IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re	Chapter 11
Venoco, Inc., *et al.*,	Case No. 16-10655 (KG)
Debtors.[1]	(Jointly Administered)

DISCLOSURE STATEMENT FOR THE FIRST AMENDED JOINT PLAN OF REORGANIZATION UNDER CHAPTER 11 OF THE BANKRUPTCY CODE

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Dated: May 16, 2016

[1] The Debtors in these chapter 11 cases, along with the last four digits of each Debtors' federal tax identification number, are: Venoco, Inc. (5555); Denver Parent Corporation (1005); TexCal Energy (LP) LLC (0806); Whittier Pipeline Corporation (1560); TexCal Energy (GP) LLC (0808); Ellwood Pipeline, Inc. (5631); and TexCal Energy South Texas, L.P. (0812). The Debtors' main corporate and mailing address for purposes of these chapter 11 cases is: Venoco, Inc., 370 17th Street, Suite 3900, Denver, CO 80202-1370.

DISCLAIMER

UNLESS OTHERWISE DEFINED IN THIS DISCLOSURE STATEMENT, CAPITALIZED TERMS USED HEREIN HAVE THE MEANINGS ASCRIBED TO THEM IN THE DEBTORS' FIRST AMENDED JOINT PLAN OF REORGANIZATION DATED MAY 15 2016 (AS MAY BE AMENDED OR SUPPLEMENTED FROM TIME TO TIME, THE "PLAN") UNDER CHAPTER 11 OF THE BANKRUPTCY CODE.

PURSUANT TO SECTION 1128 OF TITLE 11 OF THE UNITED STATES CODE (THE "BANKRUPTCY CODE"), A CONFIRMATION HEARING WILL BE HELD WITH RESPECT TO THE PLAN PROPOSED BY VENOCO, INC. AND ITS AFFILIATED DEBTORS AND DEBTORS IN POSSESSION IN THE ABOVE-CAPTIONED CHAPTER 11 CASES ON **JULY 13, 2016 AT 10:00 A.M. (PREVAILING EASTERN TIME)**, BEFORE THE HONORABLE KEVIN GROSS IN COURTROOM NO. 3 IN THE UNITED STATES BANKRUPTCY COURT FOR THE DISTRICT OF DELAWARE, 824 NORTH MARKET ST, 6TH FLOOR, WILMINGTON, DELAWARE 19801. OBJECTIONS, IF ANY, TO CONFIRMATION OF THE PLAN MUST BE FILED AND SERVED ON OR BEFORE **JUNE 24, 2016 AT 4:00 P.M. (PREVAILING EASTERN TIME)**. THE CONFIRMATION HEARING MAY BE ADJOURNED FROM TIME TO TIME WITHOUT FURTHER NOTICE.

THIS DISCLOSURE STATEMENT IS BEING DISTRIBUTED FOR THE PURPOSE OF SOLICITING ACCEPTANCES OF THE PLAN FROM THE PARTIES ENTITLED TO VOTE ON THE PLAN. A COPY OF THE PLAN IS ATTACHED HERETO AS **EXHIBIT A**. ALL HOLDERS OF CLAIMS AGAINST THE DEBTORS THAT ARE ENTITLED TO VOTE ON THE PLAN ARE ADVISED AND ENCOURAGED TO READ THIS DISCLOSURE STATEMENT AND THE PLAN IN THEIR ENTIRETY BEFORE VOTING TO ACCEPT OR REJECT THE PLAN. THE PROPONENTS INTEND TO SEEK TO CONFIRM THE PLAN AND TO CAUSE THE EFFECTIVE DATE OF THE PLAN TO OCCUR PROMPTLY AFTER CONFIRMATION OF THE PLAN. HOWEVER, THERE CAN BE NO ASSURANCE AS TO WHETHER OR WHEN THE CONFIRMATION OR THE EFFECTIVE DATE OF THE PLAN ACTUALLY WILL OCCUR.

THIS DISCLOSURE STATEMENT HAS BEEN PREPARED IN ACCORDANCE WITH SECTION 1125 OF THE BANKRUPTCY CODE AND RULE 3016(b) OF THE FEDERAL RULES OF BANKRUPTCY PROCEDURE (THE "BANKRUPTCY RULES") AND NOT NECESSARILY IN ACCORDANCE WITH FEDERAL OR STATE SECURITIES LAWS OR OTHER NONBANKRUPTCY LAW. THIS DISCLOSURE STATEMENT HAS BEEN NEITHER REVIEWED NOR APPROVED BY THE U.S. SECURITIES AND EXCHANGE COMMISSION (THE "SEC"), OR BY ANY STATE SECURITIES COMMISSION OR SIMILAR PUBLIC, GOVERNMENTAL OR REGULATORY AUTHORITY, AND NEITHER THE SEC NOR ANY OTHER SUCH STATE AUTHORITY HAS PASSED UPON THE ACCURACY OR ADEQUACY OF THE STATEMENTS CONTAINED HEREIN. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE. THE INFORMATION IN THIS DISCLOSURE STATEMENT MAY NOT BE RELIED UPON FOR ANY PURPOSE OTHER THAN TO DETERMINE HOW TO VOTE ON THE PLAN. NO SOLICITATION OF VOTES TO ACCEPT THE PLAN MAY BE MADE EXCEPT PURSUANT TO SECTION 1125 OF THE BANKRUPTCY CODE.

AS TO CONTESTED MATTERS, ADVERSARY PROCEEDINGS AND OTHER CAUSES OF ACTION OR THREATENED ACTIONS, THIS DISCLOSURE STATEMENT WILL NOT CONSTITUTE OR BE CONSTRUED AS AN ADMISSION OF ANY FACT OR LIABILITY, OR AS A STIPULATION OR WAIVER, BUT RATHER AS A STATEMENT MADE IN SETTLEMENT NEGOTIATIONS. THIS DISCLOSURE STATEMENT WILL NOT BE ADMISSIBLE IN ANY BANKRUPTCY OR NONBANKRUPTCY PROCEEDING INVOLVING THE DEBTORS OR ANY OTHER PARTY (OTHER THAN IN CONNECTION WITH APPROVAL OF THIS DISCLOSURE STATEMENT OR CONFIRMATION OF THE PLAN), NOR WILL IT BE CONSTRUED TO BE CONCLUSIVE ADVICE ON THE TAX, SECURITIES, OR OTHER LEGAL EFFECTS OF THE PLAN AS TO HOLDERS OF CLAIMS AGAINST OR EQUITY INTERESTS IN THE DEBTORS. YOU ARE ADVISED TO OBTAIN INDEPENDENT EXPERT ADVICE ON SUCH SUBJECTS.

THE DISTRIBUTION OF NEW COMMON SHARES, NEW WARRANTS, LLA OVERRIDE AND UNSECURED LLA OVERRIDE SHARES TO HOLDERS OF CERTAIN CLAIMS AGAINST OR EQUITY INTERESTS IN THE DEBTORS HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 (AS AMENDED, THE "SECURITIES ACT") OR SIMILAR STATE SECURITIES OR "BLUE SKY" LAWS. THE DISTRIBUTION IS BEING MADE IN RELIANCE ON THE EXEMPTION FROM REGISTRATION SPECIFIED IN SECTIONS 1125 AND 1145 OF THE BANKRUPTCY CODE, AS APPLICABLE. NONE OF THE NEW COMMON SHARES, NEW WARRANTS, LLA OVERRIDE AND UNSECURED LLA OVERRIDE SHARES TO BE ISSUED UNDER OR IN CONNECTION WITH THE PLAN HAVE BEEN APPROVED OR DISAPPROVED BY THE SEC OR BY ANY STATE SECURITIES COMMISSION OR SIMILAR PUBLIC, GOVERNMENTAL OR REGULATORY AUTHORITY.

THIS DISCLOSURE STATEMENT CONTAINS PROJECTED FINANCIAL INFORMATION REGARDING THE REORGANIZED DEBTORS AND CERTAIN OTHER FORWARD-LOOKING STATEMENTS, ALL OF WHICH ARE BASED ON VARIOUS ESTIMATES AND ASSUMPTIONS. THE DEBTORS' MANAGEMENT PREPARED THE PROJECTIONS WITH THE ASSISTANCE OF THEIR PROFESSIONALS. THE DEBTORS' MANAGEMENT DID NOT PREPARE THE PROJECTIONS IN ACCORDANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES ("GAAP") OR INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS") OR TO COMPLY WITH THE RULES AND REGULATIONS OF THE SEC OR ANY FOREIGN REGULATORY AUTHORITY.

THE PROJECTIONS AND FORWARD-LOOKING STATEMENTS HEREIN ARE SUBJECT TO INHERENT UNCERTAINTIES AND TO A WIDE VARIETY OF SIGNIFICANT BUSINESS, ECONOMIC, AND COMPETITIVE RISKS, INCLUDING, AMONG OTHERS, THOSE SUMMARIZED HEREIN. CONSEQUENTLY, ACTUAL EVENTS, CIRCUMSTANCES, EFFECTS AND RESULTS MAY VARY SIGNIFICANTLY FROM THOSE INCLUDED IN OR CONTEMPLATED BY THE PROJECTED FINANCIAL INFORMATION AND OTHER FORWARD-LOOKING STATEMENTS CONTAINED HEREIN. THEREFORE, THE PROJECTED FINANCIAL AND OTHER FORWARD-LOOKING STATEMENTS ARE NOT NECESSARILY INDICATIVE OF THE FUTURE FINANCIAL CONDITION OR RESULTS OF OPERATIONS OF THE REORGANIZED DEBTORS AND SHOULD NOT BE REGARDED AS REPRESENTATIONS BY THE

DEBTORS OR THE REORGANIZED DEBTORS, THEIR ADVISORS OR ANY OTHER PERSONS THAT THE PROJECTED FINANCIAL CONDITION OR RESULTS CAN OR WILL BE ACHIEVED. NO INDEPENDENT ACCOUNTANTS HAVE COMPILED, REVIEWED, EXAMINED, OR PERFORMED ANY PROCEDURES WITH RESPECT TO THE FORWARD-LOOKING STATEMENTS CONTAINED HEREIN, NOR HAVE THEY EXPRESSED ANY OPINION OR ANY OTHER FORM OF ASSURANCE AS TO SUCH INFORMATION OR ITS ACHIEVABILITY.

THE FINANCIAL PROJECTIONS, LIQUIDATION ANALYSIS AND VALUATION ANALYSIS ARE FILED SOLELY FOR PURPOSES OF THIS DISCLOSURE STATEMENT. THERE CAN BE NO ASSURANCE THAT THE ASSUMPTIONS UNDERLYING THE FINANCIAL PROJECTIONS, LIQUIDATION ANALYSIS AND VALUATION ANALYSIS WILL PROVE CORRECT. SOME ASSUMPTIONS INEVITABLY WILL BE INCORRECT; MOREOVER, EVENTS AND CIRCUMSTANCES OCCURRING SUBSEQUENT TO THE DATE ON WHICH THE DEBTORS PREPARED THE FINANCIAL PROJECTIONS, LIQUIDATION ANALYSIS AND VALUATION ANALYSIS MAY BE DIFFERENT FROM THOSE ASSUMED, OR, ALTERNATIVELY, MAY HAVE BEEN UNANTICIPATED, AND THUS THE OCCURRENCE OF THESE EVENTS MAY AFFECT FINANCIAL PROJECTIONS, LIQUIDATION ANALYSIS AND VALUATION ANALYSIS IN A MATERIALLY ADVERSE OR MATERIALLY BENEFICIAL MANNER. THE FINANCIAL PROJECTIONS, LIQUIDATION ANALYSIS AND VALUATION ANALYSIS MAY NOT BE RELIED UPON AS A GUARANTY OR OTHER ASSURANCE OF THE ACTUAL RESULTS THAT WILL OCCUR.

THIS DISCLOSURE STATEMENT CONTAINS, AMONG OTHER THINGS, SUMMARIES OF THE PLAN, CERTAIN STATUTORY PROVISIONS, CERTAIN EVENTS IN THE DEBTORS' CHAPTER 11 CASES AND CERTAIN DOCUMENTS RELATED TO THE PLAN THAT ARE ATTACHED HERETO OR HAVE BEEN OR WILL BE SEPARATELY FILED WITH THE BANKRUPTCY COURT. ALTHOUGH THE PROPONENTS BELIEVE THAT THESE SUMMARIES ARE FAIR AND ACCURATE, THESE SUMMARIES ARE QUALIFIED IN THEIR ENTIRETY TO THE EXTENT THAT THE SUMMARIES DO NOT SET FORTH THE ENTIRE TEXT OF SUCH DOCUMENTS OR STATUTORY PROVISIONS OR EVERY DETAIL OF SUCH EVENTS. IN THE EVENT OF ANY CONFLICT, INCONSISTENCY OR DISCREPANCY BETWEEN A DESCRIPTION IN THIS DISCLOSURE STATEMENT AND THE TERMS AND PROVISIONS OF THE PLAN OR ANY OTHER SUCH DOCUMENTS, THE PLAN OR SUCH OTHER DOCUMENTS WILL GOVERN AND CONTROL FOR ALL PURPOSES.

EXCEPT AS OTHERWISE EXPRESSLY INDICATED, THE PORTIONS OF THIS DISCLOSURE STATEMENT DESCRIBING THE DEBTORS, THEIR BUSINESSES, PROPERTIES AND MANAGEMENT, AND THE PLAN, HAVE BEEN PREPARED FROM INFORMATION FURNISHED BY THE DEBTORS WITHOUT PROFESSIONAL COMMENT, OPINION OR VERIFICATION. EACH HOLDER OF A CLAIM OR EQUITY INTEREST IS URGED TO INDEPENDENTLY INVESTIGATE ANY SUCH THE MATTERS HEREIN PRIOR TO RELIANCE.

CERTAIN OF THE MATERIALS CONTAINED IN THIS DISCLOSURE STATEMENT ARE TAKEN DIRECTLY FROM OTHER READILY ACCESSIBLE DOCUMENTS OR ARE DIGESTS OF OTHER DOCUMENTS. WHILE THE DEBTORS HAVE MADE EVERY EFFORT TO RETAIN THE MEANING OF SUCH OTHER DOCUMENTS OR PORTIONS THAT HAVE BEEN SUMMARIZED, THE DEBTORS URGE THAT ANY RELIANCE ON THE CONTENTS OF SUCH OTHER DOCUMENTS SHOULD DEPEND ON A THOROUGH REVIEW OF THE DOCUMENTS THEMSELVES. IN THE EVENT OF A DISCREPANCY BETWEEN THIS DISCLOSURE STATEMENT AND THE ACTUAL TERMS OF A DOCUMENT, THE ACTUAL TERMS OF SUCH DOCUMENT SHALL APPLY.

HOLDERS OF CLAIMS ENTITLED TO VOTE TO ACCEPT OR REJECT THE PLAN MUST RELY ON THEIR OWN EVALUATION OF THE DEBTORS AND THEIR OWN ANALYSES OF THE TERMS OF THE PLAN IN DECIDING WHETHER TO VOTE TO ACCEPT OR REJECT THE PLAN. IMPORTANTLY, PRIOR TO DECIDING WHETHER AND HOW TO VOTE ON THE PLAN, EACH HOLDER OF A CLAIM IN A VOTING CLASS SHOULD REVIEW THE PLAN IN ITS ENTIRETY AND CONSIDER CAREFULLY ALL OF THE INFORMATION IN THIS DISCLOSURE STATEMENT AND ANY EXHIBITS HERETO.

NO STATEMENTS CONCERNING THE DEBTORS, THE VALUE OF THEIR ASSETS, OR THE VALUE OF ANY BENEFIT OFFERED TO THE HOLDER OF A CLAIM AGAINST OR EQUITY INTEREST IN THE DEBTORS IN CONNECTION WITH THE PLAN SHOULD BE RELIED UPON OTHER THAN AS SET FORTH IN THIS DISCLOSURE STATEMENT. IN ARRIVING AT YOUR DECISION TO VOTE TO ACCEPT OR REJECT THE PLAN, YOU SHOULD NOT RELY ON ANY REPRESENTATION OR INDUCEMENT MADE TO SECURE YOUR ACCEPTANCE OR REJECTION THAT IS CONTRARY TO INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT.

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

ARTICLE I

INTRODUCTION

Venoco, Inc. and its affiliated debtors and debtors in possession (collectively, the "Debtors") in the above captioned chapter 11 cases (the "Chapter 11 Cases") propose the plan of reorganization (as may be amended or supplemented from time to time, the "Plan") attached hereto as **Exhibit A** and described below under section 1121(a) of the Bankruptcy Code. As evidenced by the Amended and Restated Restructuring Support Agreement (the "RSA"), attached hereto as **Exhibit B**, the Plan is supported by holders of 100% of the Prepetition Secured Claims (as defined herein) and approximately 70% of the 8.875% Senior Notes. Although proposed jointly for administrative purposes, the Plan constitutes a separate Plan for each Debtor for the resolution of outstanding Claims and Equity Interests pursuant to the Bankruptcy Code. The Debtors seek to consummate the restructuring on the proposed Effective Date of the Plan. Each Debtor is a proponent of the Plan within the meaning of section 1129 of the Bankruptcy Code. Unless otherwise indicated in a particular class, the classification of Claims and Equity Interests set forth in Article III of the Plan shall be deemed to apply separately with respect to each Plan proposed by each Debtor, as applicable. The Plan does not contemplate substantive consolidation of any of the Debtors.

THE DEBTORS BELIEVE THAT THE PLAN IS FAIR AND EQUITABLE, MAXIMIZES THE VALUE OF THE DEBTORS' ESTATES AND PROVIDES THE BEST RECOVERY AND CERTAINTY OF OUTCOME TO CREDITORS. THE DEBTORS BELIEVE THIS IS THE BEST AVAILABLE ALTERNATIVE FOR COMPLETING THE DEBTORS' CHAPTER 11 CASES.

RECOMMENDATION:

THE DEBTORS STRONGLY ENCOURAGE YOU TO VOTE FOR THE PLAN.

Section 1.01. Executive Summary

On March 18, 2016 (the "Petition Date"), the Debtors filed petitions for relief under the Bankruptcy Code. On April 8, 2016, the Debtors filed their proposed joint Plan as an exhibit to the RSA, and have re-filed it concurrently with the filing of this Disclosure Statement. The Plan sets forth the manner in which Claims against and Equity Interests in the Debtors will be treated following confirmation of the Plan. This Disclosure Statement, submitted pursuant to section 1125 of the Bankruptcy Code for the purpose of soliciting votes to accept or reject the Plan, describes certain aspects of the Plan, the Debtors' business operations and financial projections, significant events occurring in the Debtors' Chapter 11 Cases, and related matters. This Executive Summary is intended solely as a summary. **FOR A COMPLETE UNDERSTANDING OF THE PLAN, YOU SHOULD READ THIS DISCLOSURE STATEMENT, THE PLAN AND THE EXHIBITS HERETO AND THERETO IN THEIR ENTIRETY.**

Section 1.02. Preliminary Statement About the Debtors and the Plan

In total, as of the Petition Date the Debtors held interests in approximately 72,053 net acres[2] in California, of which 48,836 are developed. The Debtors have working interests in 141 producing wells (including those shut in at the South Ellwood Field) and had proved reserves[3] of approximately 13.1 MMBOE,[4] of which 88% were oil, 6% NGL and 100% were proved developed.[5]

The majority of the Debtors' revenues are derived through sales of oil to competing buyers, including large oil refining companies and independent marketers. Approximately 94% of the Debtors' annual revenues are generated from sales to two purchasers: Phillips 66 and Tesoro Refining and Marketing Company. Prior to the latest downturn in commodity prices, the Debtors generated approximately $325 million in revenue from their operations, on an annual basis.

The Debtors entered chapter 11 having suffered a perfect storm of factors in 2015 that markedly reduced their production and attendant revenues. First, like many other E&P companies, the Debtors fell victim to the same macroeconomic forces currently afflicting the rest of the oil and natural gas industry: historically low commodity prices coupled with relatively weak consumer demand. From their peak prices in excess of $107 per barrel in July 2014, crude oil prices dropped over 60%, with benchmark prices at around $39 per barrel as of the date of this Disclosure Statement. At the same time, natural gas prices also plunged to a 16-year low, with warmer winters causing lower customer demands and downward pressure on pricing. The impact of these macroeconomic factors on the Debtors' operations and the value of their assets cannot be overstated.

The Debtors' operations were also disproportionately affected by the shut-in of Platform Holly in the South Ellwood field, which is located in California state waters approximately two miles offshore along the northern margin of the Santa Barbara Channel, due to a rupture in a pipeline operated by a third-party common carrier. The Debtors own 100% of the working interests in the relevant leaseholds, and own related onshore processing facilities. Approximately 50% of the Debtors' annual production came from this field prior to the shut-in.

[2] "Net" acres or net wells means the amount of leased real estate that a petroleum or natural gas company has a true working interest in, calculated by taking the gross acres or wells, as applicable, multiplied by the working interests owned. In comparison, "gross" acres or gross wells means the total acres or wells, as applicable, in which a working interest is owned.

[3] "Proved oil and gas reserves," as defined in Rule 4-10 of SEC Regulation S-X, refers to the quantities of oil and gas, which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be economically producible—from a given date forward, from known reservoirs, and under existing economic conditions, operating methods, and government regulations—prior to the time at which contracts providing the right to operate expire, unless evidence indicates that renewal is reasonably certain, regardless of whether deterministic or probabilistic methods are used for the estimation.

[4] "BOE" stands for one stock tank barrel of oil equivalent, using the ratio of six Mcf of natural gas to one barrel of crude oil, condensate or natural gas liquids. "MMBOE" stands for one million BOEs.

[5] "Proved developed reserves" are proved reserves that can be expected to be recovered through existing wells with existing equipment and operating methods, or for which the cost of the required equipment is relatively minor compared to the cost of a new well.

Although the Debtors took proactive measures prior to filing these Chapter 11 Cases to streamline their operations and reduce their workforce, the capital-intensive nature of the Debtors' businesses together with the Debtors' existing capital structure constrained the Debtors' ability to maintain and grow their businesses. As a result, beginning in November 2014, the Debtors engaged financial advisors to advise management and the board of directors regarding potential strategic alternatives to enhance the Debtors' liquidity and address their capital structure.

Despite the Debtors' efforts, including consummation of a recapitalization transaction in April 2015 that provided incremental liquidity and interest expense relief, with capital markets essentially closed to the entire sector due to commodity pricing the only viable alternative for the Debtors was ultimately determined to be an equitization of a substantial portion of the Debtors' debt so that the Debtors could raise new equity for ongoing operations. Prepetition, the Debtors' capital structure included over $1 billion of debt, consisting of a secured term loan and secured and unsecured notes. Accordingly, to get a confirmable plan, the Debtors sought a consensual restructuring among their debt holders.

Having determined that a more fundamental and comprehensive restructuring of the Debtors' capital structure would be necessary, and to preserve dwindling liquidity, the Debtors elected to forgo making a scheduled interest payment on the 8.875% Senior Notes in the approximate amount of $13.7 million due February 16, 2016. Under the terms of the indenture, this nonpayment constituted a default that, if not cured within 30 days, would become an event of default giving rise to the potential acceleration of the 8.875% Senior Notes and the commencement of the enforcement of remedies. During the grace period, the Debtors remained engaged in discussions around how best to reduce the company's debt and ensure its long term liquidity needs are met, including the possibility of restructuring the company's balance sheet. The Debtors negotiated the underlying economics of a chapter 11 plan and other aspects of the restructuring with their prepetition secured noteholders. On March 18, 2016, after weeks of extensive negotiations the Debtors and holders of 100% of the Prepetition Secured Notes entered into a restructuring support agreement. Pursuant to this restructuring support agreement, the Debtors' secured noteholders agreed to support a chapter 11 plan that, among other things, offered a quick and efficient path through the bankruptcy process and delivered value to junior creditors who would otherwise be "out of the money."

Following the Petition Date, the Debtors and their prepetition secured noteholders continued their efforts to reach a consensual deal with holders of the 8.875% Senior Notes. On March 21, 2016, Candlewood Investment Group, LP, on behalf of certain funds it manages or advises, reached an agreement with the Debtors and their secured noteholders to join the restructuring support agreement and support a plan of reorganization whereby holders of 8.875% Senior Notes would receive the following consideration in exchange for their claims: (a) a $6.5 million cash payment; (b) 2.6% of the common stock in the reorganized Debtors; and (c) a sliding scale 1% to 5% overriding royalty interest to oil and gas produced from the LLA. On April 8, 2016, the Debtors and the other parties to the original RSA agreed to an amended and restated RSA, which is attached hereto as **Exhibit B**, which provides for a comprehensive financial restructuring of the Debtors' capital structure under a confirmable chapter 11 plan of reorganization. Having extensively explored other alternatives, the Debtors carefully determined that the transactions negotiated under the RSA present the best alternative for the Debtors to

deleverage their balance sheets and emerge from chapter 11 with a new capital structure and appropriate leverage, to the benefit of all stakeholders. The Debtors' assumption of the RSA is set for hearing on April 21, 2016.

