that the Disclosure Statement contains adequate information pursuant to
16 Bankruptcy Code section 1125; (b) entry of a Final Order approving the DIP Loan; and (c)
17 determination that Debtors shall have no more than \$1,000,000 in Allowed Unsecured Claims in
18 the aggregate.

19 **B. Conditions to Effective Date**

20 The following are conditions precedent to the occurrence of the Effective Date, each of
21 which must be satisfied or waived in accordance with Article IX of this Plan:

22 (a) The Confirmation Order shall be a Final Order and shall have been
23 entered in form and substance reasonably satisfactory to Debtors and the DIP Lender;

24 (b) The Confirmation Order shall provide that Debtors are authorized to take
25 all actions necessary or appropriate to enter into, implement and consummate the
26

1 contracts, instruments, releases, leases, indentures and other agreements or documents
2 created in connection with this Plan;

3 (c) All actions, documents and agreements necessary to implement this Plan
4 shall have been or been deemed, effected or executed;

5 (d) No Event of Default shall have occurred under the DIP Loan as defined in
6 the DIP Loan Documents; and

7 (e) The Offering Conditions shall have been determined to be satisfied,
8 waived or unsatisfied by order of the Bankruptcy Court or otherwise, such that
9 Reorganized Torrent Energy, in its reasonable judgment, can determine whether it is
10 obligated to effect the Rights Offering.

11 **C. Waiver of Conditions**

12 Except as provided herein, the conditions set forth in subsections (a), (b) (c) and (e) in
13 Section B of this Article may be jointly waived in whole or in part by the DIP Lender and
14 Debtors. Additionally, the DIP Lender, in its sole discretion, may also waive the condition set
15 forth in subsection (d). The failure of the DIP Lender to exercise any of the foregoing rights
16 shall not be deemed a waiver of any other rights, and each such right shall be deemed an ongoing
17 right that may be asserted at any time. The failure of Debtors to exercise any of the foregoing
18 rights shall not be deemed a waiver of any other rights, and each such right shall be deemed an
19 ongoing right the may be asserted at any time.

20 **X. RETENTION OF JURISDICTION**

21 Under Bankruptcy Code sections 105(a) and 1142, and notwithstanding entry of the
22 Confirmation Order and occurrence of the Effective Date, the Bankruptcy Court shall retain
23 exclusive jurisdiction over all matters arising out of, and related to, these Chapter 11 Cases and
24 this Plan to the fullest extent permitted by law, including, among other things, jurisdiction to:

25 (a) Allow, disallow, determine, liquidate, classify, estimate or establish the
26 priority or secured or unsecured status of any Claim or Interest not otherwise allowed

1 under this Plan, including the resolution of any request for payment of any
2 Administrative Claim and the resolution of any objections to the allowance or priority
3 of Claims or Interests;

4 (b) Hear and determine all applications for compensation and reimbursement
5 of expenses of Professionals under this Plan or under Bankruptcy Code sections 330,
6 331, 503(b), 1103 and 1129(a)(4);

7 (c) Hear and determine all matters with respect to the assumption or rejection
8 of any Executory Contract to which any Debtor is a party or with respect to which any
9 Debtor may be liable, including, if necessary, the nature or amount of any required Cure
10 or the liquidation or allowance of any Claims arising therefrom;

11 (d) Effectuate performance of and payments under the provisions of this
12 Plan;

13 (e) Hear and determine any and all adversary proceedings, motions,
14 applications, and contested or litigated matters arising out of, under, related to, these
15 Chapter 11 Cases;

16 (f) Enter such orders as may be necessary or appropriate to execute,
17 implement, or consummate the provisions of this Plan and all contracts, instruments,
18 releases, and other agreements or documents created in connection with this Plan, the
19 Disclosure Statement or the Confirmation Order;

20 (g) Hear and determine disputes arising in connection with the interpretation,
21 implementation, consummation, or enforcement of this Plan, including disputes arising
22 under agreements, documents or instruments executed in connection with this Plan;

23 (h) Consider any modifications of this Plan, cure any defect or omission, or
24 reconcile any inconsistency in any order of the Bankruptcy Court, including, without
25 limitation, the Confirmation Order;

26

1 (i) Issue injunctions, enter and implement other orders, or take such other
2 actions as may be necessary or appropriate to restrain interference by any Entity with
3 implementation, consummation, or enforcement of this Plan or the Confirmation Order;