Section 1.03. Overview of the Plan

The Plan contemplates the implementation of a debt-to-equity conversion of a substantial portion of the Debtors' prepetition funded indebtedness, which will result in a significantly deleveraged balance sheet for the Reorganized Debtors upon emergence. The compromises and settlements embodied in the Plan preserve value by enabling the Debtors to avoid costly and time-consuming litigation that would delay the Debtors' emergence from chapter 11. The key components of the Plan are described below:

(a) Debt for Equity Exchange

The key element of the Plan is the conversion of the Debtors' outstanding prepetition bond debt into equity in the Reorganized Debtors. The Plan provides a framework for a comprehensive restructuring of the Debtors that includes (a) an exchange of the First Lien Notes Claims for 90% of the reorganized Debtors' equity issued and outstanding as of the Effective Date; (b) an exchange of the Second Lien Notes Claims for warrants for 10% of the reorganized Debtors at a strike price equal to the First Lien Notes Claims; (c) an exchange of the 8.875% Senior Notes Claims for (i) a $6.5 million Cash payment, (ii) 2.6% of the reorganized Debtors' equity issued and outstanding on the Effective Date of the Plan, which shall be effectuated by a transfer of the equity the Backstoppers of the DIP Facility are to receive as a backstop fee, and (iii) a sliding scale 1% to 5% overriding royalty interest to oil and gas produced from the LLA; and (d) an exchange of the Claims held by holders of the Senior PIK Toggle Notes for warrants for 2% of the equity of the reorganized Debtors at a strike price equal to the First Lien Notes Claims, the Second Lien Notes Claims and the 8.875% Senior Notes Claims if holders of Senior PIK Toggle Notes Claims vote as a Class to accept the Plan.

(b) Overriding Royalty Interest to Oil and Gas Produced From a Portion of the LLA

As noted elsewhere in this Disclosure Statement, Venoco has applied to the California State Lands Commission for the LLA, which would permit it to extend its lease and drilling rights for the South Ellwood tract to an adjacent parcel. While there is no assurance the LLA will be approved, if it is approved Reorganized Venoco will transfer the LLA Override to TMM and the Noteholder HoldCo pursuant to a sliding scale 1% to 5% overriding royalty interest to oil and gas produced from the portion of the LLA, which may be incorporated once regulatory approval is received. The applicable overriding royalty interest for a given calendar month will be the percentage corresponding to the applicable dollar value of the Weighted Average Benchmark WTI Price for the applicable calendar month set forth in the table below:

Weighted Average Benchmark WTI Price for a calendar month ($ means US Dollars)	**Applicable ORRI % (% based on 8/8ths of Gross LLA Volumes)**
Less than $80.00	1% of Gross LLA Volumes

Equal to or greater than $80.00 but less than $100	3% of Gross LLA Volumes
Equal to or greater than $100.00	5% of Gross LLA Volumes

(c) Reallocation Procedures for 8.875% Senior Notes

Each holder of 8.875% Senior Notes Claims will have the option of electing prior to the Effective Date to forego its Default Distribution under Section 3.03(e) of the Plan to be (i) an Electing New Common Stock and Unsecured LLA Override Recipient or (ii) an Electing Cash Recipient, allowing holders of the 8.875% Senior Notes to elect different allocations between Cash or overriding royalty interests and stock with respect to distribution on their Claims. Such election may be made irrespective of whether such holder has voted in favor of the Plan. If a holder of 8.875% Senior Notes Claims does not make an election, then the Reallocation Procedures in Section 4.01 of the Plan (and further described in Section 7.01 of this Disclosure Statement) will not apply, and such holder shall be entitled to receive the Default Distribution (Pro Rata distributions it is entitled to receive in respect of its Allowed Claims in Class V5 under Section 3.03(e) of the Plan).

A beneficial holder of Class V5 8.875% Seniors Note Claims who wishes to make a Distribution Election may elect either to receive up to all of its Distribution in Cash or up to all of its Distribution in New Common Stock and Unsecured LLA Override Interests, in each case at a Reallocation Price of $10.30 per $1,000 of principal amount of 8.875% Senior Note Claims and in accordance with the Reallocation Procedures in the Plan (as more fully described in ARTICLE VII of this Disclosure Statement). There may be insufficient Cash or Unsecured LLA Override Shares in the Reallocation Liquidity Pool to satisfy all Distribution Elections that are made, in which case a holder making a Distribution Election may receive some or all of its Default Distribution in lieu of additional Cash or Unsecured LLA Override Shares.

PJT's valuation range in the Valuation Analysis implies a value of $1.52 to $25.21 per New Common Stock and Unsecured LLA Override Unit. This range is comparable to the New Common Stock and Unsecured LLA Override Unit Price of $10.30 per each New Common Stock and Unsecured LLA Override Unit.

The estimated values set forth above: (a) do not purport to constitute an appraisal of the assets of the Reorganized Debtors; (b) do not constitute an opinion on the terms and provisions or fairness from a financial point of view to any person of the consideration to be received by such person under the Plan; (c) do not constitute a recommendation to any Holder of Allowed Claims as to how such person should vote or otherwise act with respect to the Plan; and (d) do not necessarily reflect the actual market value that might be realized through a sale or liquidation of the Reorganized Debtors. The valuation 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. For more information, see **Exhibit C** attached hereto.

(d) Other Priority Claims

The Plan provides holders of Other Priority Claims against the Debtors will receive Cash equal to 100% of such holders' Allowed Claims, consistent with the requirements of the Bankruptcy Code, plus interest thereon.

(e) Other Secured Claims

The Plan provides holders of Other Secured Claims against the Debtors will receive (a) Cash equal to the amount of such Allowed Other Secured Claims plus interest required to be paid under section 506(b) of the Bankruptcy Code (if any), (b) reinstatement of the legal, equitable and contractual rights of the holders of such Allowed Other Secured Claims, or (c) such other treatment as necessary to render such holders Unimpaired on account of their Allowed Other Secured Claims.

(f) General Unsecured Claims

If the holders of General Unsecured Claims against DPC vote as a Class to accept the Plan, such holders will receive their Pro Rata Share of (a) the New DPC Warrants and (b) the DPC Residual Value. If such holders vote as a Class to reject the Plan, the recovery is limited to the DPC Residual Value.

If the holders of General Unsecured Claims against Venoco and the Venoco Subs vote as a Class to accept the Plan, such holders will receive their Pro Rata Share of the V6 Cash. If such holders vote to as a Class to reject the Plan, such holders will receive their Pro Rata Share of the Venoco Residual Value, if any.

The Prepetition Secured Parties shall be entitled to vote on the Plan for Venoco and the Venoco Subs to the extent of their deficiency claims, but shall not be entitled to any distribution on account of such Claims.

(g) General Settlement of Claims and Interests

As described more fully in the Plan, pursuant to section 1123 of the Bankruptcy Code and Bankruptcy Rule 9019, and in consideration for the distributions and other benefits provided pursuant to the Plan, the provisions of the Plan will constitute a good-faith compromise and settlement of all claims, interests, and controversies relating to the Debtors.

(h) Releases

ARTICLE XI of the Plan contains certain releases (as described more fully in ARTICLE XV of this Disclosure Statement), including releases between the Debtors and Reorganized Debtors, on the one hand, and certain "Released Parties" on the other hand, which are(a) the Debtors and Reorganized Debtors; (b) the DIP Agent; (c) the DIP Lenders; (d) the Restructuring Support Parties; (e) the Prepetition Secured Parties; (f) the 8.875% Senior Notes Trustee; (g) the Senior PIK Toggle Notes Trustee; (h) with respect to each of the foregoing Entities in clauses (a) through (e), such Entity's predecessors, successors and assigns, affiliates, subsidiaries, funds, portfolio companies, management companies, and (i) with respect to each of the foregoing

Entities in clauses (a) through (g) each of their respective current and former directors, officers, members, employees, partners, managers, independent contractors, agents, representatives, principals, Professionals, consultants, financial advisors, attorneys, accountants, investment bankers, and other professional advisors (with respect to clause (h), each solely in their capacity as such).

The Plan also provides that the "Releasing Parties," which include (a) each holder of a Claim against or Equity Interest in the Debtors that is Unimpaired pursuant to the Plan and therefore is deemed to accept the Plan pursuant to section 1126(f) of the Bankruptcy Code, (b) holders of the Subordinated Securities Claims who provide a written consensual release in favor of the Released Parties that is identical in substance to the releases set forth in the Plan, or (c) any Person that receives and returns a Ballot indicating that such Person elects not to opt out of the Plan releases provided in Section 11.03 of the Plan (and further described in Section 15.03 of this Disclosure Statement), will grant the voluntary releases set forth in the Plan.

(i) Estimated Recoveries vs. Chapter 7 Liquidation

The following table summarizes the classification and treatment of Allowed Claims and Allowed Equity Interests under Plan, if confirmed, compared to what such holders could receive in a hypothetical chapter 7 liquidation. To the extent that any inconsistency exists between the summaries contained in this Disclosure Statement and the Plan, the terms of the Plan shall govern. *For a more detailed description of the classification and treatment of Claims and Equity Interests under the various Plans, please see ARTICLE III of the Plan and ARTICLE VI of this Disclosure Statement.*

(i) Denver Parent Company

Class	Claim or Equity Interest	Treatment	Estimated Amount of Claims ($ in millions)[6]	Estimated % Recovery Under the Plan	Estimated % Recovery Under Chapter 7
D1	Other Priority Claims	Payment in full in Cash plus interest on the Allowed Claim.	$0	N/A	N/A
D2	Other Secured Claims	At the option of the Debtors, (i) payment in full in Cash plus interest on the Allowed Claim, (ii) reinstatement or (iii) such other treatment that leaves	$0	N/A	N/A

[6] The Estimated Amount of Claims and Estimated % Recovery Under the Plan amounts, when used in either of the tables in this Section 1.03, reflect the total anticipated Allowed Claims against a particular Debtor, including estimated Cure Costs and anticipated Claims objections as of the filing of this Disclosure Statement, but excluding (a) any Claims for which the bar date has not passed, (b) any Post-Petition Interest, as applicable, (c) Rejection Damages Claims that may be asserted, if any; and (d) the potential impact of Management Incentive Plan warrants.

Class	Claim or Equity Interest	Treatment	Estimated Amount of Claims ($ in millions)[6]	Estimated % Recovery Under the Plan	Estimated % Recovery Under Chapter 7
		the holders Unimpaired.			
D3	Senior PIK Toggle Notes Claims	If the Class accepts, Pro Rata share of (i) the New DPC Warrants and (ii) DPC Residual Value. If the Class rejects, Pro Rata share of DPC Residual Value.	$327	0% - 0.4%	0%
D4	General Unsecured Claims	If the Class accepts, Pro Rata share of (i) the New DPC Warrants and (ii) the DPC Residual Value. If the Class rejects, Pro Rata share of DPC Residual Value.	$0	N/A	N/A
D5	Subordinated Securities Claims	Extinguished without any distribution.	$0	N/A	N/A
D6	Equity Interests	Extinguished without any distribution.	$0	N/A	N/A

(ii) Venoco and Venoco Subs

Class	Claim or Equity Interest	Treatment	Estimated Amount of Claims	Estimated % Recovery Under the Plan	Estimated % Recovery Under Chapter 7
V1	Other Priority Claims	Payment in full in Cash plus interest on the Allowed Claim.	$0	N/A	N/A
V2	Other Secured Claims	At the option of the Debtors, (i) payment in full in Cash plus interest on the Allowed Claim, (ii) reinstatement or	$0	N/A	N/A

Class	Claim or Equity Interest	Treatment	Estimated Amount of Claims	Estimated % Recovery Under the Plan	Estimated % Recovery Under Chapter 7
		(iii) such other treatment that leaves the holders Unimpaired.			
V3	First Lien Notes Claims	Pro Rata share of 90% of New Common Stock issued on the Effective Date.	$195	0% - 64%	0% - 9%
V4	Second Lien Notes Claims	Pro Rata share of the New Second Lien Warrants.	$172	0% - 6%	0%
V5	8.875% Senior Notes Claims	Subject to the Reallocation Procedures: (i) $6,500,000 in Cash; (ii) 2.6% of the New Common Stock which shall be effectuated as a transfer by the Backstoppers out of the DIP Backstop Fee; and (iii) the Unsecured LLA Override Shares issued to the Noteholder HoldCo.	$324	2% - 4%[7]	0%
V6	General Unsecured Claims	If the Class accepts, Pro Rata share of the V6 Cash. If the Class rejects, Pro Rata share of Venoco Residual Value, if any.	$1	0% - 100%	0%
V7	Subordinated Securities Claims	Extinguished without any distribution.	$0	N/A	N/A
V8	Equity Interests in Venoco	Extinguished without any distribution.	$0	N/A	N/A
V9	Equity Interests in	Reinstated for corporate purposes only without any	$0	N/A	N/A

[7] The Estimated % Recoveries to 8.875% Senior Notes Claims represent recoveries under the Default Distribution under Section 3.03(e) of the Plan.

Class	Claim or Equity Interest	Treatment	Estimated Amount of Claims	Estimated % Recovery Under the Plan	Estimated % Recovery Under Chapter 7
	Venoco Subs	distribution.			

ARTICLE II

VOTING AND ELECTION INSTRUCTIONS AND PROCEDURES

On May 16, 2016 the Bankruptcy Court approved this Disclosure Statement as containing adequate information of a kind and in sufficient detail to enable hypothetical, reasonable investors typical of the Debtors' creditors and interest holders to make an informed judgment whether to accept or reject the Plan. **APPROVAL OF THIS DISCLOSURE STATEMENT DOES NOT, HOWEVER, CONSTITUTE A DETERMINATION BY THE BANKRUPTCY COURT AS TO THE FAIRNESS OR MERITS OF THE PLAN.**

The Disclosure Statement Order, a copy of which is annexed hereto as **Exhibit F**, sets forth in detail the deadlines, procedures, and instructions for voting to accept or reject the Plan and for filing objections to confirmation of the Plan, the record date for voting purposes and the applicable standards for tabulating Ballots. In addition, detailed voting instructions accompany each Ballot. Each holder of a Claim or Equity Interest entitled to vote on the Plan should read this Disclosure Statement, the Plan, the Disclosure Statement Order and the instructions accompanying the Ballot in their entirety before voting on the Plan. These documents contain important information concerning the classification of Claims for voting purposes and the tabulation of votes. No solicitation of votes to accept the Plan may be made except pursuant to section 1125 of the Bankruptcy Code.

THE LAST DAY TO VOTE TO ACCEPT OR REJECT THE PLAN IS JUNE 24, 2016. TO BE COUNTED, YOUR BALLOT MUST BE ACTUALLY RECEIVED BY THE CLAIMS AND SOLICITATION AGENT BY THIS DATE.

Section 2.01. Holders of Claims Entitled to Vote

Pursuant to the provisions of the Bankruptcy Code, only classes of claims or equity interests which (i) are "impaired" by a chapter 11 plan and (ii) are entitled to receive a distribution under such plan are entitled to vote to accept or reject a proposed plan. Classes of claims or equity interests which (a) are "impaired" by a chapter 11 plan and (b) are not entitled to receive a distribution under such a plan are not entitled to vote and are deemed to have rejected the Plan. Classes of claims or equity interests in which the holders of claims or equity interests are unimpaired are deemed to have accepted the Plan and are not entitled to vote to accept or reject the Plan.

Classes D3 (Senior PIK Toggle Notes Claims), D4 (General Unsecured Claims), V3 (First Lien Notes Claims), V4 (Second Lien Notes Claims), V5 (8.875% Senior Notes Claims

and V6 (General Unsecured Claims) are Impaired under the Plan. To the extent Claims in Classes D3, D4, V3, V4, V5 and V6 are Allowed Claims, the holders of such Claims are entitled to vote to accept or reject the Plan.

Classes D5 (Subordinated Securities Claims), D6 (Equity Interests), V7 (Subordinated Securities Claims) and V8 (Equity Interests in Venoco) will not receive any distributions under the Plan, and are therefore deemed to reject the Plan.

Classes D1 (Other Priority Claims), D2 (Other Secured Claims), V1 (Other Priority Claims) and V2 (Other Secured Claims) will receive a full recovery on account of their Allowed Claims, are Unimpaired under the Plan, and the holders thereof are conclusively presumed to have accepted the Plan.

Class V9 (Equity Interests in Each Venoco Sub) are Unimpaired under the Plan, and the holders thereof are conclusively presumed to have accepted the Plan.

The Bankruptcy Code defines "acceptance" of a plan by a class of claims as acceptance by creditors in that class that hold at least two-thirds in dollar amount and more than one-half in number of the claims that cast ballots for acceptance or rejection of the plan. Thus, acceptance of the Plan by a Class of Claims will occur only if at least two-thirds in dollar amount and a majority in number of the holders of claims in each class that cast their ballots vote in favor of acceptance. A vote may be disregarded if the Bankruptcy Court determines, after notice and a hearing, that such acceptance or rejection was not solicited or procured in good faith or in accordance with the provisions of the Bankruptcy Code.

If one or more classes of claims entitled to vote on the Plan reject the Plan, the Debtors reserve the right to amend the Plan or request confirmation of the Plan pursuant to section 1129(b) of the Bankruptcy Code or both. Section 1129(b) permits confirmation of a plan of reorganization notwithstanding the non-acceptance of a plan by one or more impaired classes of claims or equity interests if the plan does not "discriminate unfairly" and is "fair and equitable" with respect to each non-accepting class.

Section 2.02. The Solicitation Package

Accompanying this Disclosure Statement for the purpose of soliciting votes (the "Solicitation") on the Plan are copies of (i) the Plan; (ii) the notice of, among other things, the time for submitting Ballots to accept or reject the Plan, the date, time, and place of the Confirmation Hearing and related matters, and the Objection Deadline; and (iii) as applicable, a Ballot(s) and Election Forms(s) (and return envelope(s)) that you may use in voting to accept or to reject the Plan, or a notice of non-voting status, (collectively, the "Solicitation Package"). Only holders eligible to vote in favor of or against the Plan will receive a Ballot(s) and Election Form(s) (as applicable) as part of their Solicitation Packages.

Section 2.03. Voting Instructions

If you are entitled to vote to accept or reject the Plan, a Ballot is enclosed for the purpose of voting on the Plan. If you hold Claims in more than one Class and you are entitled to vote

such Claims, you will receive separate Ballots, which must be used for each separate Class of Claims.

Each Ballot has been coded to reflect the class of Claims it represents. Accordingly, in voting to accept or reject the Plan, you must use only the coded Ballot or Ballots sent to you with this Disclosure Statement.

After carefully reviewing the Plan and this Disclosure Statement, and the Exhibits thereto, and the detailed instructions accompanying your Ballot, please indicate your acceptance or rejection of the Plan on the enclosed Ballot. Please complete and sign your Ballot and return it in the envelope provided so that it is **RECEIVED** by BMC Group, Inc. (the "Claims and Solicitation Agent") on or before the Plan Voting Deadline set forth on the Ballot.

If you have any questions about the procedure for voting your eligible claim or interest or with respect to the Solicitation Package that you have received, please contact the Claims and Solicitation Agent:

If by Regular Mail:
BMC Group, Inc.
Attn: Venoco Claims Processing
PO Box 90100
Los Angeles, CA 90009

If by Messenger or Overnight Delivery:
BMC Group, Inc.
Attn: Venoco Claims Processing
3732 W 120th Street
Hawthorne, CA 90250

IN ORDER FOR YOUR VOTE TO BE COUNTED, YOUR VOTE MUST BE ACTUALLY RECEIVED BY THE CLAIMS AND SOLICITATION AGENT FOR THE DEBTORS ON OR BEFORE 4:00 P.M. PREVAILING EASTERN TIME, ON JUNE 24, 2016, AT THE ABOVE ADDRESS. EXCEPT TO THE EXTENT ALLOWED BY THE BANKRUPTCY COURT OR DETERMINED OTHERWISE BY THE DEBTORS, BALLOTS RECEIVED AFTER THE PLAN VOTING DEADLINE WILL NOT BE ACCEPTED OR USED IN CONNECTION WITH THE DEBTORS' REQUEST FOR CONFIRMATION OF THE PLAN OR ANY MODIFICATION THEREOF. THE RECORD DATE FOR DETERMINING WHICH CREDITORS MAY VOTE ON THE PLAN IS MAY 16, 2016.

DO NOT RETURN ANY SECURITIES WITH YOUR BALLOT.

Any Claim in an impaired Class as to which an objection or request for estimation is pending or which was scheduled by the Debtors in their schedules of assets and liabilities or their statements of financial affairs as unliquidated, disputed or contingent and for which no timely Proof of Claim has been filed is not entitled to vote unless the holder of such Claim has obtained

an order of the Bankruptcy Court temporarily allowing such Claim for the purpose of voting on the Plan.

If you are a holder of a Claim entitled to vote on the Plan and did not receive a Ballot, received a damaged Ballot or lost your Ballot, or if you have any questions concerning this Disclosure Statement, the Plan or the procedures for voting on the Plan, please call BMC Group, Inc. at 1 (888) 909-0100.

Section 2.04. Voting Tabulation

Under the Bankruptcy Code, for purposes of determining whether the requisite acceptances have been received, only holders who actually vote will be counted. The failure of a holder to deliver a duly executed Ballot will be deemed to constitute an abstention by such holder with respect to voting on the Plan and such abstentions will not be counted as votes for or against the Plan.

Unless otherwise ordered by the Bankruptcy Court, Ballots that are timely received, but on which a vote to accept or reject the Plan has not been indicated, will not be counted. The Debtors, in consultation with the Prepetition Secured Parties, may request that the Claims and Solicitation Agent attempt to contact such voters to cure any such defects in the Ballots.

Except as provided below, unless the applicable Ballot is timely submitted to the Voting Agent before the Voting Deadline, together with any other documents required by such Ballot, the Debtors may, in their sole discretion, reject any Ballot as invalid and decline to utilize it in connection with seeking Confirmation of the Plan.

A vote may be disregarded if the Bankruptcy Court determines, pursuant to Bankruptcy Code section 1126(e), that it was not solicited or procured in good faith or in accordance with the provisions of the Bankruptcy Code.

If a Ballot is signed by a trustee, executor, administrator, guardian, attorney-in-fact, officer of a corporation, or another Party acting in a fiduciary or representative capacity, such Person should indicate such capacity when signing and, unless otherwise determined by the Debtors, must submit proper evidence satisfactory to the Debtors of authority to so act.

Section 2.05. Agreements upon Furnishing Ballot

The delivery of an accepting Ballot by a holder pursuant to one of the procedures set forth above will constitute the agreement of such holder to accept (i) all of the terms of, and conditions to, the Solicitation and voting procedures and (ii) the terms of the Plan, but subject to the rights of such holder under section 1128 of the Bankruptcy Code.

Section 2.06. Election Procedures

If you are a holder of a Class V5 8.875% Senior Notes Claim, an Election Form is enclosed for the purpose of expressing a preference to alter the proportion of Cash or New Common Stock and Unsecured LLA Override Units to be distributed to you pursuant to the Plan (the "Distribution Election"). Holders who wish to make the Distribution Election must make it,

or instruct their Nominee to make it on their behalf, using the Election Form. A Distribution Election will only apply to those notes that have been tendered into the Automated Tender Offer Program system at The Depository Trust Company as of the Voting Deadline.

ARTICLE III

GENERAL INFORMATION ABOUT THE DEBTORS

Section 3.01. Debtors' Business and Industry

Venoco is an independent energy company engaged in the acquisition, exploitation and development of oil and natural gas properties, primarily in California. Venoco operates three offshore platforms in the Santa Barbara Channel, has non-operated interests in three other platforms and operates several onshore properties in Southern California.

Section 3.02. Debtors' Formation

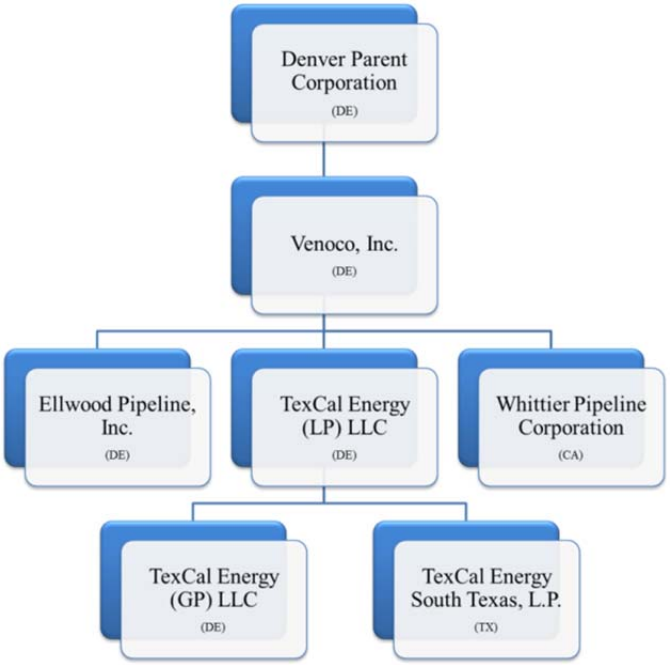
Venoco was co-founded by Timothy M. Marquez in Carpinteria, California in 1992. Mr. Marquez served as Chief Executive Officer of Venoco from its founding until June 2002. He then returned to serve as Chairman, Chief Executive Officer, and President in 2004, and became the Executive Chairman in August 2012.

From the beginning, Venoco set out to grow by acquiring undervalued and under-exploited fields, and then reinvigorated those fields by applying technical and operational expertise. The company strategically acquired leasehold interests first in California and then in Texas. In 2006, Venoco became a public company whose equity was traded on the New York Stock Exchange.

Denver Parent Corporation, a Delaware corporation ("DPC"), was formed in January 2012 for the purpose of acquiring all of the outstanding common stock of Venoco in a transaction referred to as the "going private transaction". The going private transaction was completed in October 2012. DPC has no operations and no material assets other than 100% of the common stock of Venoco.

In addition, Venoco is a successor in interest to Venoco, LLC, a Delaware Corporation, through a 1998 merger of Venoco, LLC into Venoco.

A summary organizational chart showing the Debtors' legal structure as of the Petition Date is below:



Section 3.03. Debtors' Management and Board of Directors

Mark DePuy is the Chief Executive Officer of Venoco and has served in that position since June 2014.