4 (j) Enter and implement such orders as may be necessary or appropriate if
5 the Confirmation Order is for any reason reversed, stayed, revoked, modified, or
6 vacated;

7 (k) Hear and determine any matters arising in connection with or relating to
8 this Plan, the Disclosure Statement, the Confirmation Order, or any contract,
9 instrument, release, or other agreement or document created in connection with this
10 Plan, the Disclosure Statement or the Confirmation Order;

11 (l) Enforce all orders, judgments, injunctions, releases, exculpations,
12 indemnification and rulings entered in connection with these Chapter 11 Cases;

13 (m) Except as otherwise limited herein, recover all assets of Debtors and
14 property of the Estates, wherever located;

15 (n) Hear and determine matters concerning state, local, and federal taxes in
16 accordance with Bankruptcy Code sections 346, 505 and 1146;

17 (o) Hear and determine all disputes involving the existence, nature, or scope
18 of Debtors' discharge;

19 (p) Modify this Plan at the request of Debtors and as provided by applicable
20 law;

21 (q) Hear and determine such other matters as may be provided in the
22 Confirmation Order or as may be authorized under, or not inconsistent with, provisions
23 of the Bankruptcy Code; and

24 (r) Enter a Final Decree closing these Chapter 11 Cases.
25
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1 **XI. MISCELLANEOUS PROVISIONS**

2 **A. Modifications and Amendments**

3 Debtors may alter, amend, or modify this Plan or any Plan exhibit under Bankruptcy
4 Code section 1127(a) at any time prior to the Confirmation Date. After the Confirmation Date
5 and prior to the substantial consummation of this Plan, as defined in Bankruptcy Code section
6 1101(2), Debtors may, under Bankruptcy Code section 1127(b), institute proceedings in the
7 Bankruptcy Court to remedy any defect or omissions or reconcile any inconsistencies in this
8 Plan, the Disclosure Statement, or the Confirmation Order, and such matters as may be necessary
9 to carry out the purposes and effects of this Plan and such proceedings as do not materially
10 adversely affect the treatment of Holders of the Claims under this Plan; provided, however, that
11 prior notice of such proceedings shall be served in accordance with the Bankruptcy Rules or
12 order of the Bankruptcy Court.

13 **B. Severability of Plan Provisions**

14 If, prior to Confirmation, any term or provision of this Plan is held by the Bankruptcy
15 Court to be invalid, void or unenforceable, the Bankruptcy Court, at the request of Debtors, shall
16 have the power to alter and interpret such term or provision to make it valid or enforceable to the
17 maximum extent practicable, consistent with the original purpose of the term or provision held
18 to be invalid, void or unenforceable, and such term or provision shall then be applicable as
19 altered or interpreted. Notwithstanding any such holding, alteration or interpretation, the
20 remainder of the terms and provisions of this Plan shall remain in full force and effect and shall
21 in no way be affected, impaired or invalidated by such holding, alteration or interpretation. The
22 Confirmation Order shall constitute a judicial determination and shall provide that each term and
23 provision of this Plan and the Term Sheet, as they may have been altered or interpreted in
24 accordance with the foregoing, is valid and enforceable pursuant to their terms.

1 **C. Revocation, Withdrawal, or Non-Consummation**

2 Debtors reserve the right to revoke or withdraw this Plan at any time prior to the
3 Confirmation Date and to file subsequent plans of reorganization. If Debtors revoke or withdraw
4 this Plan, or if Confirmation or consummation does not occur, then (a) this Plan shall be null and
5 void in all respects, (b) any settlement or compromise embodied in this Plan (including the fixing
6 or limiting to an amount certain any Claim or Class of Claims), assumption or rejection of
7 Executory Contracts affected by this Plan, and any document or agreement executed pursuant to
8 this Plan shall be deemed null and void, and (c) nothing contained in this Plan, and no acts taken
9 in preparation for consummation of this Plan, shall (i) constitute or be deemed to constitute a
10 waiver or release of any Claims by or against, or any Interests in, any Debtors or any other
11 Entity, (ii) prejudice in any manner the rights of Debtors or any Entity in any further proceedings
12 involving Debtors, or (iii) constitute and admission of any sort by Debtors or any other person.

13 **D. Notices**

14 Any notice, request, or demand required or permitted to be made or provided to or upon
15 Debtors under this Plan shall be: (a) in writing; (b) served by (i) certified mail, return receipt
16 requested, (ii) hand delivery, (iii) overnight delivery service, (iv) first class mail, or (v) facsimile
17 transmission; and (b) deemed to have been duly given or made when actually delivered or, in the
18 case of notice by facsimile transmission, when received and telephonically confirmed, addressed
19 as follows:

20 If to Debtors: **TORRENT ENERGY CORPORATION**
21 11918 SE Division, Ste 197
22 Portland Oregon 97266
23 Telephone: (503) 224-0072
24 Fax: (503) 224-5371
25 Attention: John D. Carlson

26 With a copy to: **PERKINS COIE LLP**
1120 N.W. Couch Street, Tenth Floor
Portland, OR 97209-4128
Telephone: (503) 727-2000
Fax: (503) 727-2222
Attention: Steven M. Hedberg

1 With a copy to: **DLA PIPER US LLP**
1251 Avenue of the Americas
2 New York, New York 10020
Telephone: (212) 335-4990
3 Fax: (212) 884-8690
Attention: Thomas R. Califano

4 With a copy to: **Schwabe, Williamson & Wyatt**
5 PacWest Center
1211 SW Fifth Avenue, Suite 1900
6 Portland, OR 97204
Telephone: (503) 796-2913
7 Fax: (503) 796-2900
Attention: Mark A. Manulik

8 **E. Indemnification and Related Matters**

9 Indemnification obligations owed to any present or former professionals or advisors of
10 Debtors arising out of acts that occurred prior to the Petition Date, including, without limitation,
11 accountants, auditors, financial consultants, underwriters, or attorneys, shall be deemed to be,
12 and shall be treated as though they are, Executory Contracts that are rejected pursuant to
13 Bankruptcy Code section 365 under this Plan as of the Effective Date.

14 **F. Objections to Claims and Interests**

15 As soon as practicable, unless otherwise ordered by the Bankruptcy Court, but in no
16 event later than the Claims Objection Bar Date, Debtors or Reorganized Debtors may object to
17 the allowance of any Claim or Interest. Nothing contained herein, however, shall limit
18 Reorganized Debtors' right to object to Claims, if any, filed or amended after the Effective Date.

19 **G. Distributions Under this Plan**

20 Except as otherwise provided in this Plan, in the Confirmation Order, or in any Order of
21 the Bankruptcy Court in aid of consummation of this Plan, the following provisions shall govern
22 Distributions pursuant to this Plan:

23 **1. No Interest on Claims**

24 Unless otherwise specifically provided for in this Plan, the Confirmation Order, a
25 Bankruptcy Court order or a postpetition agreement in writing between the Reorganized Debtors
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1 and a Holder of a Claim, postpetition interest shall not accrue or be paid on Claims, and no
2 Holder of a Claim shall be entitled to interest accruing on or after the Petition Date on any
3 Claim. Additionally, and without limiting the foregoing, interest shall not accrue or be paid on
4 any Claims that are not Allowed on the Effective Date in respect of the period from the Effective
5 Date to the date a Distribution is made when and if such Claim becomes an Allowed Claim.

6 **2. No Distributions on Account of Claims That Have Not Become Allowed
Claims**

7 Notwithstanding any other provision of this Plan, no Distribution shall be made with
8 respect to any Claim that has not become an Allowed Claim, except that the Reorganized
9 Debtors may distribute consideration attributable to any undisputed portion of a Claim and
10 withhold the remainder.

11 **3. Reserves for Claims That Have Not Become Allowed Claims**

12 Distributions on account of Claims that have not become Allowed Claims shall be
13 governed by the following provisions:

14 (a) Except as otherwise provided under this Plan, Debtors shall not be required to
15 withhold funds or consideration, designate reserves, or make other provisions for the payment of
16 any Claims that have been disallowed by a Final Order of the Bankruptcy Court.

17 (b) Except as otherwise provided in this Plan, Debtors shall not be required to
18 withhold funds or consideration, designate reserves, or make other provisions for the payment of
19 any Claims that have been disallowed by an order of the Bankruptcy Court that has not become a
20 Final Order as of any applicable time for Distribution under this Plan, unless the Bankruptcy
21 Court orders otherwise or unless the Bankruptcy Court's order of disallowance has been stayed.