Scott Pinsonnault is Chief Financial Officer of Venoco and has served in that position since May 2015. Mr. Pinsonnault was appointed Chief Restructuring Officer on February 16, 2016.

Brian E. Donovan is the General Counsel and Secretary and has served in that position since October 2014. Before that time he served as Assistant General Counsel and Assistant Secretary since December 2007.

Michael Wracher is Senior Vice President of Southern California Operations for Venoco. He joined the company in 1998 and has held various roles of increasing responsibility in development, exploration and operations.

Venoco is governed by a three-member board of directors (the "Board"). Timothy M. Marquez serves as the Executive Chairman of Venoco. He has served in this position since August 2012. The other two directors are Joseph A. Bondi and Richard Keller. Mr. Bondi joined the Board on December 9, 2015. Mr. Keller joined the Board on January 5, 2016.

Section 3.04. Debtors' Current Assets

(a) South Ellwood Field

The South Ellwood field is located in California state waters approximately two miles offshore along the northern margin of the Santa Barbara Channel. The Debtors conduct operations in this field from Platform Holly, own 100% of the working interests in the relevant

leaseholds, and own related onshore processing facilities. Approximately 50% of the Debtors' annual production comes from this field.

The Debtors have also submitted an application for a lease line adjustment ("LLA") with respect to California State Lands Commission ("CSLC") Lease PRC 3242.1 which is part of the South Ellwood Field and which, if granted, would give them the right to drill on approximately 3,400 additional acres immediately adjacent to the Debtors' current leasehold in this field. In exchange for additional acreage, the Debtors will quitclaim back to the State of California certain acreage currently under lease and the Debtors' net acreage holdings will decrease by 431 acres. Although the Debtors application was completed in late 2014, the application remains subject to review by the CSLC under the California Environmental Quality Act ("CEQA"), which requires an environmental impact report ("EIR"). In May 2015, CSLC initiated the environmental impact review process and began preparing the related report required by CEQA. The Debtors anticipate a draft EIR to be issued in the second quarter of 2016, though the timing cannot be assured.

(b) Santa Clara Federal Unit

The Santa Clara Federal Unit is located in federal waters approximately 10 miles offshore in the Santa Barbara channel near Oxnard, California. The Debtors conduct operations in this unit from two platforms—Platform Gail in the Sockeye field and Platform Grace in the Santa Clara field. Production from these platforms is transported via pipeline to Los Angeles, CA, where it is sold to Tesoro Refining and Marketing Company. The Debtors are the operators of these platforms and have a 100% working interest in them.

(c) Dos Cuadras and Beverly Hills West

The Debtors own a 25% non-operated working interest in the Dos Cuadras field, with working interests ranging from 17.5% to 25% in the associated onshore facility and pipelines. The field is located in federal waters approximately five miles offshore of California in the Santa Barbara channel and is operated by an unaffiliated third party.

The Debtors also operate in the Beverly Hills West field, located in Beverly Hills, California. The lease for this field expires on December 31, 2016 (the "Lease"). The Debtors have continued to meet their obligations under the Lease during these cases. This includes not only the full payment of all royalties, but also the stringent operating procedures with an emphasis on environmental health and safety. The Debtors will assume the Lease pursuant to the assumption provisions set forth in the Plan. The Debtors intend to fund their remaining obligations under the Lease from cash on hand and operating revenues. The Debtors also have insurance coverage and surety bonds for any environmental hazards arising at the Lease premises. Without limitation, as it relates to the Beverly Hills site, the Reorganized Debtors intend to comply with all applicable federal, state and local laws and regulations regarding any abandonment and restoration obligations.

(d) Hastings Field – CO_2 Flood Project

In February 2009, the Debtors sold certain properties in the Hastings Complex near Houston, Texas to Denbury Resources, Inc. ("Denbury") for approximately $247.7 million. Denbury is using the property to develop a CO_2 enhanced recovery project and has already

incurred over $330 million in capital expenditures related thereto. The Debtors own a 22.45% reversionary working interest in the Denbury Hastings Complex after Denbury has recouped its operating costs and a portion of its purchase price, plus 130% percent of its capital expenditures made on the project.

(e) Ellwood Marine Terminal Decommissioning Project and the Line 96 Decommissioning Project

Venoco is a tenant pursuant to a lease with The Regents of the University of California, a California public corporation (the "Regents") for 17.56 acres of land in Goleta, California (commonly known as the "Ellwood Marine Terminal" or "EMT") and is party to many related agreements dating back to 1929 that pertain to Venoco's use of the Ellwood Marine Terminal (collectively the "UC Agreements"). Venoco is in the process of decommissioning the EMT (the "EMT Decommissioning Project") and has made application for a permit with the County of Santa Barbara. The EMT Decommissioning Project is being reviewed under the California Environmental Quality Act ("CEQA") by the County of Santa Barbara, the California Coastal Commission, the Regents and the State Lands Commission.

In addition, Venoco is in the process of decommissioning its Line 96 with the City of Goleta, the California Coastal Commission, and the Regents (the "Line 96 Decommissioning Project"). Venoco will negotiate terms of a license agreement with the Regents to provide Venoco permission to access certain additional property owned by the Regents that is needed to conduct the removal of a portion of Line 96 that runs under the Regents' property, as required by the Line 96 Decommissioning Project pursuant to the permit approvals from the City of Goleta (Case No. 12-045-DP/CUP) and the California Coastal Commission (CDP 9-15-0620).

Section 3.05. Debtors' Prepetition Indebtedness

As of the Petition Date, the Debtors' primary liabilities consist of: (a) First Lien Notes; (b) Second Lien Notes; (c) 8.875% Senior Notes; and (d) Senior PIK Toggle Notes.[8] In addition, the Debtors were generally paying undisputed trade creditors on a current basis prior to the filing and the Debtors anticipate they have a limited amount of trade debt and royalty obligations that remain outstanding.

(a) First Lien Notes

On April 2, 2015, Venoco issued $175 million in First Lien Notes in connection with a recapitalization transaction that retired the Debtors' then-outstanding reserve-based revolving loan, thereby avoiding any breach of the financial covenants or pending maturation therein that could have been trigged by the depressed state of the energy market. The First Lien Notes also provided the Debtors with approximately $87 million of incremental net capital to fund

[8] Venoco was previously party to a $75 million term loan facility for funding LLA-related transactions once the LLA is approved. That term loan was satisfied and then terminated around June 11, 2015, with the proceeds of a new term loan facility on better economic terms (the "Term Loan Facility"). The Term Loan Facility was fully drawn at closing, but the proceeds thereof were segregated pending approval of the LLA and satisfaction of certain other conditions. The Debtors' obligations under the Term Loan Facility were secured by a first priority lien on the segregated proceeds of the loan and were guaranteed by Venoco's subsidiaries that guarantee the First Lien Secured Notes and the Second Lien Secured Notes. The Term Loan Facility was repaid on March 16, 2016.

operations. Venoco's obligations under the First Lien Notes are guaranteed by all of its subsidiaries (other than Ellwood Pipeline, Inc.) and secured by first priority liens on substantially all of its and their assets. As of the Petition Date, $175 million in aggregate principal amount was outstanding under the First Lien Notes.

(b) Second Lien Notes

In connection with the recapitalization, Venoco also exchanged $194 million in principal and accrued interest of the 8.875% Senior Notes held by certain noteholders for $150.4 million in principal amount of Second Lien Notes due 2019. The Second Lien Notes bear interest at 8.875% if paid in cash or 12% if paid in kind, at Venoco's option, and provided Venoco with interest relief through reduced cash interest expense. Venoco's obligations under the Second Lien Notes are guaranteed by all of its subsidiaries that guarantee the First Lien Notes and are secured by a second priority lien on the assets securing the obligations under the First Lien Notes. As of the Petition Date, $164.1 million in aggregate principal amount remained outstanding under the Second Lien Secured Notes.

(c) Venoco 8.875% Senior Notes

In February 2011, Venoco issued $500 million of 8.875% Senior Notes due 2019. Interest on the notes is payable semi-annually in arrears on February 15 and August 15 of each year. As of the Petition Date, approximately $308.2 million remained outstanding under the 8.875% Senior Notes.

(d) Senior PIK Toggle Notes.

In August 2013, DPC issued $255 million principal amount of Senior PIK Toggle Notes due 2018 at 97.304% of par. Interest on the notes is payable on February 15 and August 15 of each year and, other than the first scheduled interest payment, may be paid in cash or in kind at DPC's election, subject to certain conditions. DPC is dependent on dividends from Venoco to make its required payments under the Senior PIK Toggle Notes and has been paying its interest payments in kind throughout 2015. As of the Petition Date, there was approximately $303 million outstanding under the Senior PIK Toggle Notes.

Section 3.06. Other Obligations

(a) Trade Debt

In the ordinary course of producing oil and gas from its properties, the Debtors have historically obtained goods and services from over 800 vendors. As of the Petition Date, the Debtors estimate that they owe approximately $1.2 million to their vendors.

(b) Royalty Obligations

As of the Petition Date, the Debtors had approximately 2,300 royalty owners in pay status, including certain insiders of the Debtors such as the Debtors' employees and executives. As of the Petition Date, the Debtors owed an aggregate of approximately $563,371 to various royalty owners for the prepetition period.

(c) Hedge Arrangements

To mitigate against commodity price fluctuations, from time to time, the Debtors have entered into certain swap floors and collar agreements related to their oil production (collectively, the "Hedges"). Prior to the commencement of these cases, the Debtors unwound all of their Hedges.

Section 3.07. Events Leading to the Chapter 11 Cases

An unpredictable confluence of factors in 2014 and 2015 caused the Debtors' need for the instant restructuring. First, like many other E&P companies, the dramatic decline in crude oil prices severely impacted the Debtors, whose reserves are 94% weighted in oil. While the Debtors tried to mitigate the negative impact of the downturn by cutting costs, reducing capital expenditures and carefully managing liquidity, these efforts ultimately were insufficient. Indeed, although the Debtors entered into various amendments to their credit facilities on separate occasions in 2014 and engaged in a recapitalization of their balance sheet in early 2015, they could not counteract the nearly 70% percent drop in the price of crude oil from 2014 to today.

The Debtors' ability to weather the tempest in the energy market was further hampered by a major operational set-back which shut-in production at the Debtors' South Ellwood field and deprived the Debtors of almost 50 percent of their annual production. Specifically, in May 2015, a third-party common carrier pipeline operated by Plains Pipeline, L.P. ("Plains") that transports the Debtors' South Ellwood Field oil production ruptured, resulting in a spill near Refugio Beach State Park and halting all of the Debtors' production activities in the field. The Debtors maintain a comprehensive spill response plan for all of their operations, including operations at the Beverly Hills site. Instead of getting the revenues the Debtors desperately needed from production at South Ellwood, the Debtors were forced to reduce operating expenses, though such reduction was not sufficient to mitigate the operating loss. The Debtors also elected to accelerate scheduled maintenance during the early shut-in period to minimize downtime to the field when production is resumed.[9]

As they had done many times before, the Debtors turned to the capital markets but the Debtors could not find any parties willing to provide financing. Accordingly, the Debtors determined that a fundamental and comprehensive restructuring of their capital structure was needed and, after coming to terms with their prepetition senior secured noteholders, commenced these Chapter 11 Cases.

Section 3.08. Prepetition Restructuring Efforts

Prior to the Petition Date, the Debtors, who have been in active negotiations with their stakeholders for several months, made meaningful progress toward a consensual restructuring with their key constituencies. The Debtors believe these prepetition negotiations and efforts will help ensure an efficient and successful restructuring in these cases.

[9] The Debtors have asserted a claim for lost profits or impairment of earnings capacity against Plains pursuant to the Federal Oil Pollution Act of 1990, 33 U.S.C. §§2701 *et seq*. in an amount of no less than $12,417,460 through November 30, 2015, plus $108,900.50 for financial and accounting costs through December 23, 2015. To date, however, the Debtors have not received any payments in connection with these claims.

The Debtors prepetition restructuring efforts began in November 2014, when the Debtors hired Blackstone Advisory Partners, L.P. ("Blackstone" and later, "PJT")[10] to review and assist the Debtors with developing and implementing a strategic plan, evaluating and monetizing non-core assets, and right-sizing the capital structure. At the time, the Debtors' had approximately $840 million of outstanding debt on their balance sheets, in a mix of bonds and revolving credit lines, at an approximate aggregate annual cash interest cost to the Debtors of $50 million. Bracewell LLP was also engaged to advise on in and out-of-court restructuring alternatives.

With the help of its advisors, the Debtors approached their existing noteholders early in the cycle to explore available options for additional liquidity so the Debtors could bridge to a recovery in commodity prices and avoid the possibility of a default under their financial covenants in the Debtors' outstanding bank debt due to the facility's pending maturity. Ultimately, the Debtors and noteholders consisting of approximately 45% of the 8.875% Senior Notes, reached agreement on a recapitalization transaction that provided $175 million of new capital to the Debtors and exchanged $194 million in principal and accrued interest of the 8.875% Senior Notes for $150.35 million in principal amount of Second Lien Secured Notes. The First Lien Secured Notes, Second Lien Secured Notes, and Term Loan Facility were all issued in connection with this transaction.

The price of crude oil continued to fall precipitously throughout most of 2015, leaving the Debtors back in a liquidity crunch. The shut-in of South Ellwood Field compounded these hardships. To raise new capital, the Debtors and their advisors contacted multiple parties including private equity funds, high net worth individuals, and hedge funds regarding possible financing alternatives. None of the parties, however, were willing to lend in the current environment or provide the Debtors with a firm commitment to fund operations long-term.

Having determined that a more fundamental and comprehensive restructuring of the Debtors' capital structure would be necessary, and to preserve dwindling liquidity, the Debtors elected to forgo making a scheduled interest payment on the 8.875% Senior Notes in the approximate amount of $13.7 million due February 16, 2016. Under the terms of the indenture, this nonpayment constituted a default that, if not cured within 30 days, would constitute an event of default giving rise to the potential acceleration of the 8.875% Senior Notes and enforcement of remedies.

During the grace period, the Debtors remained engaged in discussions around how best to reduce the company's debt and ensure its long term liquidity needs are met, including the possibility of restructuring the company's balance sheet. The Debtors negotiated the underlying economics of a chapter 11 plan and other aspects of the restructuring with their prepetition senior secured noteholders. On the Petition Date, after months of extensive negotiations, the Debtors and holders of 100% of the First Lien Secured Notes and 100% of the Second Lien Secured Notes entered into the RSA.

[10] On or about October 1, 2015, Blackstone was spun off and became an independent, publicly traded company known as PJT Partners, Inc.

Section 3.09. Commencement of the Chapter 11 Cases

After struggling against the recent downturn in the oil and gas markets, aggressively managing costs, and engaging in a comprehensive effort to explore strategic alternatives to mitigate systemic operating losses, the Debtors filed these Chapter 11 Cases on March 18, 2016 to implement the terms of the RSA with the goal of reorganizing, including the restructuring of the Debtors' obligations and pursuing strategic alternatives to maximize the value of their oil and gas producing assets.

ARTICLE IV

THE CHAPTER 11 CASES

Section 4.01. Overview of Chapter 11

Chapter 11 is the principal business reorganization chapter of the Bankruptcy Code. Chapter 11 authorizes a debtor to reorganize its business for the benefit of its creditors, interest holders, and other parties in interest. Commencing a chapter 11 case creates an estate that comprises all of the legal and equitable interests of the debtor as of the filing date. 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."

The principal objective of a chapter 11 case is to consummate a plan of reorganization or liquidation. A plan of reorganization or liquidation sets forth the means for satisfying claims against and interests in a debtor. Confirmation of a plan of reorganization by a bankruptcy court binds a debtor, any issuer of securities thereunder, any person acquiring property under the plan, any creditor or interest holder of a debtor, and any other person or entity the bankruptcy court may find to be bound by such plan. Chapter 11 contains certain requirements related to obtaining the approval of a plan of reorganization by the bankruptcy court.

Subject to certain limited exceptions, the bankruptcy court order confirming a plan of reorganization or liquidation discharges a debtor from any debt that arose prior to the effective date of a plan of reorganization or liquidation, and provides for the treatment of such debt in accordance with the terms of the confirmed plan of reorganization or liquidation.

Prior to soliciting acceptances of a proposed plan of reorganization or liquidation, Bankruptcy Code section 1125 requires a debtor to prepare a disclosure statement containing information of a kind, and in sufficient detail, to enable a hypothetical reasonable investor typical of the types of Claims and Equity Interests in the case to make an informed judgment regarding acceptance of the plan of reorganization or liquidation. This Disclosure Statement is submitted in accordance with Bankruptcy Code section 1125.

Section 4.02. First Day Motions

On the Petition Date, or soon thereafter, the Debtors filed numerous first-day motions (the "First Day Motions"), the object of which was to streamline the transition to operating under chapter 11, to stabilize operations, and to preserve their relationships with vendors, customers,

royalty interest owners and employees. These first-day motions requested, among other things, authority to (i) jointly administer the Chapter 11 Cases for procedural purposes only; (ii) continue to operate the Debtors' existing cash management system and continue the use of existing bank accounts and business forms; (iii) pay prepetition compensation, wages, salaries and other reimbursable employee expenses; (iv) pay certain taxes that the Debtors are required to collect and remit to appropriate taxing authorities; (v) continue prepetition insurance coverage and related practices; (vi) pay certain owners of royalty and working interests in the Debtors' leaseholds and pay the costs of maintaining the leases; (vii) continue to pay for utility services; and (viii) preserve the Debtors' tax attributes. The first-day motions and all orders for relief granted in the Chapter 11 Cases can be viewed free of charge at http://www.bmcgroup.com/venoco.

Section 4.03. Debtor in Possession Financing

In connection with the Chapter 11 Cases, on March 18, 2016 the Debtors filed a motion seeking Court approval of debtor in possession financing on the terms set forth in a contemplated *Superpriority Secured Debtor-in-Possession Credit Agreement* (the "DIP Facility"). On March 22, 2016, the Debtors (other than Ellwood Pipeline, Inc. and DPC) entered into the DIP Facility with certain of the holders of the First Lien Notes, as lenders, and Wilmington Trust, National Association, as administrative agent.

The DIP Facility provides for a senior secured superpriority non-amortizing delayed draw term loan facility in an aggregate principal amount of up to $35.0 million.

The key terms of the DIP Facility are as follows:

- **Availability**: After entry of the final order approving the DIP Facility, the Company may borrow (a) amounts not exceeding $10.0 million per borrowing, (b) no more than four times during the term of the DIP Facility, and (c) until the California State Lands Commission has approved the extension of the Company's California State Lease PRC 3242.1, not more than $20.0 million.

- **DIP Financing Termination Date:** The DIP Facility shall terminate on the earliest date to occur of (a) December 31, 2016, (b) 45 days after March 18, 2016 if the Bankruptcy Court has not entered a final order approving the DIP Facility, (c) the substantial consummation of the Plan, (d) the date on which all commitments under the DIP Facility have terminated and all obligations under the DIP Facility have been paid in full in cash and (e) the date on which the commitments under the DIP Facility have been terminated or all or any portion of the loans have been accelerated in accordance with the DIP Facility (such earliest date to occur of the foregoing clauses (a) through (e), the "DIP Financing Termination Date").

- **Interest Rate**: Term Loans will bear interest, at the option of the Company, at (i) 9% plus the Administrative Agent's base rate, payable monthly in arrears or (ii) 10% plus the current LIBO Rate as quoted by the Administrative Agent for interest periods of one, two, three or six months (the "LIBO Rate"), payable at the end of the relevant interest period, but in any event at least quarterly; *provided* that the Base Rate shall not be less

than 2% and the LIBO Rate shall be not less than 1% per annum. During the continuance of an event of default, there will be a default interest of an additional 2% per annum.

- **Fees**: The fees for the DIP Facility are as follows:

  - Upfront Fee: For the account of the Lenders, an upfront fee equal to 1.00% of the lenders' commitment.
  - Ticking Fee: An unused commitment fee at the rate of 1.00% per annum on the undrawn portion of the DIP Facility.
  - Backstop Fee: A backstop fee equal to (i) 10% of the common equity of the reorganized Company issued and outstanding as of the effective date of the Plan, to be due and payable on effectiveness of the Plan, or (ii) in the event the RSA is terminated without the Plan having been consummated, 5.00% of the aggregate principal amount of loans that have been funded, to be due and payable in cash on the later to occur of the (x) the DIP Financing Termination Date and (y) the date of termination of the RSA.

- **Events of Default**: The DIP Facility contains customary events of default.

- **Budget**: On or before the last day of the fourth full calendar week following March 22, 2016 (or, if such day is not a business day, the next business day), the Company shall not permit, subject to certain exclusions, the aggregate amounts of certain line items set forth in its cash flow forecast (each, a "Disbursement Line Item" and collectively, the "Aggregate Disbursement Line Items") actually made during the four-week period ending on the Friday before such day (such date, the "Initial Test Date") to exceed, on a cumulative basis, the aggregate budgeted amounts set forth in the cash flow forecast in effect for such applicable four-week period for such Disbursement Line Item by more than 20%, and (ii) for the Aggregate Disbursement Line Items in the cash flow forecast actually made by the Company during such four-week period ending on the Initial Test Date to exceed, on a cumulative basis, the aggregate budgeted amounts set forth in the cash flow forecast in effect for such four-week period for the Aggregate Disbursement Line Items by more than 15%.

  On or before the last day of every other calendar week after the Initial Test Date (or, if such day is not a business day, the next business day), the Company shall not permit the aggregate amounts (i) for each Disbursement Line Item actually made by the Loan Parties in the cash flow forecast during the six-week period ending on the Friday before such day (each such date, a "Test Date") to exceed, on a cumulative basis, the aggregate budgeted amounts set forth in the cash flow forecast in effect for such applicable six-week period for such Disbursement Line Item by more than 20%, and (ii) for the Aggregate Disbursement Line Items in the cash flow forecast actually made by the Loan Parties during the six-week period ending on the Test Date to exceed, on a cumulative basis, the aggregate budgeted amounts set forth in the cash flow forecast in effect for such six-week period for the Aggregate Disbursement Line Items by more than 15%.

- **Case Milestones**: The DIP Facility requires compliance with the following milestones in accordance with the applicable timing (or such later dates as approved by the Lenders): (a) no later than October 15, 2016, the Bankruptcy Court shall have entered the order for the Plan disclosure statement; (b) no later than December 1, 2016, the Bankruptcy Court shall have entered the order confirming the Plan; and (c) no later than 14 days following the entry of the order confirming the Plan, the Plan shall become effective.

Section 4.04. Filing of Schedules and Statements of Financial Affairs

On April 18, 2016, the Debtors filed their Schedules of Assets and Liabilities (the "Schedules") and Statements of Financial Affairs (the "Statements") in compliance with section 521 of the Bankruptcy Code and Bankruptcy Rule 1007 [Dkt. Nos. 135-41, 143-51]. The Schedules and Statement set forth, among other things, the Debtors' assets and liabilities, current income and expenditures, and executory contracts and unexpired leases. The Debtors' Schedules and Statements can be downloaded free of charge at http://www.bmcgroup.com/venoco.

Section 4.05. Establishment of a Bar Date

On March 31, 2016, the Debtors filed *Debtors Motion For An Order (I) Establishing Bar Dates* For *Filing Proofs Of Claim; (II) Approving Proof Of Claim Form, Bar Date Notices, And Mailing And Publication Procedures; (III) Implementing Uniform Procedures Regarding 503(b)(9) Claims; And (IV) Providing Certain Supplemental Relief* [Dkt. No. 101]. By the motion, the Debtors seek Bankruptcy Court approval of (i) establishing June 3, 2016 as the date by which certain creditors (including, without limitation, general unsecured creditors and creditors holding claims under section 503(b)(9) of the Bankruptcy Code, or holders of claims potentially subject to section 510 of the Bankruptcy Code) must file proofs of claim in these chapter 11 cases (the "General Bar Date"); (ii) establishing the later of (a) the General Bar Date and (b) 30 days after the effective date of rejection, as provided by an order of the Bankruptcy Court or pursuant to a notice under procedures approved by this Court, as the bar date by which a proof of claim relating to the Debtors' rejection of executory contracts and unexpired leases must be filed; (iii) establishing the bar date, if necessary, by which creditors holding claims that have been amended by the Debtors in their Schedules as the later of (a) the General Bar Date and (b) 21 days after the date that notice of the amendment is served on the affected claimant; (iv) establishing September 14, 2016 as the date by which Governmental Units must file proofs of claim in these chapter 11 cases; (v) approving tailored proof of claim forms to be distributed to potential creditors; (vi) approving the forms of notice to be used to inform potential creditors of the Bar Dates; and (vii) approving mailing and publication procedures with respect to notice of the Bar Dates. The Bankruptcy Court entered the *Order (I) Establishing Bar Dates for Filing Proofs of Claim and (II) Approving the Form and Manner of Notice Thereof* (the "Bar Date Order"), on April 20, 2016 [Dkt. No. 177].

Section 4.06. Amended and Restated Restructuring Support Agreement

Prior to filing the Chapter 11 Cases, the Debtors entered into a Restructuring Support Agreement (the "Original RSA") with holders of 100% of the First Lien Notes (the "Consenting

First Lien Noteholders") and 100% of the Second Lien Notes (the "Consenting Second Lien Noteholders" and, together with the Consenting First Lien Noteholders, the "Restructuring Support Parties").

Under the Original RSA, the Restructuring Support Parties and the Debtors agreed that the restructuring transactions will be effectuated through a joint pre-agreed plan of reorganization (the "Original Plan"). The Original Plan agreed under the Original RSA provided a framework for a comprehensive restructuring of the Debtors that included (a) a conversion of the First Lien Notes Claims for 90% of the reorganized Debtors' equity; (b) a conversion of the Second Lien Notes Claim for warrants for 10% of the reorganized Debtors at a strike price equal to the Second Lien Notes; (c) the conversion of the 8.875% Senior Notes for warrants for 10% of the reorganized Debtors' equity at a strike price of the outstanding amount of the First Lien Notes and the Second Lien Notes; and (d) the conversion of Senior PIK Toggle Notes for warrants for 2% of the equity of the reorganized Debtors for a strike price equal to the outstanding amount of the First Lien Notes, the Second Lien Notes, and the 8.875% Senior Notes.

On March 21, 2016, the Debtors, the Restructuring Support Parties and the Candlewood Investment Group, LP, on behalf of certain funds it manages or advises (the "Consenting Unsecured Noteholder") announced in the Bankruptcy Court that an agreement in principle had been reached whereby the Consenting Unsecured Noteholder would join the RSA and support the Plan. The Consenting Unsecured Noteholder holds approximately 70% of the 8.875% Senior Notes. This agreement in principle was implemented through an amendment and restatement to the original RSA adding the Consenting Unsecured Noteholder as a Restructuring Support Party and to the Plan to provide the holders of the 8.875% Senior Notes upon confirmation of the Plan the following pool of consideration: (a) $6.5 million cash payment; (b) 2.6% of the reorganized Debtors' equity issued and outstanding on the Effective Date of the Plan, which shall be effectuated by a transfer of the equity the Backstoppers of the DIP Facility are to receive as a backstop fee and (c) a sliding scale 1 to 5% overriding royalty interest to oil and gas produced from the LLA. For the avoidance of doubt, under the RSA, as amended and restated, the Consenting Unsecured Noteholder will not receive any warrants for equity of the reorganized Debtors.

The other key terms of the restructuring, as contemplated in the RSA, as amended and restated, are as follows:

- **General Commitments**: The RSA commits each of the Restructuring Support Parties to support, and take all reasonable actions necessary to (A) vote all of its claims against the Debtors to accept the Plan in accordance with the applicable procedures (B) timely return a duly-executed ballot in connection therewith; and (C) not "opt out" of any releases under the Plan. In addition, each of the Restructuring Support Parties agrees to support the Plan and not object to the Plan or corresponding disclosure statement.

- **Milestones**: The RSA sets forth the following milestones, the failure of which may result in the termination of the RSA:

- Within 45 days of the Petition Date, the Bankruptcy Court must enter the Final DIP Order;

- Within 60 days of the Petition Date, the Bankruptcy Court must enter an order approving the RSA;

- Within 90 days of the Petition Date, the Bankruptcy Court must enter an order approving this Disclosure Statement filed in connection with the Plan;

- Within 150 days of the Petition Date, the Bankruptcy Court must enter an order confirming the Plan; and

- Within 21 days following the date of the order confirming the Plan, the Effective Date must have occurred.

The Debtors may extend a milestone with the express prior written consent of the Requisite Consenting Secured Noteholders.

- **Commitment of the Debtors**: So long as the RSA has not been terminated, each of the Debtors agrees, among other things, to support and take all necessary actions to consummate the Plan in accordance with the terms of the RSA and the milestones contained in the RSA.

- **Termination Events**: The RSA sets forth a number of customary termination events, which, if they occur, could cause the RSA to terminate, including a failure to meet any of the Milestones discussed above.

Section 4.07. Preference Analysis and Other Potential Avoidance Actions

The Bankruptcy Code preserves the Debtors' rights to prosecute claims and causes of action which exist outside of bankruptcy, and also empowers the Debtors to prosecute certain claims that are established by the Bankruptcy Code, including claims to avoid and recover preferential transfers and fraudulent conveyances. The Plan transfers all of the Debtors' and their estates' rights in respect of all causes of actions to the Reorganized Debtors.

IN REVIEWING THIS DISCLOSURE STATEMENT AND THE PLAN, AND IN DETERMINING WHETHER TO VOTE IN FAVOR OF OR AGAINST THE PLAN, HOLDERS OF CLAIMS AND INTERESTS (INCLUDING PARTIES THAT RECEIVED PAYMENTS FROM THE DEBTORS WITHIN NINETY (90) DAYS PRIOR TO THE PETITION DATE) SHOULD CONSIDER THAT A CAUSE OF ACTION MAY EXIST AGAINST THEM, THAT THE PLAN PRESERVES ALL CAUSES OF ACTION, AND THAT THE PLAN AUTHORIZES THE REORGANIZED DEBTORS (AND, WITH RESPECT TO THE ASSIGNED AVOIDANCE ACTIONS, THE LITIGATION TRUST) TO PROSECUTE THE SAME.

All rights, if any, of a defendant to assert a claim arising from relief granted in an avoidance action, together with the Reorganized Debtors' right to oppose such claim are fully

preserved. Any such claim that is Allowed shall be entitled to treatment and distribution under the Plan as a General Unsecured Claim.

Section 4.08. Other Litigation Matters

In the ordinary course of business, the Debtors are parties to a number of lawsuits, legal proceedings, collection proceedings, and claims arising out of their business operations. The Debtors cannot predict with certainty the outcome of these lawsuits, legal proceedings and claims.

With certain exceptions, the filing of the Chapter 11 Cases operates as a stay with respect to the commencement or continuation of litigation against the Debtors that was or could have been commenced before the commencement of the Chapter 11 Cases. In addition, the Debtors' liability with respect to litigation stayed by the commencement of the Chapter 11 Cases generally is subject to discharge, settlement and release upon confirmation of a plan under chapter 11, with certain exceptions.

Below are short descriptions of some of the other legal proceedings pending against the Debtors as of the Petition Date:

(a) Delaware Litigation

In re Venoco, Inc. Shareholder Litigation, Case No. C.A. No. 6825-CS

In August 2011, Timothy Marquez, the then-Chairman and CEO of Venoco, submitted a nonbinding proposal to the board of directors of Venoco to acquire all of the shares of Venoco he did not beneficially own for $12.50 per share in cash (the "Marquez Proposal"). As a result of that proposal, five lawsuits were filed in the Delaware Court of Chancery in 2011 against Venoco and each of its directors by shareholders alleging that Venoco and its directors had breached their fiduciary duties to the shareholders in connection with the Marquez Proposal. On January 16, 2012, Venoco entered into a Merger Agreement with Mr. Marquez and certain of his affiliates pursuant to which Venoco, Mr. Marquez and his affiliates would effect a going private transaction for Venoco and its affiliates. Following announcement of the Merger Agreement, five additional suits were filed in Delaware and three suits were filed in federal court in Colorado naming as defendants Venoco and each of its directors. In March 2013, the plaintiffs in Delaware filed a consolidated amended class action complaint in which they requested that the court determine among other things that (i) the merger consideration is inadequate and the Merger Agreement was entered into in breach of the fiduciary duties of the defendants and is therefore unlawful and unenforceable and (ii) the merger should be rescinded or in the alternative, the class should be awarded damages to compensate them for the loss as a result of the breach of fiduciary duties by the defendants. The Colorado actions have been administratively closed pending resolution of the Delaware case. Venoco reviewed the allegations contained in the amended complaint and believes they are without merit.

Normal litigation procedure continued through July 15, 2015, when the parties began exploring potential resolutions with the assistance of mediators. This proved successful on February 11, 2016 when, after arms'-length negotiations with the guidance of the mediator, the parties reached an agreement-in-principle to settle the consolidated action. The settlement

requires approval of the Delaware Chancery Court, and is still pending as of the filing of this Disclosure Statement.

(b) Denbury Arbitration

Denbury Onshore, LLC v. Texcal Energy South Texas, L.P. and Venoco, Inc., Case No. 14-15-00439-CV

In January 2013, Venoco and TexCal Energy South Texas, L.P. ("TexCal") notified Denbury Resources, Inc. through its subsidiary Denbury Onshore, LLC ("Denbury") that Venoco and TexCal were invoking the arbitration provisions contained in contracts between TexCal and Denbury pursuant to which TexCal conveyed its interest in the Hastings Complex to Denbury and retained a reversionary interest. Denbury is obligated to convey the reversionary interest to TexCal at "payout" as defined in the contracts. The dispute involves the calculation of the cost of CO2 delivered to the Hastings Complex, which is used in Denbury's enhanced oil recovery operations. Venoco and TexCal believe that Denbury has materially overcharged the payout account for the cost of CO2 and the cost of transporting it to the Hastings Complex. In December 2013, the three-judge arbitration panel unanimously agreed with Venoco's and TexCal's position. In January 2014, Denbury requested that the arbitration panel modify its decision in a way that could increase the cost of CO2. In March 2014, the arbitration panel modified its original award consistent with Venoco's and TexCal's position and awarded Venoco and TexCal approximately $1.8 million in attorneys' fees and costs incurred in the arbitration. In late March 2014, Denbury appealed the arbitration ruling to the District Court for Harris County, Texas asking the court to vacate the arbitration award. On February 11, 2015 the District Court granted Venoco's and TexCal's motion to confirm the arbitration award. On March 12, 2015, Denbury filed a motion for a new trial with the District Court.

(c) Other

The Debtors are party from time to time to other claims and legal actions that arise in the ordinary course of business. The Debtors believe that the ultimate impact, if any, of these other claims and legal actions will not have a material effect on its consolidated financial position, results of operations or liquidity.

Section 4.09. Tax Attributes Trading Motion

The Debtors have certain tax attributes, which include, in addition to substantial depreciable and amortizable tax basis in their assets, substantial net operating losses ("NOLs") for federal and state income tax purposes (collectively, including NOLs, the "Tax Attributes"). To preserve these Tax Attributes, the Debtors filed the *Debtors' Motion for Entry of Interim and Final Orders (I) Establishing Notice and Objection Procedures for Transfers of Common Stock and Claims of Worthless Stock Deductions with Respect to Common Stock and (II) Granting Related Relief* on March 18, 2016 [Dkt. No. 10] (the "Trading Motion").

The Trading Motion is seeking orders approving certain notification and hearing procedures (the "Procedures"), substantially in the form attached as exhibits to the Trading Motion, related to certain transfers of DPC Common Stock and claims of Worthless Stock

Deductions[11] with respect to, the DPC Common Stock, any right to purchase any of the foregoing or any other Beneficial Ownership[12] therein (ii) directing that any purchase, sale, other transfer of any Common Stock or claims of Worthless Stock Deductions with respect to any Common Stock, in each case in violation of the Procedures shall be null and void *ab initio*, and (iii) granting related relief. The Court entered an interim order approving the Trading Motion on March 21, 2016 [Dkt. No. 63].

As of the date hereof, it is still too early to determine whether it would be necessary for the Debtors to seek relief with respect to any of the foregoing. Nevertheless, because the Tax Attributes are a potential asset to the Debtors' business and the failure to preserve such assets could cause the Debtors' estates to suffer a significant tax liability to the detriment of the Debtors' stakeholders' interests, the Debtors sought to preserve their flexibility by establishing the applicable procedures at this point.

The Trading Motion provides for a narrowly-tailored set of Procedures designed to give the Debtors an opportunity to monitor, and if necessary, object to (i) certain transfers of Beneficial Ownership of the Common Stock of DPC, or (ii) certain claims of Worthless Stock Deductions by certain Beneficial Owners with respect to Common Stock of DPC. The Procedures do not bar all transfers of Common Stock or claims of Worthless Stock Deductions. Instead, the Debtors are only monitoring those types of actions that could pose a serious risk under the ownership change rules of section 382 of the IRC, and to preserve the Debtors' ability to seek substantive relief if it appears that a proposed transaction could jeopardize the Debtors' utilization of their NOLs or other Tax Attributes.

Section 4.10. Assumption and Rejection of Executory Contracts and Unexpired Leases

Prior to the Petition Date and in the ordinary course of business, the Debtors entered into over 1,000 Executory Contracts and Unexpired Leases. The Debtors, with the assistance of their advisors, are in the process of reviewing the Executory Contracts and Unexpired Leases to identify the contracts and leases to either assume or reject pursuant to sections 365 and 1123 of the Bankruptcy Code.

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[11] "Worthless Stock Deduction" means any attempt by any entity as defined in Treasury Regulations §1.382-3(a)(1) or individual to claim a loss on its U.S. federal income tax return with respect to Beneficial Ownership of Common Stock pursuant to section 165(g) of the Internal Revenue Code of 1986, 26 U.S.C. §§ 1–9834, as amended (the "IRC"), the applicable Treasury Regulations thereunder (the "Treasury Regulations") and rulings issued by the IRS. An "Entity" shall have the meaning ascribed to that term in Treasury Regulations §1.382-3(a).

[12] "Beneficial Ownership" shall be determined for these purposes in accordance with the applicable rules of section 382 of the IRC and the Treasury Regulations, including direct and indirect ownership (e.g., a holding company would be considered to beneficially own all shares owned or acquired by its subsidiaries and a partner in a partnership would be considered to own its proportionate share of any equity securities owned by such partnership), ownership by attribution and constructive ownership, which includes ownership by such holder's family members and related entities, and, in certain cases, ownership of equity securities that such holder has an Option (as defined below) to acquire. An "Option" to acquire stock includes any contingent purchase, warrant, convertible debt, put, call, stock subject to risk of forfeiture, contract to acquire stock, or similar interest, regardless of whether it is contingent or otherwise not currently exercisable, to the extent not already treated as stock for U.S. federal income tax purposes.

The Plan provides that any Executory Contracts and Unexpired Leases that are not rejected during the Chapter 11 Cases or as part of the Plan will be assumed by the Reorganized Debtors. The Debtors intend to include information in the Plan Supplement regarding the assumption or rejection of their Executory Contracts and Unexpired Leases to be carried out as of the Effective Date, but may also elect to file additional discrete motions seeking to assume or reject various of the Debtors' Executory Contracts and Unexpired Leases before such time.

Section 4.11. Exclusivity

The Debtors have the exclusive right to file a plan in these bankruptcy cases until July 18, 2016, and the exclusive right to solicit acceptances until September 14, 2016. Although there is always a possibility that confirmation of the Plan will not occur, at this time, the Debtors do not contemplate the need to extend these dates.

ARTICLE V

TREATMENT OF UNCLASSIFIED CLAIMS

In accordance with section 1123(a)(l) of the Bankruptcy Code, DIP Facility Claims, DIP Backstop Fee Claims, Administrative Claims (including Professional Claims) and Priority Tax Claims have not been classified and thus are excluded from the Classes of Claims set forth in ARTICLE III of the Plan. The following designation and treatment of unclassified Claims applies:

Section 5.01. Administrative Claims

(a) Administrative Claims Other than DIP Facility Claims, DIP Backstop Fee Claims, Professional Claims or U.S. Trustee Fees

Each holder of an Administrative Claim must file with the Bankruptcy Court and serve on the Debtors or Reorganized Debtors (as the case may be), the Claims and Noticing Agent, and the U.S. Trustee proof of such Administrative Claims, except for the following Administrative Claims (if any): (i) a DIP Facility Claim; (ii) a DIP Backstop Fee Claim; (iii) a Professional Fee Claim; (iv) any Claims for fees payable to the clerk of the Bankruptcy Court; (v) any fees payable to the U.S. Trustee under 28 U.S.C. § 1930(a)(6) or accrued interest thereon arising under 31 U.S.C. § 3717; (vi) an Administrative Claim that has been Allowed on or before the Effective Date; (vii) an Administrative Claim of a governmental unit (as defined in section 101(27) of the Bankruptcy Code) not required to be filed pursuant to section 503(b)(1)(D) of the Bankruptcy Code; (viii) an Administrative Claim on account of fees and expenses incurred on or after the Petition Date by ordinary course professionals retained by the Debtors pursuant to an order of the Bankruptcy Court; (ix) an Administrative Claim arising, in the ordinary course of business, out of the employment by one or more Debtors of an individual from and after the Petition Date, but only to the extent that such Administrative Claim is solely for outstanding wages, commissions, or reimbursement of business expenses; (x) an Administrative Claim that (x) has been previously paid by any Debtor in the ordinary course of business or otherwise, or (y) have otherwise been satisfied; or (xi) an Administrative Claim previously filed with the Claims and Solicitation Agent or the Bankruptcy Court. Such proof of Administrative Claim must

include at a minimum: (A) the name of the applicable Debtor that is purported to be liable for the Administrative Claim and if the Administrative Claim is asserted against more than one Debtor, the exact amount asserted to be owed by each such Debtor; (B) the name of the holder of the Administrative Claim; (C) the amount of the Administrative Claim; (D) the basis of the Administrative Claim; and (E) supporting documentation for the Administrative Claim. FAILURE TO FILE AND SERVE SUCH PROOF OF ADMINISTRATIVE CLAIM TIMELY AND PROPERLY SHALL RESULT IN THE ADMINISTRATIVE CLAIM BEING FOREVER BARRED AND DISCHARGED WITHOUT THE NEED FOR FURTHER ACTION, ORDER OR APPROVAL OF, OR NOTICE TO, THE BANKRUPTCY COURT.

Each holder of an Allowed Administrative Claim (other than an Administrative Claim that is a DIP Facility Claim, DIP Backstop Fee Claim or Professional Fee Claim) as of the Effective Date shall receive, in full and final satisfaction, settlement, release, and discharge of, and in exchange for, such Administrative Claim, (i) Cash in an amount equal to the amount of such Allowed Administrative Claim as soon as reasonably practicable after either (a) the Effective Date, if such Administrative Claim is Allowed as of the Effective Date, (b) thirty days after the date such Administrative Claim becomes an Allowed Administrative Claim, if such Administrative Claim is Disputed as of, or following, the Effective Date, or (c) the date such Allowed Administrative Claim becomes due and payable in the ordinary course of business in accordance with the terms, and subject to the conditions, of any agreements governing, instruments evidencing, or other documents relating to, the applicable transaction giving rise to such Allowed Administrative Claim, if such Allowed Administrative Claim is based on liabilities incurred by the Debtors in the ordinary course of their business; or (ii) such other treatment as the Debtors or the Reorganized Debtors and such holder shall have agreed in writing. The Debtors do not have an estimate of what the Allowed Administrative Claims (other than Allowed DIP Facility Claims) may be as of the Effective Date.

(b) DIP Facility Claims and DIP Backstop Fee Claims

Consistent with the DIP Orders, all DIP Facility Claims are and shall be deemed Allowed Claims against each Debtor. On the Effective Date, the holders of the Allowed DIP Facility Claims shall receive, in full and final satisfaction of such Claims, an amount of Cash equal to the amount of such Claims (including, without limitation, all outstanding principal and accrued but unpaid interest, costs, fees and expenses owing as of the Effective Date, or any other amounts due and owing under the DIP Facility) to the extent not previously paid during the Chapter 11 Cases. The Debtors estimate that, as of the Effective Date, the DIP Facility will be undrawn with Allowed DIP Facility Claims in the range of $0 to $30,000.

Consistent with the DIP Orders, all DIP Backstop Fee Claims are and shall be deemed Allowed against each Debtor. On the Effective Date, each holder of an Allowed DIP Backstop Fee Claim shall receive, in full and final satisfaction of such Claim, its Pro Rata share of the DIP Backstop Fee.

(c) Professional Claims

The Bankruptcy Court shall determine the Allowed amounts of Professional Claims after notice and a hearing in accordance with the procedures established by the Bankruptcy Code. The

Reorganized Debtors shall pay Professional Claims in Cash in the amount Allowed by the Bankruptcy Court. Holders of Professional Claims shall file and serve on the Reorganized Debtors any request for allowance and payment of such Professional Claims no later than forty-five (45) days after the Effective Date, unless otherwise agreed by the Reorganized Debtors, or otherwise be forever barred, estopped, and enjoined from asserting such Claims against the Debtors or the Reorganized Debtors (as applicable), their respective Estates and property, a Distribution Agent, or otherwise, and such Professional Claims shall be deemed discharged as of the Effective Date. Objections to any Professional Claims must be filed and served on the Reorganized Debtors, counsel to the Reorganized Debtors, and the requesting party no later than thirty (30) days after the filing of the final applications for compensation or reimbursement (unless otherwise agreed by the party requesting compensation of a Professional Claim). If no objections are timely filed and properly served as to a given request, or all timely objections are subsequently resolved, such Professionals shall submit to the Bankruptcy Court for consideration a proposed order approving the Professional Claim as an Allowed Administrative Claim in the amount requested (or otherwise agreed), and the order may be entered without a hearing or further notice to any party. The Allowed amounts of any Professional Claims subject to unresolved timely objections shall be determined by the Bankruptcy Court at a hearing to be held no later than thirty (30) days after the objection deadline. Distributions on account of Allowed Professional Claims shall be made as soon as reasonably practicable after such Professional Claims become Allowed or in accordance with any other Order.

From and after the Effective Date, the Reorganized Debtors shall pay in Cash the legal fees and expenses incurred by the Reorganized Debtors' professionals incurred in the ordinary course of business and without any further notice to or action, order or approval of, the Bankruptcy Court. For the avoidance of doubt, following the Effective Date any requirement that a professional comply with sections 327 through 331 of the Bankruptcy Code in seeking compensation for services rendered after such date shall terminate.

(d) U.S. Trustee Fees

All fees payable pursuant to 28 U.S.C. § 1930(a) shall be paid by the applicable Debtor or Reorganized Debtor, as applicable, for each quarter (including any fraction therein) until the Chapter 11 Cases are converted, dismissed, or a Final Decree is issued, whichever occurs first.

Section 5.02. Priority Tax Claims

To the extent not previously paid during the Chapter 11 Cases, each holder of an Allowed Priority Tax Claim, on or as soon as practicable after the Effective Date, shall receive from their respective Debtor, in full satisfaction, release, and discharge thereof, (i) payment in full in Cash, (ii) other treatment consistent with sections 1129(a)(9)(C) or 1129(a)(9)(D) of the Bankruptcy Code, or (iii) such other terms as agreed to among the Debtors and the holders thereof.

ARTICLE VI

CLASSIFICATION AND TREATMENT OF CLAIMS AND EQUITY INTERESTS

Notwithstanding any other provision of the Plan, for obligations on which the Debtors are jointly and severally liable, a distribution on account of any Allowed Claim by a Debtor shall not operate as a discharge, release or satisfaction of such Allowed Claim asserted against any other Debtor(s) unless and until such time that such Allowed Claim is paid in full. In the event no holder of a Claim with respect to a specific Class for a particular Debtor timely submits a Ballot that complies with the Disclosure Statement Order indicating acceptance or rejection of the Plan, such Class will be deemed to have accepted the Plan (including for purposes of satisfying section 1129(a)(10) of the Bankruptcy Code).

Section 6.01. Classification

The Plan constitutes a separate plan with respect to each Debtor. The categories of Claims and Equity Interests listed below classify Claims and Equity Interests for all purposes, including voting, confirmation and distribution pursuant to each plan and pursuant to sections 1122 and 1123(a)(1) of the Bankruptcy Code. A Claim or Equity Interest shall be deemed classified in a particular Class only to the extent that the Claim or Equity Interest qualifies within the description of that Class and shall be deemed classified in a different Class to the extent that any remainder of such Claim or Equity Interest qualifies within the description of such different Class. A Claim or Equity Interest is in a particular Class only to the extent that such Claim or Equity Interest is Allowed in that Class and has not been paid or otherwise settled prior to the Effective Date.

Claims (other than those listed in ARTICLE II of the Plan, which are not required to be classified pursuant to section 1123(a)(1) of the Bankruptcy Code) and Equity Interests in each of the Debtors are classified as follows:

(a) DPC

Class	Claim or Equity Interest	Status	Voting Rights
D1	Other Priority Claims	Unimpaired	Deemed to Accept
D2	Other Secured Claims	Unimpaired	Deemed to Accept
D3	Senior PIK Toggle Notes Claims	Impaired	Entitled to Vote
D4	General Unsecured Claims	Impaired	Entitled to Vote
D5	Subordinated Securities Claims	Impaired	Deemed to Reject
D6	Equity Interests	Impaired	Deemed to Reject

(b) Venoco and Venoco Subs

Class	Claim or Equity Interest	Status	Voting Rights
V1	Other Priority Claims	Unimpaired	Deemed to Accept
V2	Other Secured Claims	Unimpaired	Deemed to Accept
V3	First Lien Notes Claims	Impaired	Entitled to Vote
V4	Second Lien Notes Claims	Impaired	Entitled to Vote

Class	Claim or Equity Interest	Status	Voting Rights
V5	8.875% Senior Notes Claims	Impaired	Entitled to Vote
V6	General Unsecured Claims	Impaired	Entitled to Vote
V7	Subordinated Securities Claims	Impaired	Deemed to Reject
V8	Equity Interests in Venoco	Impaired	Deemed to Reject
V9	Equity Interests in Each Venoco Sub	Unimpaired	Deemed to Accept

All Claims against Venoco and each Venoco Sub are placed in classes (as designated by subclasses for Venoco and each Venoco Sub, as applicable), as follows: Venoco (subclass a), TexCal Energy (LP) LLC (subclass b); Whittier Pipeline Corporation (subclass c); TexCal Energy (GP) LLC (subclass d); Ellwood Pipeline (subclass e); and TexCal Energy South Texas, L.P. (subclass f).

Section 6.02. Claims Against and Equity Interests in DPC

(a) Class D1—Other Priority Claims

(i) *Treatment*: Unless the holder agrees to a different treatment, each holder of an Allowed Class D1 Other Priority Claim against DPC shall receive, in full and final satisfaction, release, settlement and discharge of, and in exchange for, its Allowed Claim, Cash equal to the amount of such Allowed Claim plus interest thereon, on or as soon as practicable after the later of: (x) the Effective Date; or (y) the date such Claim becomes due and Allowed or as otherwise ordered by the Bankruptcy Court.