22 (c) With respect to Claims that have not become Allowed Claims and that are not
23 governed by the two (2) preceding paragraphs above, Debtors or Reorganized Debtors, as
24 applicable, shall reserve a sufficient amount of consideration to allow for a Distribution in
25 accordance with the terms of this Plan, on account of the Distribution attributable to such
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1 holders' Claims or as otherwise provided pursuant to any order of the Bankruptcy Court with
2 respect to the amount, if any, to be reserved; provided, however, that Debtors or Reorganized
3 Debtors, as applicable, shall distribute consideration attributable to any undisputed portion and
4 shall withhold the remainder. The Bankruptcy Court may, after notice and a hearing (as defined
5 in Bankruptcy Code section 102), fix a lesser amount than the Distribution amount as the amount
6 on account of which consideration shall be withheld. In the case of Claims not stating an
7 amount, Debtors or Reorganized Debtors, as applicable, or any holder of such Claims may
8 request that the Bankruptcy Court, after notice and a hearing (as defined in Bankruptcy Code
9 section 102), determine an amount. Cash withheld pursuant to this subparagraph will be held in
10 a segregated, interest-bearing account. Such consideration will be released when and if Claims
11 are Allowed for no more than the amount in reserve and distributed to creditors in accordance
12 with this Plan.

13 **4. Persons Responsible for Distribution of Plan Consideration**

14 Reorganized Debtors shall disburse all consideration to be distributed under this Plan.

15 **5. Unclaimed Property**

16 If any Entity entitled to receive a Distribution under this Plan cannot be located on the
17 date a Distribution under this Plan is due, Reorganized Debtors will hold any Cash portion of
18 such Distribution in a segregated, interest-bearing account and will hold any non-Cash
19 Distribution in trust. If such Entity is located within ninety (90) days of the Effective Date, such
20 Cash, will be paid to such Entity and any non-Cash Distribution shall be delivered to such Entity.
21 If such Entity cannot be located within ninety (90) days of the Effective Date, any such Cash and
22 accrued interest thereon may be distributed to creditors holding Allowed Claims on a pro rata
23 basis. If an Entity entitled to a non-Cash Distribution cannot be located, such non-Cash
24 Distribution shall revert to the Reorganized Debtors. Nothing contained in this Plan shall require
25 Reorganized Debtors to attempt to locate such Entity. It is the obligation of each Entity claiming
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1 rights under this Plan to keep the Reorganized Debtors advised of their current address by
2 sending written notice of any changes to the Reorganize Debtors.

3 **6. De Minimis Distributions**

4 Reorganized Debtors may disregard and elect to not pay Allowed Claims if the
5 Distribution is anticipated to be less than Ten Dollars (\$10.00). In such case, the Reorganized
6 Debtors will reserve such funds for the next distribution. If, on the date of the final distribution,
7 the amount to be distributed to any particular creditor is less than Ten Dollars (\$10.00), the
8 Allowed Amount of such Claims shall be reduced to zero and such funds shall be retained by the
9 Reorganized Debtors.

10 **H. Unnegotiated Distribution Checks**

11 Checks or drafts issued pursuant to this Plan by Reorganized Debtors to Entities holding
12 Allowed Claims and not presented for payment within ninety (90) days following mailing
13 thereof to the last known address of such Entity shall be deemed nonnegotiable thereafter.

14 **I. Fractional Dollars**

15 Any other provision of this Plan notwithstanding, no payments of fractional dollars will
16 be made to any holder of an Allowed Claim. Whenever any payment of a fraction of a dollar to
17 any holder of an Allowed Claim would otherwise be called for, the actual payment made will
18 reflect a rounding of such fraction to the nearest whole dollar (up or down).

19 **J. Closing of the Chapter 11 Cases**

20 When all Claims filed against Debtors have become Allowed Claims or have been
21 disallowed by Final Order, and all Distributions have been made in accordance with this Plan,
22 Reorganized Debtors shall seek authority from the Bankruptcy Court to close the Chapter 11
23 Cases in accordance with the Bankruptcy Code and the Bankruptcy Rules.

24 **K. Release of Avoidance Claims**

25 Unless any action has been commenced prior to the Effective Date, all Avoidance Claims
26 shall be deemed waived, released, relinquished and abandoned as of the Effective Date.

1 **L. Headings**

2 The headings of the articles, sections and subsections of this Plan are inserted for
3 convenience only and shall not affect the interpretation hereof.