(ii) *Voting*: Class D1 is Unimpaired. The holders of Class D1 Other Priority Claims against DPC are conclusively deemed to accept the Plan pursuant to section 1126(f) of the Bankruptcy Code, and are not entitled to vote to accept or reject the Plan.

(b) Class D2—Other Secured Claims

(i) *Treatment*: Unless the holder agrees to a different treatment, each holder of an Allowed Class D2 Other Secured Claim shall receive, in DPC's sole discretion and in full and final satisfaction, release, settlement and discharge of, and in exchange for, such holder's Allowed Other Secured Claim against DPC, on or as soon as practicable after the later of: (x) the Effective Date; or (y) the date such Claim becomes due and Allowed or as otherwise ordered by the Bankruptcy Court:

a. Cash equal to the amount of such Allowed Other Secured Claim plus interest required to be paid under section 506(b) of the Bankruptcy Code (if any);

b. Reinstatement of the legal, equitable and contractual rights of the holder of such Allowed Other Secured Claim, subject to the provisions of the Plan; or

c. such other treatment as necessary to satisfy the requirements of section 1124(2) of the Bankruptcy Code for such Allowed Other Secured Claim to be rendered Unimpaired.

(ii) *Voting*: Class D2 is Unimpaired. The holders of Class D2 Other Secured Claims against DPC are conclusively deemed to accept the Plan pursuant to section 1126(f) of the Bankruptcy Code, and are not entitled to vote to accept or reject the Plan.

(c) Class D3—Senior PIK Toggle Notes Claims

(i) *Treatment*:

a. If the holders of Class D3 Senior PIK Toggle Notes Claims vote as a Class to accept the Plan, unless the holder agrees to a different treatment, each holder of an Allowed Class D3 Senior PIK Toggle Notes Claim against DPC shall receive, in full and final satisfaction, release, settlement and discharge of, and in exchange for, its Allowed Claim its Pro Rata share of (i) the New DPC Warrants and (ii) DPC Residual Value.

b. If the holders of Class D3 Senior PIK Toggle Notes Claims vote as a Class to reject the Plan, each holder of an Allowed Class D3 Senior PIK Toggle Notes Claim against DPC shall receive its Pro Rata share of DPC Residual Value.

(ii) *Voting*: Class D3 is Impaired. The holders of Class D3 Claims against DPC are entitled to vote to accept or reject the Plan.

(d) Class D4—General Unsecured Claims

(i) *Treatment*:

a. If the holders of Class D4 General Unsecured Claims vote as a Class to accept the Plan, unless the holder agrees to a different treatment, each holder of an Allowed Class D4 General Unsecured Claim against DPC shall receive, in full and final satisfaction, release, settlement and discharge of, and in exchange for, its Allowed Claim, its Pro Rata share of (i) the New DPC Warrants and (ii) the DPC Residual Value.

b. If the holders of Class D4 General Unsecured Claims vote as a Class to reject the Plan, each holder of an Allowed Class D4 General Unsecured Claim against DPC shall receive its Pro Rata share of DPC Residual Value.

(ii) *Voting*: Class D4 is Impaired. The holders of Class D4 Claims against DPC are entitled to vote to accept or reject the Plan.

(e) Class D5—Subordinated Securities Claims

(i) *Treatment*: On the Effective Date, all Subordinated Securities Claims against DPC shall be subordinated in payment to all other Allowed General Unsecured Claims under section 510(b) of the Bankruptcy Code, and each holder of an Allowed Class D5 Subordinated Securities Claim against DPC: (x) shall be enjoined from pursuing any Class D5 Subordinated Securities Claim against any of the Debtors; and (y) shall not receive or retain any distribution on account of its Class D5 Subordinated Securities Claim against DPC.

(ii) *Voting*: Class D5 is Impaired. The holders of Class D5 Subordinated Securities Claims against DPC are conclusively deemed to reject the Plan pursuant to section 1126(g) of the Bankruptcy Code, and are not entitled to vote to accept or reject the Plan.

(f) Class D6—Equity Interests

(i) *Treatment*: On the Effective Date, all existing Equity Interests of DPC shall be cancelled, extinguished and discharged, and the owners thereof shall receive no distribution on account of such Equity Interests.

(ii) *Voting*: Class D6 is Impaired. The holders of Class D6 Equity Interests in DPC are conclusively deemed to reject the Plan pursuant to section 1126(g) of the Bankruptcy Code, and are not entitled to vote to accept or reject the Plan.

Section 6.03. Claims Against and Equity Interests in Venoco and Venoco Subs

(a) Class V1—Other Priority Claims

(i) *Treatment*: Unless the holder agrees to a different treatment, each holder of an Allowed Class V1 Other Priority Claim against Venoco and each Venoco Sub shall receive, in full and final satisfaction, release, settlement and discharge of, and in exchange for, its Allowed Claim, Cash equal to the amount of such Allowed Claim plus interest thereon, on or as soon as practicable after the later of: (x) the Effective Date; or (y) the date such Claim becomes due and Allowed or as otherwise ordered by the Bankruptcy Court.

(ii) *Voting*: Class V1 is Unimpaired. The holders of Class V1 Other Priority Claims against Venoco and each Venoco Sub are conclusively deemed to accept the Plan pursuant to section 1126(f) of the Bankruptcy Code, and are not entitled to vote to accept or reject the Plan.

(b) Class V2—Other Secured Claims

(i) *Treatment*: Unless the holder agrees to a different treatment, each holder of an Allowed Class V2 Other Secured Claim shall receive, in Venoco's and each Venoco Sub's sole discretion and in full and final satisfaction, release, settlement and discharge of, and in exchange for, such holder's Allowed Other Secured Claim against Venoco and each Venoco Sub, on or as soon as practicable after the later of: (x) the Effective Date; or (y) the date such Claim becomes due and Allowed or as otherwise ordered by the Bankruptcy Court:

a. Cash equal to the amount of such Allowed Other Secured Claim plus interest required to be paid under section 506(b) of the Bankruptcy Code (if any);

b. Reinstatement of the legal, equitable and contractual rights of the holder of such Allowed Other Secured Claim, subject to the provisions of the Plan; or

c. such other treatment as necessary to satisfy the requirements of section 1124(2) of the Bankruptcy Code for such Allowed Other Secured Claim to be rendered Unimpaired.

(ii) *Voting*: Class V2 is Unimpaired. The holders of Class V2 Other Secured Claims against Venoco and each Venoco Sub are conclusively deemed to accept the Plan pursuant to section 1126(f) of the Bankruptcy Code, and are not entitled to vote to accept or reject the Plan.

(c) Class V3—First Lien Notes Claims

(i) *Allowance*: The First Lien Notes Claims against Venoco and each Guarantor shall be deemed Allowed in the amount of $195,183,333.33 under the First Lien Notes Indenture.

(ii) *Treatment*: Unless the holder agrees to a different treatment, each holder of an Allowed Class V3 First Lien Notes Claim against Venoco and each Guarantor shall receive, in full and final satisfaction, release, settlement and discharge of, and in exchange for, its Allowed First Lien Notes Claim, its Pro Rata share of 90% of New Common Stock issued on the Effective Date.

(iii) *Voting*: Class V3 is Impaired. The holders of First Lien Notes Claims in Class V3 are entitled to vote to accept or reject the Plan.

(d) Class V4—Second Lien Notes Claims

(i) *Allowance*: The Second Lien Notes Claims against Venoco and each Guarantor shall be deemed Allowed in the amount of $171,897,136.56 due under the Second Lien Notes Indenture.

(ii) *Treatment*: Unless the holder agrees to a different treatment, each holder of an Allowed Second Lien Secured Claim in Class V4 shall receive, in full and final satisfaction, release, settlement and discharge of, and in exchange for, its Allowed Claim, its Pro Rata share of the New Second Lien Warrants.

(iii) *Voting*: Class V4 is Impaired. The holders of Second Lien Notes Claims in Class V4 are entitled to vote to accept or reject the Plan.

(e) Class V5—8.875% Senior Notes Claims

(i) *Allowance*: The 8.875% Senior Notes Claims against Venoco and each Guarantor thereof shall be deemed Allowed in the amount of $324,330,880.36 due under the 8.875% Senior Notes Indenture.

(ii) *Treatment*: Subject to the Reallocation Procedures, in full and final satisfaction, release, settlement, and discharge of, and in exchange for all Allowed 8.875% Senior Notes Claims, the following property shall be distributed Pro Rata to or on behalf of the holders of Allowed 8.875% Senior Notes Claims: (i) $6,500,000 in Cash; (ii) 2.6% of the New Common Stock to be effectuated as a transfer by the Backstoppers out of the DIP Backstop Fee; and (iii) the Unsecured LLA Override Shares issued to the Noteholder HoldCo.

(iii) *Voting*: Class V5 is Impaired. The holders of Allowed 8.875% Claims in Class V5 are entitled to vote to accept or reject the Plan.

(f) Class V6—General Unsecured Claims

(i) *Treatment*:

a. If the holders of Class V6 General Unsecured Claims vote as a Class to accept the Plan, unless the holder agrees to a different treatment, each holder of an Allowed Class V6 General Unsecured Claim against Venoco or any Venoco Sub shall receive, in full and final satisfaction, release, settlement and discharge of, and in exchange for, its Allowed Claim, its Pro Rata share of the V6 Cash.

b. If the holders of Class V6 General Unsecured Claims vote as a Class to reject the Plan, each holder of an Allowed Class V6 General Unsecured Claim against Venoco or any Venoco Sub shall receive its Pro Rata share of Venoco Residual Value, if any.

c. The Prepetition Secured Parties shall be entitled to vote in Class V6 to the extent of their deficiency claims, but shall not be entitled to any distribution under Section 3.03 of the Plan on account of such claims.

(ii) *Voting*: Class V6 is Impaired. The holders of Class V6 Claims against Venoco or any Venoco Sub are entitled to vote to accept or reject the Plan.

(g) Class V7—Subordinated Securities Claims

(i) *Treatment*: On the Effective Date, all Subordinated Securities Claims against Venoco and each Venoco Sub shall be subordinated in payment to all other Allowed General Unsecured Claims under section 510(b) of the Bankruptcy Code, and each holder of an Class V7 Subordinated Securities Claim against Venoco and each Venoco Sub: (x) shall be enjoined from pursuing any Class V7 Subordinated Securities Claim against any of the Debtors; and (y) shall not receive or retain any distribution on account of its Class V7 Subordinated Securities Claim against Venoco and each Venoco Sub.

(ii) *Voting*: Class V7 is Impaired. The holders of Class V7 Subordinated Securities Claims against Venoco and each Venoco Sub are conclusively deemed to reject the Plan pursuant to section 1126(g) of the Bankruptcy Code, and are not entitled to vote to accept or reject the Plan.

(h) Class V8—Equity Interests in Venoco

(i) *Treatment*: On the Effective Date, all existing Equity Interests of Venoco shall be cancelled, extinguished and discharged, and the owners thereof shall receive no distribution on account of such Equity Interests.

(ii) *Voting*: Class V8 is Impaired. The holders of Class V8 Equity Interests in Venoco are conclusively deemed to reject the Plan pursuant to section 1126(g) of the Bankruptcy Code, and are not entitled to vote to accept or reject the Plan.

(i) Class V9—Equity Interests in each Venoco Sub

(i) *Treatment*: On the Effective Date, all existing Equity Interests in each Venoco Sub shall be reinstated and rendered Unimpaired in accordance with section 1124 of the Bankruptcy Code.

(ii) *Voting*: Class V9 is Unimpaired. The holders of Class V9 Equity Interests in each Venoco Sub are conclusively deemed to accept the Plan pursuant to section 1126(f) of the Bankruptcy Code, and are not entitled to vote to accept or reject the Plan.

ARTICLE VII

REALLOCATION PROCEDURES

Section 7.01. Reallocation Procedures

(a) Each beneficial holder of 8.875% Senior Notes Claims will have the option of electing prior to the Effective Date to be (i) an Electing New Common Stock and Unsecured LLA Override Recipient, or (ii) an Electing Cash Recipient. Such election may be made irrespective of whether such holder has voted in favor of the Plan. If a beneficial holder of 8.875% Senior Notes Claims does not make an election, then the Reallocation Procedures in Section 4.01 of the Plan will not apply, and such holder shall be entitled to receive the Pro Rata distributions it is entitled to receive in respect of its Allowed Claims in Class V5 under Section 3.03(e) of the Plan (such distribution, the "Default Distribution").

(b) Electing New Common Stock and Unsecured LLA Override Recipient Election.[13] Each beneficial holder of 8.875% Senior Notes Claims may make an election (an "Electing New Common Stock and Unsecured LLA Override Recipient Election") on its Election Form to receive additional New Common Stock and Unsecured LLA Override Units in exchange for all or a portion of the Cash that such holder would otherwise receive under its Default Distribution. Such electing holder (an "Electing New Common Stock and Unsecured LLA Override Recipient") thereby agrees to reduce its initial allocation of Cash by an amount (not to exceed such initial Cash allocation) equal to the product of (x) the additional Number of Reallocated Units it receives pursuant to these Reallocation Procedures, times (y) the New Common Stock and Unsecured LLA Override Unit Price.

(c) Electing Cash Recipient Election. Each beneficial holder of 8.875% Senior Notes Claims may make an election (an "Electing Cash Recipient Election") on its Election Form to receive additional Cash in exchange for all or a portion of the New Common Stock and Unsecured LLA Override Units that such holder would otherwise receive under the Default Distribution. Such electing holder (an "Electing Cash Recipient") thereby agrees to reduce its initial allocation of New Common Stock and Unsecured LLA Override Units in accordance with these Reallocation Procedures and increase its initial allocation of Cash by an amount equal to the product of (x) the Number of Reallocated Units it forgoes receipt of pursuant to these Reallocation Procedures, times (y) the New Common Stock and Unsecured LLA Override Unit Price below its initial allocation.

(d) Reallocation Administration. The Debtors will administer the reallocation as follows:

(i) Each participating Electing New Common Stock and Unsecured LLA Override Recipient shall declare on its Election Form its desire to receive its pro rata share of the maximum number of additional New Common

[13] The Reallocation Procedures relating to the Electing New Common Stock and Unsecured LLA Override Recipient Election are subject, in their entirety, to the ultimate equity holders being qualified institutional buyers (QIBs) or accredited investors, as defined in SEC Rule 501 of Regulation D, as well as Reorganized Venoco not losing its status as a private company that is not subject to registration with the SEC.

Stock and Unsecured LLA Override Units available to it in accordance with these Reallocation Procedures from participating Electing Cash Recipients in lieu of a corresponding portion of the Cash to which it would otherwise be entitled in a Default Distribution

(ii) Each participating Electing Cash Recipient shall declare on its Election Form its desire to receive the maximum amount of additional Cash it can receive by virtue of these Reallocation Procedures in exchange for foregoing its right to receive a corresponding number of New Common Stock and Unsecured LLA Override Units

(iii) By so electing, each participating Electing New Common Stock and Unsecured LLA Override Recipient agrees to receive the maximum number of New Common Stock and Unsecured LLA Override Units which can be reallocated to it under these Reallocation Procedures and to reduce the amount of Cash it receives by an amount equal to the product of (x) the additional Number of Reallocated Units it receives pursuant to these Reallocation Procedures and (y) the New Common Stock and Unsecured LLA Override Unit Price.

(iv) By so electing, each participating Electing Cash Recipient agrees to forego receipt of the maximum number of New Common Stock and Unsecured LLA Override Units which can be reallocated away from it under these Reallocation Procedures and to receive additional Cash in an amount equal to the product of (x) the Number of Reallocated Units (below its initial Reallocation it foregoes receipt of pursuant to these Reallocation Procedures) and (y) the New Common Stock and Unsecured LLA Override Unit Price.

(v) An Electing New Common Stock and Unsecured LLA Override Recipient must elect to receive up to all of its distribution on account of its 8.875% Senior Note Claims in such Units and an Electing Cash Recipient must elect to receive up to all of its distribution in Cash, in each case subject to having the number of such units or the amount of Cash it actually receives reduced in accordance with these Reallocation Procedures if either such election is oversubscribed. An Electing Recipient may not elect to receive specified percentages of its distribution on account of its 8.875% Senior Note Claims in both Cash and New Common Stock and Unsecured LLA Override Units.

(vi) The Electing New Common Stock and Unsecured LLA Override Recipients, and the Electing Cash Recipients shall each be deemed to have reallocated the specified additional amounts of New Common Stock and Unsecured LLA Override Shares or Cash, as applicable, to the Reallocation Liquidity Pool.

(vii) The holders of the 8.875% Senior Notes Claims who elect to take part in the Reallocation Procedures shall receive their distributions, subject to the provisions of subparagraph (e) hereof:

a. For the Electing New Common Stock and Unsecured LLA Override Recipients, the recovery is the Default Distribution, *minus* the Cash they reallocated to the Reallocation Liquidity Pool, *plus* the additional New Common Stock and Unsecured LLA Override Units which they are entitled to receive from the Reallocation Liquidity Pool pursuant to these Reallocation Procedures.

b. For the Electing Cash Recipients, the recovery is the Default Distribution, *minus* the Unsecured LLA Override Shares and New Common Stock Units they reallocated to the Reallocation Liquidity Pool, *plus* the Cash each Electing Cash Recipient is entitled to receive from the Reallocation Liquidity Pool pursuant to these Reallocation Procedures.

c. For the avoidance of doubt, the Electing New Common Stock and Unsecured LLA Override Recipients or the Electing Cash Recipients may not receive any, or the full, reallocation they elect if there is insufficient New Common Stock and Unsecured LLA Override Units or Cash, as applicable, in the Reallocation Liquidity Pool.

d. The Debtors shall be authorized to adopt such additional detailed procedures, not inconsistent with the foregoing, to efficiently administer the reallocation, after consultation with the Consenting Unsecured Noteholders.

(e) Voluntary Participation. The Reallocation Procedures set forth above are completely voluntary, and no holder of 8.875% Senior Notes Claims can be required or compelled to take part in the Reallocation Procedures. Holders who do not make any such election on their Ballot will not participate in the Reallocation Procedures, and will receive the Default Distribution to which they are otherwise entitled pursuant to the distribution provisions of the Plan. The Reallocation Procedures will not have any impact or effect on the distribution made to holders of Allowed Claims who do not take part in the Reallocation Procedures. In addition, the following apply to the Reallocation Procedures:

(i) The Reallocation Procedures are set up so that the maximum number of New Common Stock and Unsecured LLA Override Units and the maximum amount of Cash will be reallocated to the Reallocation Liquidity Pool and reallocated amongst Electing New Common Stock and Unsecured LLA Override Recipients and Electing Cash Recipients based on the New Common Stock and Unsecured LLA Override Unit Price.

(ii) To the extent that there are fewer Electing Cash Recipients or Electing New Common Stock and Unsecured LLA Override Recipients than needed

to allow all Electing Recipients to reallocate all of their respective New Common Stock and Unsecured LLA Override Units or Cash, and as a result the Reallocation Liquidity Pool contains less of a specific form of Plan consideration than there are Electing Recipients who desire to receive additional amounts of such consideration, the Electing Recipients who desire to receive the form of Plan consideration which is over-subscribed shall receive a pro rata allocation of such form of Plan consideration from the Reallocation Liquidity Pool based on their respective beneficial holdings of the 8.875% Senior Notes.

(iii) The reallocation elections will occur simultaneously with the solicitation.

(iv) The elections will not be made public.

(v) Except as otherwise expressly provided under Sections 8.03 and 11.08 of the Plan in respect to the Cash, all of the Unsecured LLA Override Shares, New Common Stock and Cash to be distributed to the 8.875% Senior Notes Trustee pursuant to Section 3.03(e) of the Plan will be distributed on the Effective Date.

ARTICLE VIII

IMPLEMENTATION OF THE PLAN

The transactions required to implement the Plan shall be implemented in accordance with ARTICLE VI of the Plan.

Section 8.01. Operations between Confirmation Date and Effective Date

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

Section 8.02. LLA Override

Reorganized Venoco will, upon LLA approval, transfer the LLA Override and the Unsecured LLA Override pursuant to the Divestment Letter Agreements.

Section 8.03. Sources of Cash for Plan Distributions

Except as otherwise specifically provided herein or in the Confirmation Order, all Cash required for the payments to be made hereunder shall be obtained from the Reorganized Debtors. For the avoidance of doubt, all of the Debtors' Cash was subject to valid, perfected and unavoidable Liens in favor of the Prepetition Secured Parties as of the Petition Date.

Section 8.04. Issuance of New Common Stock, New Warrants and Unsecured LLA Override Shares

(a) Issuance of Securities. On the Effective Date: (i) the existing Equity Interests in DPC and Venoco will be cancelled, extinguished and discharged; (ii) the New Common Stock and New Warrants (collectively, "New Equity") will be issued and, as soon as practicable thereafter, distributed, as provided for in ARTICLE II and ARTICLE III of the Plan, as provided in the Reorganized Venoco Organizational Documents; and (iii) the Unsecured LLA Override Shares will be issued and, as soon as practicable thereafter, distributed, as provided for in Section 3.03(e) of the Plan. The issuance by Reorganized Venoco of the New Common Stock and the New Warrants, the issuance of shares pursuant to the exercise of the New Warrants, and the issuance to the Noteholder HoldCo of the Unsecured LLA Override Shares is authorized without the need for any further corporate action and without any further action by any holder of a Claim or Equity Interest.

(b) Exemption from Registration. The offering, issuance, and distribution of the New Common Stock, New Warrants and Unsecured LLA Override Shares shall be exempt from the registration requirements of section 5 of the Securities Act under section 1145(a) of the Bankruptcy Code.

(c) SEC Reporting Requirements. On the Effective Date, none of the New Common Stock or the New Warrants will be listed on a national securities exchange, the Reorganized Debtors will not be reporting companies under the Securities Exchange Act, the Reorganized Debtors shall not be required to and will not file reports with the Securities and Exchange Commission or any other entity or party, and the Reorganized Debtors shall not be required to file monthly operating reports, or any other type of report, with the Bankruptcy Court after the Effective Date. In order to prevent the Reorganized Debtors from becoming subject to the reporting requirements of the Securities Exchange Act, except in connection with a public offering, the Organizational Documents may impose certain trading restrictions, and the New Common Stock and the New Warrants will be subject to certain transfer and other restrictions, as described in clause (ii) of Section 6.17 of the Plan designed to maintain the Reorganized Debtors as private, non-reporting companies.

(d) Restrictions on New Equity Distributed on Account of Claims and Interests. Notwithstanding any Electing New Common Stock and Unsecured LLA Override Recipient election by a holder of Class V5 8.875% Senior Notes Claims, to the extent determined by the Debtors or the Reorganized Debtors, as applicable, to be necessary to ensure that the total number of recipients of New Equity pursuant to the Plan does not cause the Reorganized Debtors to become subject to the reporting requirements of the Securities Exchange Act, the Debtors or the Reorganized Debtors, as applicable, shall be permitted to make distributions (i) from the $6,500,000 in Cash to be distributed on account of the Class V5 8.875% Allowed Senior Notes Claims to holders of Class V5 8.875% Senior Notes Claims and (ii) in Cash to holders of Class D3 Senior PIK Toggle Notes Claims or Class D4 General Unsecured Claims, in each case in an amount equal to the value of the New Common Stock or New Warrants, as applicable, that would otherwise be distributed under the Plan on account of such Claims, to the extent necessary to ensure that the Reorganized Debtors do not become subject to the reporting requirements of the Securities Exchange Act, which distribution shall start with the

smallest Allowed Claim in any such Class and will proceed in ascending size of Allowed Claims in any such Class as necessary to ensure that the Reorganized Debtors do not become subject to the reporting requirements of the Securities Exchange Act

Section 8.05. Organizational Documents

On the Effective Date, the Organizational Documents of the Debtors shall be deemed amended and restated in substantially the form set forth in the Plan Supplement, without any further action by the managers, directors, or equity holders of the Debtors or the Reorganized Debtors. The amended and restated Organizational Documents will, among other things, contain appropriate provisions prohibiting the issuance of nonvoting equity securities to the extent required by section 1123(a)(6) of the Bankruptcy Code. On the Effective Date, or as soon as practicable thereafter, the Debtors or the Reorganized Debtors will, if required by applicable state law, file with the Secretary of State of the appropriate jurisdiction the amended and restated Organizational Documents.

Section 8.06. Intercompany Equity Interests

In order to preserve corporate structure, the Intercompany Equity Interests shall be retained and the legal, equitable, and contractual rights to which the holder of such Intercompany Equity Interests is entitled shall remain unaltered.

Section 8.07. Dissolution of DPC

As soon as practicable following the Effective Date, the Equity Interests of DPC shall be deemed cancelled and of no further force and effect, and deemed extinguished without any further corporate action. Any officers and directors of DPC shall be deemed to have been removed. DPC shall have no assets or operations, and shall liquidate as soon as practicable, following the Effective Date, without any further corporate action.

Section 8.08. Continued Corporate Existence and Vesting of Assets

With the exception of DPC, which will be dissolved as soon as possible following the Effective Date pursuant to Section 6.07 of the Plan: (i) each Debtor will, as a Reorganized Debtor, continue to exist after the Effective Date as a separate legal entity, with all of the powers of such a legal entity under applicable law and without prejudice to any right to alter or terminate such existence (whether by merger, dissolution or otherwise) under applicable law; and (ii) on the Effective Date, all property of each Debtor's Estate, and any property acquired by each Debtor or Reorganized Debtor under the Plan, will vest in such Reorganized Debtor free and clear of all Claims, Liens, charges and other encumbrances. On and after the Effective Date, each Reorganized Debtor may operate its business and may use, acquire, and dispose of property and compromise or settle any claims without supervision or approval by the Court and free of any restrictions of the Bankruptcy Code or Bankruptcy Rules, subject only to those restrictions expressly imposed by the Plan or the Confirmation Order as well as the documents and instruments executed and delivered in connection therewith, including the documents, exhibits, instruments, and other materials comprising the Plan Supplement. Without limiting the foregoing, the Reorganized Debtors may pay the charges that they incur from and after the Effective Date for professional fees, disbursements, expenses, or related support services

(including fees relating to the preparation of Professional fee applications) without application to, or the approval of, the Bankruptcy Court.

Section 8.09. Management of the Reorganized Debtors

As of the Effective Date, the term of current members of the boards of directors for Venoco shall expire without further action by any Person. The initial directors of the board of Reorganized Venoco nominated by the Requisite Majority Consenting Secured Noteholders shall be identified in the Plan Supplement.

From and after the Effective Date, the officers identified in the Plan Supplement shall manage Reorganized Venoco. The officers of Reorganized Venoco shall have the power to enter into or execute any documents or agreements that they deem reasonable and appropriate to effectuate the terms of the Plan.

Section 8.10. Existing Benefits Agreements and Retiree Benefits

(a) Except as such benefits may be otherwise terminated by the Debtors in a manner permissible under applicable law, the Existing Benefits Agreements shall be deemed assumed as of the Effective Date, subject to the consent of the Requisite Majority Consenting Secured Noteholders. Notwithstanding anything to the contrary contained herein, pursuant to section 1129(a)(13) of the Bankruptcy Code, on and after the Effective Date, all retiree benefits (as such term is defined in section 1114 of the Bankruptcy Code), if any, shall continue to be paid in accordance with applicable law.

(b) On the Effective Date, the Employee Stock Ownership Plan shall be terminated. Reorganized Venoco shall take all actions necessary or appropriate to terminate the Employee Stock Ownership Plan in accordance with the provisions of applicable law.

Section 8.11. Management Incentive Plan

On or after the Effective Date, Reorganized Venoco shall adopt the Management Incentive Plan, which shall provide for the distribution, and the reservation for future issuance, as applicable, of the New MIP Warrants to participating officers, directors and employees of the Reorganized Debtors as determined by the newly appointed board of directors of Reorganized Venoco. For the avoidance of doubt, the Management Incentive Plan is an entirely post-Effective Date compensation plan and awards thereunder, to the extent earned, shall be paid by the Reorganized Debtors, and the Bankruptcy Court's confirmation of the Plan shall not be deemed to be an approval or authorization of the specific terms of the Management Incentive Plan or any other management incentive program.

Section 8.12. Employment Agreements

On or after the Effective Date, Reorganized Venoco shall enter into the Employment Agreement, which shall provide for the ongoing employment of TMM. The Employment Agreement provides for the assignment of the LLA Override to TMM and the payment of the salary and benefits set forth therein. For the avoidance of doubt, the Employment Agreement is an entirely post-Effective Date employment agreement and the compensation thereunder shall be

paid by the Reorganized Debtors, and the Bankruptcy Court's confirmation of the Plan shall not be deemed to be an approval or authorization of the specific terms of the Employment Agreement.

Section 8.13. Causes of Action

(a) Preservation of Causes of Action Other Than Avoidance Actions

In accordance with section 1123(b) of the Bankruptcy Code or any corresponding provision of federal or state laws, and except as expressly released by the Plan, Final DIP Order, Confirmation Order or other Final Order: (i) on the Effective Date, all Causes of Action of the Debtors shall be transferred to and vest in the Reorganized Debtors; and (ii) on and after the Effective Date, all such Causes of Action for the Debtors shall be retained by the Reorganized Debtors, which may enforce, sue on, settle, or compromise (or decline to do any of the foregoing) any or all of such Causes of Action on behalf of the Debtors; provided, however, that as of the Effective Date, all Avoidance Actions of the Debtors shall be deemed to be waived and released. For the avoidance of doubt, the Debtors and the Reorganized Debtors, as applicable, shall not retain any Causes of Action against the Released Parties.

(b) No Waiver

Except as otherwise provided in Section 6.13(a) or Section 11.02 of the Plan, or as released by the Final DIP Order, the Confirmation Order or other Final Order, nothing in the Plan shall be deemed to be a waiver or relinquishment of any Claim, Cause of Action, account receivable, right of setoff, or other legal or equitable right or defense that the Reorganized Debtors may have or choose to assert on behalf of the Debtors or their respective Estates under any provision of the Bankruptcy Code or any applicable non-bankruptcy law. No Entity may rely on the absence of a specific reference in the Plan to any Cause of Action or account receivable against it as an indication that the Reorganized Debtors will not pursue any and all available Causes of Action or accounts receivable against it, and all such rights to prosecute or pursue any and all Causes of Action or accounts receivable against any Entity are expressly reserved for later adjudication and, therefore, no preclusion doctrine, including, without limitation, the doctrines of *res judicata*, collateral estoppel, estoppel (judicial, equitable or otherwise) or laches, shall apply to such Causes of Action or accounts receivable upon or after the Confirmation or Consummation of the Plan.

Section 8.14. Restructuring Transactions

On or before the Effective Date or as soon as reasonably practicable thereafter and with the consent of the Requisite Majority Consenting Secured Noteholders, the Debtors or the Reorganized Debtors (as applicable) are authorized, without further order of the Bankruptcy Court, to take all actions as may be necessary or appropriate to effect any transaction described in, approved by, contemplated by or necessary to effectuate the Restructuring Transactions under and in connection with the Plan, including, without limitation: (a) the execution and delivery of all 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; (b) 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; (c) rejection or assumption, as applicable, of Executory Contracts and Unexpired Leases; (d) selection of the board of directors (or equivalent) of the Reorganized Debtors; (e) the filing or execution of appropriate limited liability company agreements, certificates or articles of incorporation or organization, reincorporation, merger, consolidation, conversion or dissolution pursuant to applicable state law; (f) the conversion of Venoco into a limited liability company for corporate purposes; provided that, for the avoidance of doubt, such limited liability company shall elect to be treated as a corporation for U.S. federal, state and local tax purposes; (g) the consummation of the transactions contemplated by any post-effective date financing and the execution thereof; (h) the issuance of the New Common Stock and the New Warrants, and the execution (or deemed execution) of all documents related thereto, including, but not limited to, the New Shareholders Agreement; and (i) 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.

Section 8.15. Determination of Tax Filings and Taxes of the DPC Group

For all taxable periods ending on or prior to, or including, the Effective Date, Venoco shall prepare and file (or cause to be prepared and filed) all tax returns, reports, certificates, forms or similar statements or documents (collectively, "Group Tax Returns") on behalf of the consolidated, unitary, combined or any similar tax group the parent of which is DPC that includes Venoco or any subsidiary thereof (the "DPC Group") as well as all separate tax returns of DPC required to be filed or that Venoco otherwise deems appropriate, including the filing of amended Group Tax Returns or requests for refunds. DPC shall not file or amend any tax returns for DPC itself or the DPC Group for any taxable periods (or portions thereof) without Venoco's prior written consent.

Accordingly, Venoco is hereby appointed pursuant to section 1123(b)(3)(B) of the Bankruptcy Code to handle tax matters, including without limitation, the filing of all tax returns, and the handling of tax audits and proceedings, of the DPC Group. Without limiting the generality of the foregoing, if requested by Venoco, DPC shall promptly execute or cause to be executed and filed any tax returns or other tax filings of DPC or the DPC Group submitted by Venoco to DPC for execution or filing. Moreover, DPC shall execute on or prior to the Effective Date a power of attorney authorizing Venoco to correspond, sign, collect, negotiate, settle and administer tax payments and Group Tax Returns.

Each of the Debtors shall cooperate fully with each other regarding the implementation of Section 6.15 of the Plan (including the execution of appropriate powers of attorney) and shall make available to the other as reasonably requested all information, records and documents relating to taxes governed by Section 6.15 of the Plan until the expiration of the applicable statute of limitations or extension thereof or at the conclusion of all audits, appeals or litigation with respect to such taxes.

Venoco shall have the right to request an expedited determination of the tax liability, if any, of the Reorganized Debtors (including Venoco or DPC) under section 505(b) of the

Bankruptcy Code with respect to any tax returns filed, or to be filed, for any and all taxable periods ending after the Commencement Date through the Effective Date.

If DPC receives written notice from a taxing authority of any pending examination, claim, settlement, proposed adjustment or related matters with respect to taxes, it shall promptly notify Venoco in writing. Venoco shall have the sole right, at its expense, to control, conduct, compromise and settle any tax contest, audit or administrative or court proceeding relating to any liability for taxes of DPC and the DPC Group. With respect to any such proceeding and with respect to the preparation and filing of any tax returns of DPC or the DPC Group, Venoco may act in its own self-interest and in the interest of its subsidiaries and affiliates, without regard to any adverse consequences to DPC.

To the extent permitted by law, DPC shall designate Venoco as the "agent" or "substitute agent" (within the meaning of Treasury Regulation sections 1.1502-77 and 1.1502-77B, respectively) for the Venoco Group in accordance with Treasury Regulation sections 1.1502-77 and 1.1502-77B, as amended or supplemented, and any comparable provision under state or local law, with respect to all taxable periods ending on or before, or including, the Effective Date.

Venoco shall be entitled to the entire amount of any refunds and credits (including interest thereon) with respect to or otherwise relating to any taxes of the DPC Group, including for any taxable period ending on or prior to, or including, the Effective Date. DPC shall promptly notify Venoco of the receipt of any such refunds or credits and shall transfer any such refunds to Venoco by wire transfer or otherwise in accordance with written instructions provided by Venoco.

Section 8.16. New Shareholders Agreement

On the Effective Date, the holders of Allowed First Lien Note Claims, the Backstoppers and the holders of Allowed 8.875% Senior Notes Claims, in each case, who receive New Common Stock shall enter into, and be deemed to have entered into, and become subject to the following terms which will be incorporated into a New Shareholders Agreement or Organizational Documents. The New Shareholders Agreement or Organizational Documents will, *inter alia*, provide the following rights to holders of New Common Stock issued pursuant to the Plan:

(i) Monthly financial information in customary form to be provided to all holders of New Common Stock who own more than 1% of the New Common Stock and are bound by customary confidentiality obligations reasonably acceptable to the Reorganized Debtors. Such monthly financial information may be provided by such holders to prospective bona fide transferees of such holders' New Common Stock who have executed a customary confidentiality agreement reasonably acceptable to the Reorganized Debtors.

(ii) No restrictions on the ability of holders of shares of the New Common Stock to transfer such shares subject to (i) all transferees being qualified institutional buyers or accredited investors (in each case, as defined under

the U.S. securities laws, rules and regulations), (ii) a prohibition against transfer to specified competitors of the Reorganized Debtors, (iii) a prohibition against transfers that could reasonably be expected to cause the Reorganized Debtors to have more than five hundred shareholders who are not accredited investors or two thousand shareholders who are accredited investors, or become a reporting company under applicable securities law, (iv) a prohibition against transfers requiring registration (whether of the Reorganized Debtors, such transfer or such shares of New Common Stock) pursuant to applicable securities law, (v) compliance with applicable law (including applicable securities laws), (vi) execution of a joinder to the New Shareholders Agreement, if applicable, (vii) compliance with all applicable terms of the New Shareholders Agreement, and (viii) such transfer not being a non-exempt "prohibited transaction" under ERISA or the U.S. federal tax code and not causing all or any portion of the assets of the Reorganized Debtor to constitute "plan assets" under ERISA or Section 4975 of the U.S. federal tax code.

(iii) Pro rata preemptive rights for issuances of equity securities with customary carve-outs.

(iv) Customary pro rata tag-along rights for all holders of New Common Stock in connection with transfers of shares of New Common Stock by one or more holders thereof comprising a percentage equity interest in Reorganized Venoco above a threshold to be agreed upon by the parties at a later time.

(v) Customary drag-along rights for holders of a majority of New Common Stock in connection with a sale of all or substantially all of the equity or assets of the Reorganized Debtors (whether by way of a merger, share purchase, reorganization, consolidation or other business combination transaction).

Section 8.17. 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 fully 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, which granting instruments and governing documents shall equally remain in full force and effect, and no Royalty and Working Interests shall be compromised or discharged by the Plan.

ARTICLE IX

FEASIBILITY, BEST INTEREST OF THE CREDITORS AND VALUATION

Section 9.01. Feasibility of the Plan

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 debtor, or any successor to the debtor (unless such liquidation or reorganization is proposed in such plan of reorganization).

To determine whether the Plan meets this feasibility requirement, the Debtors, with the assistance of PJT, have analyzed their ability to meet their respective obligations under the Plan. As part of this analysis, the Debtors have prepared 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 2018. The Financial Projections are based on an assumed Effective Date of August 31, 2016. To the extent that the Effective Date occurs before or after August 31, 2016, recoveries on account of Allowed Claims could be impacted. Creditors and other interested parties should review ARTICLE XI of this Disclosure Statement, entitled "Risk Factors," for a discussion of certain factors that may affect the future financial performance of the Reorganized Debtors.

The Financial Projections are attached hereto as **Exhibit D** and incorporated herein by reference. Based upon the Financial Projections, the Debtors believe that they will be a viable operation following the Chapter 11 Cases and that the Plan will meet the feasibility requirements of the Bankruptcy Code.

Section 9.02. Best Interest of Creditors Test

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 provides, with respect to each impaired class, that each holder of a claim or an equity interest in such impaired class either (1) has accepted the plan or (2) will receive or retain under the plan property of a value that is not less than the amount that the non-accepting 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 PJT, the Debtors' financial advisor. As reflected in the Liquidation Analysis, the Debtors believe that liquidation of the Debtors' businesses under chapter 7 of the Bankruptcy Code would result in substantial diminution 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.

If the Plan is not confirmed, and the Debtors fail to propose and confirm an alternative plan of reorganization, the Debtors' businesses may be liquidated pursuant to the provisions of a chapter 11 liquidating plan. In liquidations under chapter 11, the Debtors' assets could be sold in an orderly fashion over a more extended period of time than in a liquidation under chapter 7. Thus, a chapter 11 liquidation may result in larger recoveries than a chapter 7 liquidation, but the delay in distributions could result in lower present values received and higher administrative costs. Any distribution to holders of Claims under a chapter 11 liquidation plan would most likely be substantially delayed. Most importantly, the Debtors believe that any distributions to creditors in a chapter 11 liquidation scenario would fail to capture the significant going concern value of their businesses, which is reflected in the New Common Stock to be distributed under the Plan. Accordingly, the Debtors believe that a chapter 11 liquidation would not result in distributions as favorable as those under the Plan.

Section 9.03. Valuation of the 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. The Valuation Analysis is set forth in **Exhibit C** attached hereto and incorporated herein by reference.

ARTICLE X

CONFIRMATION PROCEDURES

Section 10.01. The Confirmation Hearing

Pursuant to section 1128 of the Bankruptcy Code, the confirmation hearing will be held on July 13, 2016, commencing at 10:00 a.m prevailing Eastern Time, before the Honorable Kevin Gross in Courtroom No. 3 of the United States Bankruptcy Court for the District of Delaware, 824 North Market Street, 6th Floor, Wilmington, Delaware (the "Confirmation Hearing"). The Bankruptcy Court has directed that objections, if any, to confirmation of the Plan be served and filed so that they are received on or before June 24, 2016 at 4:00 p.m., prevailing Eastern Time (the "Objection Deadline"). The Confirmation Hearing may be adjourned from time to time by the Bankruptcy Court without further notice except for the announcement of the adjournment date made at the Confirmation Hearing or at any subsequent adjourned Confirmation Hearing.

Section 10.02. Statutory Requirements for Confirmation of the Plan

At the Confirmation Hearing, the Bankruptcy Court will be asked to determine whether the requirements of Bankruptcy Code section 1129 have been satisfied. The Debtors believe that the Plan satisfies or will satisfy the applicable requirements, as follows:

- The Plan complies with the applicable provisions of the Bankruptcy Code.
- The Debtors, as Plan proponents, will have complied with the applicable provisions of the Bankruptcy Code.

- The Plan has been proposed in good faith and not by any means forbidden by law.

- Any payment made or promised under the Plan for services or for costs and expenses in, or in connection with, these Chapter 11 Cases, or in connection with the Plan and incident to the cases, has been disclosed to the Bankruptcy Court, and any such payment: (a) made before confirmation of the Plan is reasonable; or (b) is subject to approval of the Bankruptcy Court as reasonable if it is to be fixed after confirmation of the Plan.

- The Debtors, as Plan proponents, have disclosed the identity and affiliations of any individual proposed to serve, after confirmation of the Plan, as a director, officer, or voting trustee of the Debtors, an Affiliate of the Debtors participating in the Plan with the Debtors, or a successor to the Debtors under the Plan, and the appointment to, or continuance in, such office of such individual is consistent with the interests of creditors and equity security holders and with public policy.

- The Debtors, as Plan proponents, have disclosed the identity of any insider (as defined in Bankruptcy Code section 101) that will be employed or retained by the Reorganized Debtors, and the nature of any compensation for such insider.

- The Plan does not propose any rate change that is subject to approval by a governmental regulatory commission.

- Either each holder of an impaired claim or interest has accepted the Plan, or will receive or retain under the Plan on account of that claim or interest, property of a value, as of the Effective Date of the Plan, that is not less than the amount that the holder would receive or retain if the Debtors were liquidated on that date under chapter 7 of the Bankruptcy Code.

- Each class of claims that is entitled to vote on the Plan has either accepted the Plan or is not impaired under the Plan, or the Plan can be confirmed without the approval of each voting class pursuant to Bankruptcy Code section 1129(b).

- Except to the extent that the holder of a particular claim will agree to a different treatment of its claim, the Plan provides that Administrative Claims, DIP Facility Claims, Priority Tax Claims, Other Priority Claims, and Other Secured Claims will be paid in full, in cash, on the Effective Date, or as soon thereafter as practicable, or as permitted by the Bankruptcy Code.

- At least one class of impaired claims will accept the Plan, determined without including any acceptance of the Plan by any insider holding a claim of that class.

- Confirmation of the Plan is not likely to be followed by the liquidation or the need for further financial reorganization of the Debtors or any successors thereto.

- All fees of the type described in 28 U.S.C. § 1930, including the fees of the United States Trustee, will be paid as of the Effective Date.

- The Debtors have no retirement benefit obligations except for 401(k) plans, and such plans are expected to continue in the Reorganized Debtors. The Debtors believe that: (a) the Plan satisfies or will satisfy all of the statutory requirements of chapter 11 of the Bankruptcy Code; (b) the Debtors have complied or will have complied with all of the requirements of chapter 11; and (c) the Plan has been proposed in good faith.

(a) Acceptance by Impaired Classes

The Bankruptcy Code requires, as a condition to confirmation that, except as described in the following section, each class of claims or interests that is impaired under the Plan accept the Plan. A class that is not impaired under a plan of reorganization is deemed to have accepted the plan and, therefore, solicitation of acceptances with respect to such class is not required. A class is impaired unless the plan: (a) leaves unaltered the legal, equitable and contractual rights to which the claim or interest entitles the holder of that 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 interest entitles the holder of such claim or interest.

If an 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.

(b) Confirmation Without Acceptance by All Impaired Classes

Bankruptcy Code section 1129(b) allows a bankruptcy court to confirm a plan, even if an impaired class entitled to vote on the plan has not accepted it, provided that the plan has been accepted by at least one impaired class. The Debtors cannot guarantee that all impaired classes will accept the Plan. If one or more of the impaired classes do not accept the Plan, the Debtors intend to seek confirmation of the Plan pursuant to Bankruptcy Code section 1129(b). Bankruptcy Code section 1129(b) states that, notwithstanding an impaired class's failure to accept a plan of reorganization, the plan may still be confirmed, 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.

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 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.

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 100 percent 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.

With respect to the fair and equitable requirement, no class under the Plan will receive more than 100 percent of the amount of Allowed claims in that class. 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.

The Debtors reserve the right to alter, amend, modify, revoke or withdraw the Plan, any exhibit thereto and any Plan Supplement document, including to amend or modify it to satisfy Bankruptcy Code section 1129(b), if necessary.

ARTICLE XI

RISK FACTORS

PRIOR TO VOTING TO ACCEPT OR REJECT THE PLAN, ALL HOLDERS OF CLAIMS THAT ARE IMPAIRED SHOULD READ AND CAREFULLY CONSIDER THE FACTORS SET FORTH HEREIN, AS WELL AS ALL OTHER INFORMATION SET FORTH OR OTHERWISE REFERENCED IN THIS DISCLOSURE STATEMENT.

THESE RISK FACTORS SHOULD NOT BE REGARDED AS CONSTITUTING THE ONLY RISKS PRESENT IN CONNECTION WITH THE DEBTORS' BUSINESSES OR THE PLAN AND ITS IMPLEMENTATION.

Section 11.01. Certain Bankruptcy Law Considerations

Although the Debtors believe that the Plan will satisfy all requirements necessary for confirmation by the Bankruptcy Court, there can be no assurance that the Bankruptcy Court will reach the same conclusion. Moreover, there can be no assurance that modifications to the Plan will not be required for confirmation or that such modifications would not necessitate the re-Solicitation of votes. Although the Debtors believe that the Effective Date will occur soon after the Confirmation Date, there can be no assurance as to such timing. In the event the conditions precedent to confirmation of the Plan have not been satisfied or waived (to the extent possible) by the Debtors or the Requisite Majority Consenting Secured Noteholders and, to the extent required under the RSA, the Requisite Majority Consenting Unsecured Noteholders as of the Effective Date, then the Confirmation Order will be vacated, no distributions under the Plan will be made, and the Debtors and all holders of claims and interests will be restored to the status quo ante as of the day immediately preceding the Confirmation Date as though such Confirmation Date had never occurred.

Section 11.02. Projected Operating and Financial Results

The Debtors have prepared the Financial Projections. The assumptions on which these projections are based, however, are subject to significant uncertainties and, inevitably, some assumptions will not materialize. Also, unanticipated events and circumstances beyond the Reorganized Debtors' control may affect the actual financial results.

Neither the Debtors nor the Reorganized Debtors make any representation as to the accuracy of the projections or the Reorganized Debtors' ability to achieve projected results. The actual results achieved could vary from the projected results and the variations may be material. It is urged that all of the assumptions and other caveats regarding the projections be examined carefully in evaluating the Plan.

The projections were not prepared with a view toward public disclosure or compliance with the published guidelines of the SEC or the American Institute of Certified Public Accountants regarding projections or forecasts. No independent auditors have been retained by the Debtors to examine the projections.

Section 11.03. The New Common Shares Will Not Be Publicly Traded

The New Common Shares to be issued under the Plan will not be listed on or traded on any nationally recognized market or exchange. Accordingly, there can be no assurance that an active trading market for the New Common Shares will develop, nor can any assurance be given as to the prices at which such shares might be traded. In the event an active trading market does not develop, the ability to transfer or sell New Common Shares may be substantially limited.

To the extent that the New Common Shares issued under the Plan are covered by section 1145(a)(1) of the Bankruptcy Code, they may be resold by the holders thereof without registration under the Securities Act unless the holder is an "underwriter," as defined in section 1145(b) of the Bankruptcy Code with respect to such securities. Resales by persons who receive New Common Shares pursuant to the Plan that are deemed to be "underwriters" would not be exempted by section 1145 of the Bankruptcy Code from registration under the Securities Act or applicable law. Such persons would only be permitted to sell such securities without registration if they are able to comply with an applicable exemption from registration, including Rule 144 under the Securities Act.

The New Common Shares will not be registered under the Securities Act or any state securities laws, and the Debtors make no representation regarding the right of any holder of New Common Shares to freely resell the New Common Shares.

Section 11.04. Certain Tax Matters

The Plan is subject to substantial uncertainties regarding the application of federal income, state, and local tax laws to various transactions and events contemplated therein. See Article XI below entitled "*Certain Material U.S. Federal Income Tax Consequences of the Plan*."

Section 11.05. 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 and interests under the Plan complies with the requirements set forth in the Bankruptcy Code because the Debtors created classes of claims and interests each encompassing claims or interests, as applicable, that are substantially similar to the other claims or interests, as applicable, in each such class. Nevertheless, there can be no assurance that the Court will reach the same conclusion.

Section 11.06. Consequences If the Plan Is Not Confirmed or the Conditions to Effectiveness Are Not Satisfied

There can be no assurance that the Plan as proposed will be approved by the requisite number of holders or amounts of claims or interests or by the Bankruptcy Court. Similarly, in the event that any impaired class or classes vote(s) to reject the Plan, there can be no assurance that the Debtors will be able to obtain confirmation of the Plan under the Bankruptcy Code's "cram down" provisions of section 1129(b) of the Bankruptcy Code.

In the event the Plan is not confirmed within the exclusive time period allotted by the Bankruptcy Code and the Bankruptcy Court's orders for the Debtors to propose and confirm the Plan, any other party-in-interest may propose a plan of reorganization, and subsequent plans may be proposed and approved by the requisite majorities and be confirmed by the Bankruptcy Court. Notwithstanding Bankruptcy Court approval, it is possible that the Plan may not be consummated because of other external factors that may adversely affect the Debtors and their businesses.