4 **M. Construction**

5 The rules of construction used in section 102 of the Bankruptcy Code shall apply to the
6 construction of this Plan.

7 **N. Governing Law**

8 Unless a rule of law or procedure is supplied by federal law (including the Bankruptcy
9 Code and Bankruptcy Rules) and except as otherwise provided herein or therein, the laws of (i)
10 the State of Oregon shall govern the construction and implementation of this Plan and any
11 agreements, documents, and instruments executed in connection with this Plan and (ii) the laws
12 of the state of incorporation of each Debtors shall govern corporate governance matters with
13 respect to such Debtor, in either case without giving effect to the principles of conflicts of law
14 thereof.

15 **O. Termination of Service of Committee**

16 On the Effective Date, any Committee shall dissolve automatically as official committees
17 appointed in the Chapter 11 Cases, whereupon its members, professionals, and agents shall be
18 released from any further duties and responsibilities in the Chapter 11 Cases and under the
19 Bankruptcy Code, except with respect to applications for Professional Fee Claims or
20 reimbursement of expenses incurred as a member of any Committee and any motions or other
21 actions seeking enforcement or implementation of the provisions of this Plan or the Confirmation
22 Order or appeals therefrom.

23 **P. Successors and Assigns.**

24 The rights and obligations of any Entity named or referred to in this Plan will be binding
25 upon, and will inure to the benefit of, the successors and assigns of such Entity.

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TORRENT ENERGY CORPORATION

By: /s/ John D. Carlson
John D. Carlson
President and Chief Executive Officer

METHANE ENERGY CORP.

By: /s/ John D. Carlson
John D. Carlson
Chief Executive Officer

CASCADIA ENERGY CORP.

By: /s/ John D. Carlson
John D. Carlson
Chief Executive Officer

Presented by:

PERKINS COIE LLP
Steven M. Hedberg, OSB No. 842440
Jeanette L. Thomas, OSB No. 980420
1120 N.W. Couch Street, Tenth Floor
Portland, OR 97209-4128
Telephone: 503.727.2000

/s Jeanette L. Thomas
Proposed Attorneys for Torrent Energy
Corporation, Methane Energy Corp. and
Cascadia Energy Corp.

1 **EXHIBIT A**

2 **TERMS OF PROPOSED RIGHTS OFFERING**

3 **Company:** **Torrent Energy Corporation**

4

5 **Proposed Offering:** Rights offering of Torrent Energy's common stock
6 to be made to Torrent Energy's common
shareholders

7 **Security** Common Stock

8 **Proposed Terms:**

9 1. Minimum gross proceeds of \$2.0 million,
unless reduced with the consent of Torrent
10 Energy and the DIP Lender

11 2. Rights offering to be completed prior to the
Effective Date of this Plan of Reorganization

12 3. The purchase price for each share of Torrent
13 Energy's common stock will be equal to 90% of
the five day average VWAP of Torrent
14 Energy's Common Stock immediately
preceding the consummation of the rights
15 offering

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EXHIBIT B
FORM SECURED CONVERTIBLE DEBENTURE

(To be filed later.)

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EXHIBIT C
ASSUMED CONTRACTS

(To be filed later.)

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EXHIBIT D
MANAGEMENT INCENTIVE PLAN
(To be filed later.)

1 **CERTIFICATE OF SERVICE**

2 I hereby certify that I served a true and correct copy of the foregoing **JOINT PLAN OF**
3 **REORGANIZATION FOR REORGANIZING DEBTORS** upon the parties listed and in the
4 manner described in the attached Consolidated Service List by ECF, email or by mailing full,
5 true and correct copies thereof in sealed, first-class, postage prepaid envelopes, addressed to the
6 parties as indicated at the last known address and deposited with the United States Postal Service
7 at Portland, Oregon on the date shown below.

8 DATED this 16th of June, 2008

9 **PERKINS COIE LLP**

10
11 By /s/ Jeanette L. Thomas
12 Steven M. Hedberg, OSB No. 84244
13 Jeanette L. Thomas, OSB No. 98042
14 Proposed Attorneys for Torrent Energy Corporation,
15 Methane Energy Corp. and Cascadia Energy Corp.
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1 **CONSOLIDATED SERVICE LIST**
2 **TORRENT ENERGY CORPORATION**
3 **CASE NO. 08-32638 (Lead Case)**
4 **Methane Energy Corporation (08-32639)**
5 **Cascadia Energy Corporation (08032640)**
6 **(Jointly Administered Under 08-32638)**