Specifically, even if the Debtors obtain the requisite acceptances to confirm the Plan or the requirements for a "cram down" are met with respect to any impaired class that has rejected the Plan, there can be no assurance that the Bankruptcy Court will confirm the Plan. Pursuant to section 1128(b) of the Bankruptcy Code, any party-in-interest, including the United States Trustee, any creditor, or any equity holder, has the right to be heard by the Bankruptcy Court on any issue in these Chapter 11 Cases. It is possible that such a party-in-interest could challenge, among other things, the terms of the Plan or the adequacy of the time period allotted for Solicitation of the Plan. Even if the Bankruptcy Court were to determine that Solicitation was proper, it could still decline to confirm the Plan if it were to find that any statutory condition for confirmation had not been met. Section 1129 of the Bankruptcy Code sets forth the requirements for confirmation. While the Debtors believe that the Plan complies with all of the confirmation requirements, there can be no assurance that the Bankruptcy Court will reach the same conclusion. A party-in-interest may also object to the classification or treatment of any claim or interest and might succeed in persuading the Bankruptcy Court that the classification or treatment of such claim or interest provided by the Plan is improper. In such event, it is the present intention of the Debtors to modify the Plan to provide for whatever reasonable classification or treatment may be required by the Bankruptcy Court for confirmation of the Plan and to use the votes received pursuant to the Solicitation for the purpose of obtaining the

approvals of the affected class or classes. However, the reclassification mandated by the Bankruptcy Court might render such course of action impossible, and the Debtors could then be forced to conduct a new Solicitation of acceptances of the Plan, as modified.

The confirmation and effectiveness of the Plan are also subject to certain conditions. There can be no assurance that these conditions to confirmation and effectiveness of the Plan will be satisfied, or if not satisfied, that the Debtors or the Prepetition Secured Parties, as applicable, will waive such conditions. Therefore, even if the Plan is confirmed by the Bankruptcy Court, there can be no assurance that it will subsequently be consummated and the restructuring completed.

Furthermore, there can be no assurance that modifications of the Plan will not be required for its confirmation, or that such modifications would not require re-Solicitation of acceptances from one or more classes of impaired claims and interests.

Finally, the RSA contains expedited milestones for the Debtors to confirm the Plan and for its consummation. There can be no assurance that the Bankruptcy Court will confirm the Plan within the required milestones or that the Debtors will be able to timely consummate the Plan.

Section 11.07. Continued Risk upon Confirmation

Even if the Plan is consummated, the Debtors will continue to face a number of risks, including certain risks that are beyond their control, such as further deterioration or other changes in economic conditions, changes in the industry, potential revaluing of their assets due to chapter 11 proceedings, changes in consumer demand for, and acceptance of, their oil and gas, and increasing expenses. Some of these concerns and effects typically become more acute when a case under the Bankruptcy Code continues for a protracted period without indication of how or when the case may be completed. As a result of these risks and others, there is no guarantee that the Plan will achieve the Debtors' stated goals.

In addition, at the outset of the Chapter 11 Cases, the Bankruptcy Code provides the Debtors with the exclusive right to propose the Plan and prohibits creditors and others from proposing a plan of reorganization. If the Court terminates that right, however, or the exclusivity period expires, there could be a material adverse effect on the Debtors' ability to achieve confirmation of the Plan in order to achieve the Debtors' stated goals.

Furthermore, even if the Debtors' debts are reduced or discharged through the Plan, the Debtors may need to raise additional funds through public or private debt or equity financing or other various means to fund the Debtors' businesses after the completion of the proceedings related to the Chapter 11 Cases. Adequate funds may not be available when needed or may not be available on favorable terms.

Section 11.08. The Chapter 11 Cases May Be Converted to Cases Under Chapter 7 of the Bankruptcy Code

If the Court finds that it would be in the best interest of creditors or the debtor in a chapter 11 case, the Court may convert a chapter 11 bankruptcy case to a case under chapter 7 of the Bankruptcy Code. In such event, a chapter 7 trustee would be appointed or elected to

liquidate the debtor's assets for distribution in accordance with the priorities established by the Bankruptcy Code. The Debtors believe that liquidation under chapter 7 would result in significantly smaller distributions being made to creditors than those provided for in a chapter 11 plan because of (a) the likelihood that the assets would have to be sold or otherwise disposed of in a disorderly fashion over a short period of time rather than reorganizing or selling in a controlled manner affecting the business as a going concern, (b) additional administrative expenses involved in the appointment of a chapter 7 trustee, and (c) additional expenses and claims, some of which would be entitled to priority, that would be generated during the liquidation, including claims resulting from the rejection of unexpired leases and other executory contracts in connection with cessation of operations.

Section 11.09. Certain Risks Associated with the New Common Shares, New Warrants and the LLA Override

The issuance of new securities involves adherence to certain securities law regulations. Although the Debtors believe the securities issued in accordance with the Plan are exempt from or satisfy the securities law requirements, there can be no assurance that the Bankruptcy Court or any applicable regulatory agency will decide that the relevant exemptions apply to these issuances.

On the Effective Date, the issuer of the New Equity of the Reorganized Debtors will not be required to file periodic reports under the Securities Exchange Act (as the Debtors estimate that the number of holders of the New Equity will not be sufficient to trigger reporting obligations under applicable securities laws) and will not seek to list the New Equity of the Reorganized Debtors for trading on a national securities exchange. Consequently, there will not be "current public information" (as such term is defined in Rule 144) regarding the issuer of the New Equity of the Reorganized Debtors. The Reorganized Debtors expect to maintain their status as a non-reporting company after the Effective Date. In order to prevent the Reorganized Debtors from becoming subject to the reporting requirements of the Securities Exchange Act, except in connection with a public offering, the New Shareholders Agreement or Organizational Documents may impose certain trading restrictions, and the New Equity will be subject to certain transfer and other restrictions pursuant to the New Shareholders Agreement or Organizational Documents. To the extent that after the Effective Date the Reorganized Debtors become subject to reporting obligations under the Securities Exchange Act, the Reorganized Debtors will take appropriate steps to comply with the Securities Exchange Act.

Section 11.10. Risks Associated with LLA Approval

The Debtors' application for a lease line adjustment with respect to CSLC Lease PRC 3242.1 may not be approved. In that case, the Unsecured LLA Override Shares will not be distributed, which will have a material impact on distributions to holders of Allowed 8.875% Senior Notes Claims under the Plan.

Section 11.11. Risks Associated with Reallocation Procedures

Each holder of an 8.875% Senior Notes Claim will have the option of electing prior to the Effective Date to forego its Default Distribution under Section 3.03(e) of the Plan to be (i) an

Electing New Common Stock and Unsecured LLA Override Recipient or (ii) an Electing Cash Recipient. There may be insufficient Cash or Unsecured LLA Override Shares in the Reallocation Liquidity Pool to satisfy all Distribution Elections that are made, in which case a holder making a Distribution Election may receive some or all of its Default Distribution in lieu of additional Cash or Unsecured LLA Override Shares. By making a Distribution Election, a holder of an 8.875% Senior Notes Claim is making its own independent determination of the validity of the New Common Stock and Unsecured LLA Override Unit Price. THE DEBTORS MAKE NO REPRESENTATION CONCERNING SUCH PRICE OR THE VALUE OF THE DISTRIBUTION ELECTION. THE DEBTORS RECOMMEND THAT HOLDERS OF 8.875% SENIOR NOTES CLAIMS CONSULT THEIR OWN COUNSEL CONCERNING WHETHER THEY SHOULD MAKE THE DISTRIBUTION ELECTION UNDER THE REALLOCATION PROCEDURES OF THE PLAN (AS FURTHER DESCRIBED IN THIS DISCLOSURE STATEMENT).

Section 11.12. The Effect of Bankruptcy on the Debtors' Business

The Debtors have attempted to minimize the potential adverse effect of these Chapter 11 Cases upon the Debtors' relationships with their employees, suppliers, vendors, royalty owners, and customers. Nonetheless, the filing of these Chapter 11 Cases by the Debtors and the publicity attendant thereto might still adversely affect the Debtors' business. The Debtors are hopeful that relationships with their employees, suppliers, vendors, royalty owners and customers have been maintained and will not suffer further erosion if the Plan is confirmed and consummated in a timely fashion.

However, adverse effects are likely to be experienced during the pendency of any increasingly protracted bankruptcy case. In light of financing and other potential concerns, it is not certain the degree to which the Debtors could survive as a going concern in a protracted chapter 11 case. The Debtors could have difficulty sustaining the high costs, and the erosion of vendor and customer confidence that may be caused if they remain in bankruptcy for an extended period. Ultimately, there could be no assurance that the Debtors (or, if exclusivity were terminated, other parties-in-interest) would not be forced to liquidate under chapter 7.

Section 11.13. The Reorganized Debtors May be Subject to Claims That Were Not Discharged in these Chapter 11 Cases, Which Could Have a Material Adverse Effect on the Reorganized Debtors' Results of Operations and Profitability

The Debtors expect that substantially all of the claims against them that arose prior to the Petition Date will be resolved during these Chapter 11 Cases. Subject to certain exceptions and as set forth in the Plan, all claims against and interests in the Debtors that arose prior to the Petition Date (a) are subject to compromise or treatment under the Plan and (b) may be discharged in accordance with the and subject to the Bankruptcy Code and the terms of the Plan. However, depending on the claims that are asserted against the Debtors, it is possible that certain claims and other obligations that arose prior to the Debtors' bankruptcy filing may not be discharged, including instances where the claimant had inadequate notice of the bankruptcy filing, certain governmental claims that are determined to be nondischargeable, or claims subject to valid arguments regarding when such claim arose as a matter of law or otherwise.

Section 11.14. Substantial Risks Inherent to the Debtors' Businesses

(a) The Debtors Will Be Subject to the Risks and Uncertainties Associated with the Chapter 11 Cases

For the duration of the Chapter 11 Cases, the Debtors' ability to operate, develop, and execute a business plan, and continue as a going concern, will be subject to the risks and uncertainties associated with bankruptcy. These risks include the following: (a) ability to develop, confirm, and consummate the restructuring transactions specified in the Plan; (b) ability to obtain Court approval with respect to motions filed in the Chapter 11 Cases from time to time; (c) ability to maintain relationships with suppliers, service providers, customers, employees, royalty interest holders, working interest holders, and other third parties; (d) ability to maintain contracts that are critical to the Debtors' operations; (e) ability of third parties to seek and obtain Court approval to terminate contracts and other agreements with the Debtors; (f) ability of third parties to seek and obtain Court approval to terminate or shorten the exclusivity period for the Debtors to propose and confirm a chapter 11 plan, to appoint a chapter 11 trustee, or to convert the Chapter 11 Cases to chapter 7 proceedings; and (g) the actions and decisions of the Debtors' creditors and other third parties who have interests in the Chapter 11 Cases that may be inconsistent with the Debtors' plans.

These risks and uncertainties could affect the Debtors' businesses and operations in various ways. For example, negative events associated with the Chapter 11 Cases could adversely affect the Debtors' relationships with suppliers, service providers, customers, employees, and other third parties, which in turn could adversely affect the Debtors' operations and financial condition. Also, the Debtors will need the prior approval of the Court for transactions outside the ordinary course of business, which may limit the Debtors' ability to respond timely to certain events or take advantage of certain opportunities. Because of the risks and uncertainties associated with the Chapter 11 Cases, the Debtors cannot accurately predict or quantify the ultimate impact of events that occur during the Chapter 11 Cases that may be inconsistent with the Debtors' plans.

(b) Financial Results May Be Volatile and May Not Reflect Historical Trends.

During the Chapter 11 Cases, the Debtors expect that their financial results will continue to be volatile as asset impairments, asset dispositions, restructuring activities and expenses, contract terminations and rejections, and claims assessments significantly impact the Debtors' consolidated financial statements. As a result, the Debtors' historical financial performance likely will not be indicative of their financial performance after the Petition Date.

In addition, if the Debtors emerge from chapter 11, the amounts reported in subsequent consolidated financial statements may materially change relative to historical consolidated financial statements and the Financial Projections, including as a result of revisions to the Debtors' operating plans. The Debtors also may be required to adopt fresh start accounting, in which case their assets and liabilities will be recorded at fair value as of the fresh start reporting date, which may differ materially from the recorded values of assets and liabilities on the Debtors' consolidated balance sheets. The Debtors' financial results after the application of fresh start accounting also may be different from historical trends.

(c) The Debtors' Substantial Liquidity Needs May Impact Production Levels and Revenue.

The Debtors' principal sources of liquidity historically have been cash flow from operations, sales of oil and gas properties, and borrowings under the prepetition facilities. If the Debtors' cash flow from operations remains depressed or decreases as a result of lower commodity prices or otherwise, the Debtors' ability to expend the capital necessary to replace proved reserves, maintain leasehold acreage, or maintain current production may be limited, resulting in decreased production and proved reserves over time.

The Debtors face uncertainty regarding the adequacy of their liquidity and capital resources and have extremely limited, if any, access to additional financing. In addition to the cash necessary to fund ongoing operations, the Debtors have incurred significant professional fees and other costs in connection with the Chapter 11 Cases and expect to continue to incur significant professional fees and costs throughout the Chapter 11 Cases. The Debtors cannot guarantee that cash on hand, cash flow from operations, and cash provided by the DIP Facility will be sufficient to continue to fund their operations and allow the Debtors to satisfy obligations related to the Chapter 11 Cases until the Debtors are able to emerge from bankruptcy protection.

The Debtors' and the Reorganized Debtors' liquidity, including the ability to meet ongoing operational obligations, will be dependent upon, among other things: (a) ability to maintain adequate cash on hand; (b) ability to generate cash flow from operations; (c) the cost, duration, and outcome of the Chapter 11 Cases. The Debtors' ability to maintain adequate liquidity depends, in part, upon industry conditions and general economic, financial, competitive, regulatory, and other factors beyond the Debtors' control. The Debtors' access to additional financing is, and for the foreseeable future likely will continue to be, extremely limited if it is available at all. The Debtors' long-term liquidity requirements and the adequacy of their capital resources are difficult to predict at this time.

(d) Oil and Natural Gas Prices are Volatile, and Continued Low Oil or Natural Gas Prices Could Materially Adversely Affect the Debtors' Businesses, Results of Operations, and Financial Condition.

The 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. 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:

- The current uncertainty in the global economy;
- Changes in global supply and demand for oil and natural gas;
- The condition of the United States and global economies;

- The actions of certain foreign countries;
- The price and quantity of imports and foreign oil and natural gas;
- Political conditions, including embargoes, war or civil unrest in or affecting other oil producing activities of certain countries;
- The level of global oil and natural gas exploration and production activity;
- The level of global oil and natural gas inventories;
- Production or pricing decisions made by the Organization of Petroleum Exporting Countries ("OPEC");
- Weather conditions;
- Technological advances affecting energy consumption; and
- The price and availability of alternative fuels.

Oil and natural gas prices affect the amount of cash flow available to the Debtors to meet their financial commitments and fund capital expenditures. Oil and natural gas prices also impact the Debtors' ability to borrow money and raise additional capital. Lower oil and natural gas prices may not only decrease the Debtors' revenues on a per-unit basis, but also may reduce the amount of oil and natural gas that the Debtors can produce economically in the future. Higher operating costs associated with any of the Debtors' oil or natural gas fields will make their profitability more sensitive to oil or natural gas price declines. A sustained decline in oil or natural gas prices may materially and adversely affect the Debtors' future business, financial condition, results of operations, liquidity or ability to finance planned capital expenditures. In addition, a sustained decline in oil or natural gas prices might result in substantial downward estimates of the Debtors' proved reserves. As a result, if there is a further decline or sustained depression in commodity prices, the 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 Debtors' businesses, results of operations, and financial condition.

(e) Producing Natural Gas and Oil are High Risk Activities with Many Uncertainties that Could Adversely Affect the Debtors' Business, Financial Condition and Results of Operations.

The Debtors' future success will depend on, among other things, the success of their exploitation, exploration, development, and production activities. The Debtors' natural gas and oil exploration and production activities are subject to numerous risks beyond their control, including the risk that drilling will not result in commercially viable oil or natural gas production. For example, in May 2015 the Debtors suffered a major operational set-back which shut-in production at the Debtors' South Ellwood field and deprived the Debtors of almost 50 percent of their annual production. A third-party common carrier pipeline operated by Plains that

transports the Debtors' South Ellwood Field oil production ruptured, resulting in a spill near Refugio Beach State Park and halting all of the Debtors' production activities in the field. Instead of getting the revenues the Debtors desperately needed from production at South Ellwood, the Debtors were forced to reduce operating expenses, though such reduction was not sufficient to mitigate the operating loss. The Debtors also elected to accelerate scheduled maintenance during the early shut-in period to minimize downtime to the field when production is resumed.

The 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 analysis, production data and engineering studies, the results of which are often inconclusive or subject to varying interpretations. The Debtors' costs of drilling, completing, and operating wells are often uncertain before drilling commences. Overruns in budgeted expenditures are common risks that can make a particular project uneconomical. Further, the Debtors' future business, financial condition, results of operations, liquidity, or ability to finance planned capital expenditures could be materially and adversely affected by any factor that may curtail, delay, or cancel drilling, including the following:

- Delays imposed by or resulting from compliance with regulatory requirements;
- Unusual or unexpected geological transformations;
- Pressure of irregularities in geological formations;
- Shortages of or delays in obtaining equipment and qualified personnel;
- Equipment malfunctions, failures or accidents;
- Unexpected operational events and drilling conditions;
- Pipe or cement failures;
- Casing collapses;
- Lost or damaged oilfield drilling and service tools;
- Loss of drilling fluid circulation;
- Uncontrollable flows of oil, natural gas and fluids;
- Fires and natural disasters;
- Environmental hazards, such as natural gas leaks, oil spills, pipeline ruptures and discharges of toxic gases;
- Adverse weather conditions;
- Reactions in oil and natural gas prices;

- Natural gas and oil property title problems; and
- Market limitations for natural gas and oil.

If any of these factors were to occur with respect to a particular field, the Debtors could lose all or a part of their investment in the field, or they could fail to realize the expected benefits from the field, either of which could materially and adversely affect their revenue and profitability.

ARTICLE XII

IMPORTANT SECURITIES LAW DISCLOSURE

Section 12.01. Issuance of New Common Stock, New Warrants, Unsecured LLA Override Shares and LLA Override

Section 1145(a)(1) of the Bankruptcy Code exempts the offer and sale of securities under a plan of reorganization from registration under Section 5 of the Securities Act and state laws if three (3) principal requirements are satisfied:

(i) the securities must be offered and sold under a plan of reorganization and must be securities of the debtor, of an affiliate participating in a joint plan with the debtor, or of a successor to the debtor under the plan;

(ii) the recipients of the securities must hold prepetition or administrative expense claims against the debtor or interests in the debtor; and

(iii) the securities must be issued entirely in exchange for the recipient's claim against or interest in the debtor, or principally in exchange for such claims or interests and partly for cash or property.

The Debtors believe that issuance of New Common Stock, the New Warrants, the Unsecured LLA Override Shares and, if determined to be a security, the LLA Override under the Plan would satisfy the requirements of section 1145(a)(1) of the Bankruptcy Code and would be, therefore, exempt from registration under the Securities Act and state securities laws.

Section 12.02. Subsequent Transfers Under Federal Securities Laws

The Debtors believe that all resales and subsequent transactions in the New Common Stock, the Noteholder Warrants, the Unsecured LLA Override Shares and, if determined to be a security, the LLA Override would be exempt from registration under federal and state securities laws, unless the holder thereof is an "underwriter" with respect to such securities.

Section 1145(b) of the Bankruptcy Code defines four (4) types of "underwriters":

(i) Persons who purchase a claim against, an interest in, or a claim for an administrative expense against, the debtor, with a view to distributing any security received in exchange for such a claim or interest;

(ii) Persons who offer to sell securities offered under a plan for the holders of such securities;

(iii) Persons who offer to buy such securities from the holders of such securities, if the offer to buy is: (a) with a view to distributing such securities and (ii) made under a distribution agreement and (b) under an agreement made in connection with the plan, the consummation of the plan, or with the offer or sale of securities under the plan; or

(iv) A person who is an "issuer" with respect to the securities, as the term "issuer" is defined in Section 2(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" all Persons who, directly or indirectly, through one or more intermediaries, control, are controlled by, or are under common control with, an issuer of securities. The reference to "issuer," as used in the definition of "underwriter" contained in Section 2(a)(11), 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 or director 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 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. Moreover, 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.

To the extent that persons who receive the New Common Stock, the New Warrants, the Unsecured LLA Override Shares or, if determined to be a security, the LLA Override pursuant to the Plan are deemed to be "underwriters," resales by such persons would not be exempted by section 1145 of the Bankruptcy Code from registration under the Securities Act or other applicable law. Persons deemed to be underwriters would, however, be permitted to sell the New Common Stock, the New Warrants, the Unsecured LLA Override Shares or, if determined to be a security, the LLA Override without registration pursuant to the provisions of Rule 144 under the Securities Act or any other applicable exemption from registration. For example, Rule 144 permits the public sale of securities received by "underwriters" if current information regarding the issuer is publicly available and if volume limitations and certain other conditions are met. Other exemptions to the registration requirements of the Securities Act might be applicable in a particular situation. Whether or not any particular person would be deemed to be an "underwriter" with respect to the New Common Stock, the New Warrants, the Unsecured LLA Override Shares or, if determined to be a security, the LLA Override to be issued pursuant to the Plan would depend upon various facts and circumstances applicable to that person. Accordingly, the Debtors express no view as to whether any particular person receiving the New Common Stock, the New Warrants, the Unsecured LLA Override Shares or, if determined to be a security, the LLA Override under the Plan would be an "underwriter" with respect to such securities.

GIVEN THE COMPLEX AND SUBJECTIVE NATURE OF THE QUESTION OF WHETHER A PARTICULAR HOLDER MAY BE AN UNDERWRITER, THE DEBTORS MAKE NO REPRESENTATION CONCERNING THE RIGHT OF ANY PERSON TO TRADE IN THE NEW COMMON STOCK, THE NEW WARRANTS, THE UNSECURED LLA OVERRIDE SHARES OR, IF DETERMINED TO BE A SECURITY, THE LLA OVERRIDE. THE DEBTORS RECOMMEND THAT POTENTIAL RECIPIENTS OF THE NEW COMMON STOCK, THE NEW WARRANTS, THE UNSECURED LLA OVERRIDE SHARES OR, IF DETERMINED TO BE A SECURITY, THE LLA OVERRIDE CONSULT THEIR OWN COUNSEL CONCERNING WHETHER THEY MAY FREELY TRADE SUCH SECURITIES WITHOUT COMPLIANCE WITH THE SECURITIES ACT OR THE SECURITIES EXCHANGE ACT OF 1934 AS WELL AS ANY STATE LAWS.

Section 12.03. No Registration or Listing of New Equity

On the Effective Date, the issuer of the New Equity of the Reorganized Debtors will not be required to file periodic reports under the Securities Exchange Act (as the Debtors estimate that the number of holders of New Equity will not be sufficient to trigger reporting obligations under applicable securities laws) and will not seek to list the New Equity of the Reorganized Debtors for trading on a national securities exchange. Consequently, there will not be "current public information" (as such term is defined in Rule 144) regarding the issuer of the New Equity of the Reorganized Debtors. The Reorganized Debtors expect to maintain their status as a non-reporting company after the Effective Date. In order to prevent the Reorganized Debtors from becoming subject to the reporting requirements of the Securities Exchange Act, except in connection with a public offering, the New Shareholders Agreement or Organizational Documents may impose certain trading restrictions, and the New Equity will be subject to certain transfer and other restrictions pursuant to the New Shareholders Agreement or Organizational Documents. To the extent that after the Effective Date the Reorganized Debtors become subject to reporting obligations under the Securities Exchange Act, the Reorganized Debtors will take appropriate steps to comply with the Securities Exchange Act.

ARTICLE XIII

CONDITIONS PRECEDENT TO CONFIRMATION AND CONSUMMATION OF THE PLAN

Section 13.01. Conditions Precedent to Confirmation

It shall be a condition to Confirmation of the Plan that the Disclosure Statement Order shall have been entered by the Bankruptcy Court on the docket of the Chapter 11 Cases, in form and substance acceptable to the Debtors, the DIP Lenders and the Restructuring Support Parties (except that the consent of Consenting Unsecured Noteholders shall only be required to the extent provided for under the RSA), and such order shall not be subject to a stay.

Section 13.02. Conditions Precedent to the Effective Date

It shall be a condition to occurrence of the Effective Date of the Plan that the following conditions shall have been satisfied or waived pursuant to Section 10.03 of the Plan:

(i) all conditions precedent to Confirmation have been satisfied;

(ii) the RSA shall have been approved pursuant to a Final Order of the Bankruptcy Court and shall not have been terminated in accordance with its terms;

(iii) the Confirmation Order shall have been entered by the Bankruptcy Court on the docket of the Chapter 11 Cases, in form and substance acceptable to the Debtors, the DIP Lenders and the Restructuring Support Parties (except that the consent of Consenting Unsecured Noteholders shall only be required to the extent provided for under the RSA), and such order shall not be subject to a stay;

(iv) the Plan, the Plan Supplement, and all other documents related to the Restructuring Transactions shall each be in form and substance consistent with the RSA and the Plan and otherwise acceptable to the Debtors and Restructuring Support Parties (except that the consent of Consenting Unsecured Noteholders shall only be required to the extent provided for under the RSA);

(v) all other actions and documents necessary to implement the provisions of the Plan to be effectuated on or before the Effective Date (including but not limited to the Plan Supplement) shall be satisfactory to the Debtors, the DIP Lenders, the Restructuring Support Parties (except that the consent of Consenting Unsecured Noteholders shall only be required to the extent provided for under the RSA); and

(vi) the Debtors shall have received all authorizations, consents, approvals, regulatory approvals, rulings, letters, opinions or documents, if any, necessary to implement the Plan.