7 **VIA ECF MAIL THROUGH THE COURT**
8 **TO SAID PARTYS'(S) OR ATTORNEY'(S)**
9 **REGISTERED EMAIL ADDRESS LISTED**
10 **BELOW:**

11 U.S. Trustee's Office
12 Email: USTPRegion18.PL.ECF@usdoj.gov

13 Steve M. Hedberg
14 Jeanette L. Thomas
15 Email: jthomas@perkinscoie.com
16 Proposed Attorneys for Debtors

17 Alex Poust
18 Email: apoust@schwabe.com;
19 dsalt@schwabe.com
20 Attorneys for YA Global Investments

21 Michael E. Knapp
22 Email: rmeisenburg@comcast.net;
23 mikeeknapp@aol.com
24 Attorney for Baker Hughes Incorporated

25 **VIA EMAIL**

26 Thomas Califano
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New York, NY 10020-1104
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Attorneys for YA Global Investments

Aria Hattiangadi
Gordian Group, LLC
950 Third Avenue, 17th Floor
New York, NY 10022
Email: Ah@gordiangroup.com

VIA FIRST CLASS U.S. MAIL (POSTAGE PREPAID):

Torrent Energy Corporation
Methane Energy Corp.
Cascadia Energy Corp.
11918 SE Division St., Suite 197
Portland, OR 97266
Debtors

SEC

Securities and Exchange Commission
Attn: Bankruptcy Counsel
5670 Wilshire Blvd., 11th Floor
Los Angeles, CA 90036

TOP 20 CONSOLIDATED LARGEST UNSECURED CREDITORS

Mary Ann
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Canada

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Seattle, WA 98101

Geoff High
Pfeiffer High Inv Relations
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Denver, CO 80202

Sprint
8604 N. Boardwall Avenue
Kansas City, MO 64154-2539

Perkins Coie LLP
1120 N.W. Couch Street, Tenth Floor
Portland, OR 97209-4128
Phone: 503.727.2000
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1	Cliff Masticola Torrey Hills Capital 2190 Carmel Valley Rd Del Mar, CA 92014	Frontier 1601 Westmount Rd NW Calgary, AB T2N 3M2 CANADA
3	Clark Wilson LLP 800 885 W Georgia Street Vancouver, BC V6C 3H1	Hester Sibley 11918 SE Division St., 197 Portland, OR 97266
5	Stockgroup Media Inc 500 – 750 West Pender Street Vancouver, BC V6C 2T7	GMAC 225 S. Hurstbourne Parkway 102 Louisville, KY 40222
7	The Electric Mail Company c/o Lockbox File #50826 Los Angeles, CA 90074 Or by-Email to: accounts@electricmail.com	HIS Attn: Lynell Shadid 8801 South Yale Avenue Suite 380 Tulsa, OK 74137
10	Avatar Systems, Inc 2801 Network Blvd, Suite 210 Frisco, TX 75034	Kinnan Engineering Inc 320 Baldwin Rd Camas Valley, OR 97416
12	Baker Hughes 2929 Allen Parkway, Suite 2100 Houston, TX 77219-2118	Loran Wiese 200 S Adams Coquille, OR 97423
14	Carson Oil Co., Inc. 3125 NW 35th Portland, OR 97210	Oregon Dept of State Lands Attn: Stephen Purchase Unit 18 775 Summer Street, NE Salem, OR 97310-1279
16	City of North Bend 835 California Street North Bend, OR 97459	Oregon First Credit Union 200 N Adams Coquille, OR 97423
18	Greg Bell Coal Gas Technology Co. 1341 Rebecca Circle Salt Lake City, UT 84117	Quality Tubular Services 3525 Gilmore Avenue Bakersfield, CA 93308
20	David J. May 10540 W Jewell Ave #30304 Denver, CO 80202	Rain For Rent 11035 NW Marx Street Portland, OR 97220
22	Dogami 229 Broadalbin Street Albany, OR 97321-2246	Ron Robinson 200 N Adams Coquille, OR 97423
24	Fred or Bobbie Fred Messerle & Sons Inc 94881 Stock Slough Lane Coos Bay, OR 97420	SHN Cons. Engineers & Geol 812 W Wabash Ave Eureka, CA 95501

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Rainier Connect
1417 Kresky Ave #1
PO Box 683
Centralia, WA 98531

Washington State Dept of Revenue
2101 4th Avenue
Suite 1400
Seattle, WA 98121