Section 13.03. Effect of Non-Occurrence of Conditions to Confirmation or Conditions Precedent to the Effective Date

If the conditions in Section 10.01 and Section 10.02 of the Plan are not satisfied, or if the Confirmation Order is vacated, the Plan shall be null and void in all respects and nothing contained in the Plan or this Disclosure Statement shall: (a) constitute a waiver or release of any Claims by or against, or any Equity Interests in, the Debtors; (b) prejudice in any manner the rights of the Debtors, or any other Person or Entity; or (c) constitute an admission, acknowledgment, offer or undertaking by the Debtors or any other Person or Entity in any respects.

Section 13.04. Waiver of Conditions Precedent

The Debtors may waive any of the conditions precedent set forth in Section 10.01 and Section 10.02 of the Plan in whole or in part at any time with the written consent of the DIP Lenders and the Consenting Secured Noteholders.

ARTICLE XIV

MODIFICATION, REVOCATION OR WITHDRAWAL OF THE PLAN

Section 14.01. Modification of the Plan

The Debtors reserve the right, in accordance with the Bankruptcy Code and the Bankruptcy Rules and with the consent of the DIP Lenders and the Restructuring Support Parties (except that the consent of Consenting Unsecured Noteholders shall only be required to the extent provided for under the RSA), to amend or modify the Plan before the entry of the Confirmation Order. After entry of the Confirmation Order, the Debtor(s) may, with the consent of the DIP Lenders and the Restructuring Support Parties (except that the consent of Consenting Unsecured Noteholders shall only be required to the extent provided for under the RSA), amend or modify the Plan in accordance with section 1127(b) of the Bankruptcy Code, remedy any defect or omission or reconcile any inconsistency in the Plan in such manner as may be necessary to carry out the purpose and intent of the Plan.

Entry of a 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.

Section 14.02. Revocation or Withdrawal of the Plan

The Debtors reserve the right, with the consent of the DIP Lenders and the Restructuring Support Parties (except that the consent of Consenting Unsecured Noteholders shall only be required to the extent provided for under the RSA), to revoke or withdraw the Plan before the Confirmation Date and to file subsequent chapter 11 plans. If the Debtors revoke or withdraw the Plan, or if Confirmation or Consummation does not occur with respect to the Plan, then: (a) the Plan will be null and void in all respects; (b) any settlement or compromise embodied in the Plan, assumption or rejection of Executory Contracts or Unexpired Leases effected by the Plan, and any document or agreement executed pursuant hereto shall be null and void in all respects; and (c) nothing contained in the Plan or this Disclosure Statement shall: (i) constitute a waiver or release of any Claims by or against, or any Equity Interests in, the Debtors; (ii) prejudice in any manner the rights of the Debtors or any other Entity; or (iii) constitute an admission, acknowledgment, offer or undertaking by the Debtors or any other Entity in any respects.

ARTICLE XV

EFFECT OF CONFIRMATION OF THE PLAN

Section 15.01. Discharge of Claims Against and Equity Interests in the Debtors

Except as otherwise provided for herein or in the Confirmation Order and effective as of the Effective Date: (a) the rights afforded in the Plan and the treatment of all Claims against and Equity Interests in the Debtors shall be in exchange for and in complete satisfaction, discharge, and release of all Claims against and Equity Interests in, their

property and Estates of any nature whatsoever, including any interest accrued on such Claims from and after the Petition Date; (b) the Plan shall bind all holders of Claims against and Equity Interests in the Debtors, notwithstanding whether any such holders failed to vote to accept or reject the Plan or voted to reject the Plan; (c) the Debtors shall be deemed discharged and released under and to the fullest extent provided under the Bankruptcy Code from any and all Claims against and Equity Interests in the Debtors, of any kind or nature whatsoever, and all Claims against and Equity Interests in the Debtors, their property and Estates shall be deemed satisfied, discharged, and released in full, and the Debtors' liability with respect thereto shall be extinguished completely, including any liability of the kind specified under section 502(g) of the Bankruptcy Code; and (d) all Entities shall be precluded from asserting against the Debtors or the Reorganized Debtors, as applicable, their Estates, their successors and assigns and their assets and properties any and all Claims, Equity Interests, damages, debts, and other liabilities based upon any documents, instruments, or any act or omission, transaction or other activity of any kind or nature that occurred prior to the Effective Date.

Section 15.02. Certain Releases by the Debtors

Notwithstanding anything contained herein to the contrary, on the Confirmation Date and effective as of the Effective Date, and to the fullest extent authorized by applicable law, for good and valuable consideration, the adequacy of which is hereby confirmed, the Released Parties are deemed conclusively, absolutely, unconditionally, irrevocably, and forever released and discharged by the Debtors, the Reorganized Debtors, their Estates and any Person or Entity seeking to exercise the rights of the Debtors, the Reorganized Debtors or their Estates from any and all claims, obligations, suits, judgments, damages, demands, debts, remedies, Causes of Action, rights of setoff, other rights, and liabilities whatsoever, whether for tort, contract, violations of federal or state securities laws, Avoidance Actions, including any derivative claims, asserted or that could possibly have been asserted directly or indirectly on behalf of the Debtors, the Reorganized Debtors, their Estates or their Affiliates, whether liquidated or unliquidated, fixed or contingent, matured or unmatured, known or unknown, foreseen or unforeseen, existing or hereafter arising, in law, equity, or otherwise, and any and all Causes of Action asserted or that could possibly have been asserted on behalf of the Debtors, the Reorganized Debtors, the Estates or their Affiliates (whether individually or collectively) or on behalf of the holder of any Claim or Equity Interest or other Entity, based on or in any way relating to, or in any manner arising from, in whole or in part, the Debtors, the Reorganized Debtors, their Estates or their Affiliates, the conduct of the Debtors' businesses, the negotiation and issuance of the First Lien Notes and the Second Lien Notes and any act or omission, transaction, agreement, event or other occurrence taking place in connection therewith, the formulation, preparation, solicitation, dissemination, negotiation, or filing of this Disclosure Statement or Plan or any contract, instrument, release, or other agreement or document created or entered into in connection with or pursuant to this Disclosure Statement, or the Plan, the filing and prosecution of the Chapter 11 Cases, the pursuit of Confirmation, the pursuit of Consummation, the purchase, sale, or rescission of the purchase or sale of any Security of the Debtors, the formulation, preparation, negotiation, implementation or pricing of the Reallocation Procedures, the subject matter of, or the transactions or events giving rise to, any Claim or Equity Interest that is treated in the

Plan, the business or contractual arrangements between the Debtors, their Estates or their Affiliates, on the one hand, and any Released Party, on the other hand, prepetition contracts and agreements with one or both Debtors, or any other act or omission, transaction, agreement, event, or other occurrence taking place before the Effective Date; provided that to the extent that a claim or Cause of Action (other than with respect to the negotiation and issuance of the First Lien Notes and the Second Lien Notes and any act or omission, transaction, agreement, event or other occurrence taking place in connection therewith) is determined by a Final Order to have resulted from fraud, gross negligence or willful misconduct of a Released Party, such claim or Cause of Action shall not be so released against such Released Party; provided further, that the foregoing "Release by the Debtors" shall be deemed to include any and all pre-Effective Date claims and Causes of Action which may be asserted against any Released Party and their respective predecessors, successors and assigns, and current and former shareholders, affiliates, subsidiaries, principals, employees, agents, officers, directors, managers, trustees, partners, members, professionals, representatives, advisors, attorneys, financial advisors, accountants, investment bankers, and consultants, in each case in their capacity as such, at any time including (without limitation) arising from, related to, or in connection with any prepetition debt purchases or exchanges by Prepetition Secured Parties. Notwithstanding anything to the contrary in the foregoing, the release set forth above does not release any obligations arising on or after the Effective Date of any party under the Plan, or any document, instrument, or agreement (including those set forth in the Plan Supplement) executed to implement the Plan.

Entry of the Confirmation Order shall constitute the Bankruptcy Court's approval, pursuant to Bankruptcy Rule 9019, of the release set forth in Section 11.02 of the Plan, which includes by reference each of the related provisions and definitions contained herein, and further, shall constitute the Bankruptcy Court's finding that such release is: (a) in exchange for the good and valuable consideration provided by the Released Parties; (b) a good faith settlement and compromise of the claims released by Section 11.02 of the Plan; (c) in the best interests of the Debtors, their Estates and all holders of Claims and Equity Interests; (d) fair, equitable, and reasonable; (e) given and made after due notice and opportunity for hearing; and (f) a bar to any Entity asserting any claim or Cause of Action released by Section 11.02 of the Plan.

Section 15.03. Certain Voluntary Releases by Holders of Claims and Equity Interests

Notwithstanding anything contained herein to the contrary, on the Confirmation Date and effective as of the Effective Date, and to the fullest extent authorized by applicable law, the Releasing Parties shall be deemed to have conclusively, absolutely, unconditionally, irrevocably, and forever, released and discharged the Released Parties from any and all claims, obligations, suits, judgments, damages, demands, debts, remedies, Causes of Action, rights of setoff, other rights, and liabilities whatsoever, whether for tort, contract, violations of federal or state securities laws, Avoidance Actions, including any derivative claims, asserted or that could possibly have been asserted directly or indirectly on behalf of the Releasing Parties or their Affiliates, whether liquidated or unliquidated, fixed or contingent, matured or unmatured, known or unknown, foreseen or unforeseen, existing or hereafter arising, in law, equity, or otherwise, and any and all Causes of Action

asserted or that could possibly have been asserted on behalf of the Releasing Parties or their Affiliates (whether individually or collectively) or on behalf of the holder of any Claim or Equity Interest or other Entity, based on or in any way relating to, or in any manner arising from, in whole or in part, the Debtors, their Estates or their Affiliates, the conduct of the Debtors' businesses, the negotiation and issuance of the First Lien Notes and the Second Lien Notes and any act or omission, transaction, agreement, event or other occurrence taking place in connection therewith, the formulation, preparation, solicitation, dissemination, negotiation, or filing of this Disclosure Statement or Plan or any contract, instrument, release, or other agreement or document created or entered into in connection with or pursuant to this Disclosure Statement, or the Plan; the filing and prosecution of the Chapter 11 Cases, the pursuit of Confirmation, the pursuit of Consummation, the purchase, sale, or rescission of the purchase or sale of any Security of the Debtors, the formulation, preparation, negotiation, implementation or pricing of the Reallocation Procedures, the subject matter of, or the transactions or events giving rise to, any Claim or Equity Interest that is treated in the Plan, the business or contractual arrangements between the Debtors, their Estates or their Affiliates, on the one hand, and any Released Party, on the other hand, prepetition contracts and agreements with one or both Debtors, or any other act or omission, transaction, agreement, event, or other occurrence taking place before the Effective Date; provided that to the extent that a claim or Cause of Action (other than with respect to the negotiation and issuance of the First Lien Notes and the Second Lien Notes and any act or omission, transaction, agreement, event or other occurrence taking place in connection therewith) is determined by a Final Order to have resulted from fraud, gross negligence or willful misconduct of a Released Party, such claim or Cause of Action shall not be so released against such Released Party; provided further, that the foregoing "Release by Holders of Claims and Equity Interests" shall be deemed to include any and all pre-Effective Date claims and Causes of Action which may be asserted against any Released Party and their respective predecessors, successors and assigns, and current and former shareholders, affiliates, subsidiaries, principals, employees, agents, officers, directors, managers, trustees, partners, members, professionals, representatives, advisors, attorneys, financial advisors, accountants, investment bankers, and consultants, in each case in their capacity as such, at any time, including (without limitation) arising from, related to, or in connection with any prepetition debt purchases or exchanges by Prepetition Secured Parties. Notwithstanding anything to the contrary in the foregoing, the release set forth above does not release any obligations arising on or after the Effective Date of any party under the Plan, or any document, instrument, or agreement (including those set forth in the Plan Supplement) executed to implement the Plan.

Entry of the Confirmation Order shall constitute the Bankruptcy Court's approval, pursuant to Bankruptcy Rule 9019, of the release set forth in Section 11.03 of the Plan, which includes by reference each of the related provisions and definitions contained herein, and further, shall constitute the Bankruptcy Court's finding that such release is: (a) in exchange for the good and valuable consideration provided by the Released Parties; (b) a good faith settlement and compromise of the claims released by Section 11.03 of the Plan; (c) in the best interests of the Debtors, their Estates and all holders of Claims and Equity Interests; (d) fair, equitable, and reasonable; (e) given and made after due notice and opportunity for hearing; and (f) a bar to any Entity granting a release under this Section

11.03 of the Plan from asserting any claim or Cause of Action released by Section 11.03 of the Plan.

Section 15.04. Exculpation

Effective as of the Effective Date and to the fullest extent authorized by applicable law, no Exculpated Party shall have or incur, and each Exculpated Party is hereby released and exculpated from, any Exculpated Claim or any obligation, Cause of Action, or liability for any Exculpated Claim; provided that each Exculpated Party shall be entitled to rely upon the advice of counsel concerning his, her or its duties pursuant to, or in connection with, the Plan or any other related document, instrument, or agreement; provided, further, that the foregoing "Exculpation" shall have no effect on the liability of any Exculpated Party to the extent determined in a Final Order to have resulted from actual fraud, gross negligence or willful misconduct of such Exculpated Party; provided, further, that the foregoing "Exculpation" shall be deemed to include any and all claims and Causes of Action arising before the Effective Date which may be asserted against any Exculpated Party or their respective predecessors, successors and assigns, and current and former shareholders, affiliates, subsidiaries, principals, employees, agents, officers, directors, managers, trustees, partners, members, professionals, representatives, advisors, attorneys, financial advisors, accountants, investment bankers, and consultants, in each case in their capacity as such, at any time, including (without limitation) arising from, related to, or in connection with any prepetition debt purchases or exchanges by the Prepetition Secured Parties. The Exculpated Parties have, and upon Confirmation shall be deemed to have, participated in good faith and in compliance with the applicable provisions of the Bankruptcy Code with regard to the solicitation of acceptances and rejections of the Plan and the making of distributions pursuant to the Plan and, therefore, are not and shall not be liable at any time for the violation of any applicable, law, rule, or regulation governing the solicitation of acceptances or rejections of the Plan or such distributions made pursuant to the Plan.

Section 15.05. Injunction

Except as otherwise provided herein or in the Confirmation Order, from and after the Effective Date and to the fullest extent authorized by applicable law, all Entities are, to the fullest extent provided under section 524 and other applicable provisions of the Bankruptcy Code, permanently enjoined and forever barred from taking any of the following actions against, as applicable, the Released Parties, the Debtors, the Reorganized Debtors, or the Exculpated Parties and their respective properties and Assets: (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 Claims or Equity Interests; (b) enforcing, attaching, collecting, or recovering by any manner or means any judgment, award, decree, or order on account of or in connection with or with respect to any such Claims or Equity Interests; (c) creating, perfecting, or enforcing any encumbrance of any kind on account of or in connection with or with respect to any such Claims or Equity Interests; (d) asserting any right of setoff, subrogation, or recoupment of any kind on account of or in connection with or with respect to any such Claims or Equity Interests unless such holder has filed a motion requesting the right to perform such setoff on or

before the Confirmation Date; 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 Equity Interests released, exculpated or settled pursuant to the Plan.

Section 15.06. Protection Against Discriminatory Treatment

In accordance with section 525 of the Bankruptcy Code, and consistent with paragraph 2 of Article VI of the United States Constitution, no Governmental Unit shall discriminate against any Debtor or Reorganized Debtor, as applicable, or any Entity with which a Debtor or Reorganized Debtor has been or is associated, solely because such Debtor or Reorganized Debtor was a debtor under chapter 11, may have been insolvent before the commencement of the Chapter 11 Cases (or during the Chapter 11 Cases but before such Debtor or Reorganized Debtor was granted a discharge) or has not paid a debt that is dischargeable in the Chapter 11 Cases.

Section 15.07. Release of Liens

Except as otherwise provided herein, in the Confirmation Order, or in any contract, instrument, release or other agreement or document created pursuant to or as contemplated under the Plan, on the Effective Date all mortgages, deeds of trust, Liens, pledges or other security interests against any property of the Debtors' Estates shall be fully released, settled and discharged, and all of the rights, title and interest of any holder of such mortgages, deeds of trust, Liens, pledges or other security interests shall revert to the Debtors or the Reorganized Debtors, as applicable.

Section 15.08. Cancellation of Securities and Notes Against the Debtors

(a) So long as the treatments provided for herein, and the distributions contemplated thereby, are effectuated or made, on the Effective Date, but subject to Section 11.08 and the introductory paragraph to ARTICLE III of the Plan, each of (a) the DIP Loan Documents; (b) the First Lien Senior Notes; (c) the Second Lien Senior Notes; (d) the 8.875% Senior Notes; (e) the PIK Toggle Notes; (f) the Equity Interests in the Debtors; and (g) any other notes, bonds, indentures, certificates or other instruments or documents evidencing or creating any Claims or Equity Interests that are Impaired by the Plan, shall be cancelled and deemed terminated and satisfied and discharged without any need for further action or approval of the Bankruptcy Court solely with respect to the Debtors, and the holders thereof shall have no further rights or entitlements in respect thereof against the Debtors or the Reorganized Debtors, except the rights to receive the distributions, if any, to which the holders thereof are entitled under the Plan.

(b) The 8.875% Senior Notes Trustee shall be released from all duties under the 8.875% Senior Notes Indenture, provided however, that notwithstanding Confirmation or Consummation of the Plan, the 8.875% Senior Notes Indenture shall remain in effect solely for the purposes of:

(i) preserving any rights of the 8.875% Senior Notes Trustee to payment of fees, expenses, indemnification obligations and liens securing such right to payment from or on any money or property distributed in respect to the

8.875% Senior Notes Claims under the Plan or from the holders of Allowed 8.875% Senior Notes Claims;

(ii) allowing the 8.875% Senior Notes Trustee to make the distributions in accordance with the Plan;

(iii) allowing the holders of Allowed 8.875% Senior Notes Claims to receive distributions under the Plan from the 8.875% Senior Notes Trustee or from any other source, to the extent provided for under the Plan; and

(iv) allowing the 8.875% Senior Notes Trustee to enforce any obligations owed to it under the Plan.

For the further avoidance of doubt, prior to making any distribution thereof to the holders of such claims, the 8.875% Senior Notes Trustee shall be entitled to apply the $6,500,000 in Cash to be distributed on account of the Allowed 8.875% Senior Notes Claims as necessary to provide for (i) the payment of the 8.875% Senior Notes Trustee's own fees and expenses and the fees and expenses of its attorneys and other professionals due and owing under the 8.875% Senior Notes Indenture, and (ii) reasonable amounts required to be used to pay for anticipated future administrative expenses related to the Noteholder Holdco as determined in good faith by a majority of the Consenting Unsecured Noteholders.

(c) The Senior PIK Toggle Notes Trustee shall be released from all duties under the Senior PIK Toggle Notes Indenture; provided, however, that notwithstanding Confirmation or Consummation of the Plan, the Senior PIK Toggle Notes Indenture shall remain in effect solely for the purposes of:

(i) preserving any rights of the Senior PIK Toggle Notes Trustee to payment of fees, expenses, indemnification obligations and liens securing such right to payment from or on any money or property distributed in respect to the Senior PIK Toggle Notes Claims under this Plan or from the holders of Allowed Senior PIK Toggle Notes Claims;

(ii) allowing the Senior PIK Toggle Notes Trustee to make the distributions in accordance with the Plan;

(iii) allowing the holders of Allowed Senior PIK Toggle Notes Claims to receive distributions under the Plan from the Senior PIK Toggle Notes Trustee or from any other source, to the extent provided for under the Plan; and

(iv) allowing the Senior PIK Toggle Notes Trustee to enforce any obligations owed to it under the Plan.

For the further avoidance of doubt, prior to making any distribution thereof to the holders of such claims, the Senior PIK Toggle Notes Trustee shall be entitled to apply the DPC Residual Value to be distributed on account of the Allowed Senior PIK Toggle Notes Claims), as necessary to provide for (i) the payment of the Senior PIK Toggle Notes Trustee's own fees and

expenses and the fees and expenses of its attorneys and other professionals due and owing under the Senior PIK Toggle Notes Indenture.

ARTICLE XVI

MISCELLANEOUS PROVISIONS

Section 16.01. General Settlement of Claims

Unless otherwise set forth in the Plan, pursuant to section 1123 of the Bankruptcy Code and Bankruptcy Rule 9019, and in consideration for the classification, distributions, releases, and other benefits provided under the Plan, on the Effective Date, the provisions of the Plan constitute a good-faith compromise and settlement of all Claims against and Equity Interests in the Debtors.

Section 16.02. Preservation of Causes of Action Not Expressly Released

The Debtors or the Reorganized Debtors, as applicable, retain all rights to commence and pursue, as appropriate, any and all claims or Causes of Action of the Debtors or the Reorganized Debtors, as applicable, whether arising before or after the Petition Date, in any court or other tribunal including, without limitation, in an adversary proceeding filed in one or more of the Chapter 11 Cases, other than Avoidance Actions or any Causes of Action released under the Plan. The failure to list any potential or existing claims or Causes of Action is not intended to limit the rights of the Debtors or the Reorganized Debtors, as applicable, to pursue any claims or Causes of Action not listed or identified.

Unless a claim or Cause of Action against a Creditor or other Person or Entity is expressly waived, relinquished, released, compromised or settled in the Plan or any Final Order, the Debtors or the Reorganized Debtors, as applicable, expressly reserve such claim or Cause of Action for later adjudication for and on behalf of the Debtors or the Reorganized Debtors, as applicable (including, without limitation, claims and Causes of Action not specifically identified or which Debtors may presently be unaware or which may arise or exist by reason of additional facts or circumstances unknown to the Debtors at this time or facts or circumstances which may change or be different from those which the Debtors now believe to exist). No preclusion doctrine, including, without limitation, the doctrines of res judicata, collateral estoppel, issue preclusion, claim preclusion, waiver, estoppel (judicial, equitable or otherwise) or laches shall apply to such claims or Causes of Action upon or after the Confirmation or Consummation of the Plan based on this Disclosure Statement, the Plan or the Confirmation Order, except where such claims or Causes of Action have been released in the Plan or other Final Order. In addition, the Debtors or the Reorganized Debtors, as applicable, and their successor entities under the Plan expressly reserve the right to pursue or adopt any claims alleged in any lawsuit in which the Debtors or the Reorganized Debtors, as applicable, are a defendant or an interested party, against any Person or Entity, including, without limitation, the plaintiffs or co-defendants in such lawsuits.

Except as otherwise provided in the Plan or in any contract, instrument, release, indenture or other agreement entered into in connection with the Plan, in accordance with section

1123(b)(3) of the Bankruptcy Code, any claims, rights, and Causes of Action that the Debtors or the Reorganized Debtors, as applicable, may hold against any Person, shall vest as of the Effective Date in the Reorganized Debtors, and the Reorganized Debtors, through their authorized agents or representatives, shall retain and may exclusively enforce any and all such claims, rights or Causes of Action without the consent or approval of any third party and without any further order of court.

Delivery (by any means) of the Plan or Disclosure Statement to any Person to whom the Debtors or the Reorganized Debtors, as applicable, have incurred an obligation (whether on account of services, purchase or sale of goods or otherwise), or who has received services from the Debtors or the Reorganized Debtors, as applicable, or a transfer of money or property of the Debtors or the Reorganized Debtors, as applicable, or who has transacted business with the Debtors or the Reorganized Debtors, as applicable, or leased equipment or property from the Debtors or the Reorganized Debtors, as applicable, shall constitute actual notice that such obligation, transfer, or transaction may be reviewed by the Debtors or the Reorganized Debtors, as applicable subsequent to the Effective Date and may, if appropriate, be the subject of an action after the Effective Date, whether or not: (a) such Person has filed a Proof of Claim in these Chapter 11 Cases; (b) such Person's Proof of Claim has been objected to by the Debtors or the Reorganized Debtors, as applicable; (c) such Person's Claim was included in Debtors' Schedules; (d) such Person's scheduled Claim has been objected to by the Debtors or the Reorganized Debtors, as applicable, or has been identified by the Debtors or the Reorganized Debtors, as applicable, as a Disputed Claim; or (e) such action falls within the list of affirmative Causes of Action in the Plan Supplement.

Section 16.03. Section 1146(a) Exemption

Pursuant to section 1146(a) of the Bankruptcy Code, any transfers of property under the Plan shall not be subject to any stamp tax, conveyance fee, intangibles or similar tax, mortgage tax, real estate transfer tax, mortgage recording tax, or other similar tax or governmental assessment. Upon entry of the Confirmation Order, the appropriate state or local governmental officials or agents shall forego the collection of any such tax.

Section 16.04. Elimination of Vacant Classes

Any Class of Claims or Equity Interests that is not populated as of the commencement of the Confirmation Hearing by an Allowed Claim or Equity Interest, or a Claim or Equity Interest that is temporarily allowed under Bankruptcy Rule 3018, shall be deemed eliminated from the Plan for purposes of: (a) voting to accept or reject the Plan; and (b) determining the acceptance or rejection of the Plan by such Class pursuant to section 1129(a)(8) of the Bankruptcy Code.

Section 16.05. Intercompany Claims

On the Effective Date, or as soon as practicable thereafter, all Intercompany Claims between and among the Debtors shall be reinstated or compromised by the Reorganized Debtors, as applicable, consistent with the Reorganized Debtors' business plan, and subject to the consent of the DIP Lenders and the Consenting Secured Noteholders.

Section 16.06. Additional Documents

On or before the Effective Date, the Debtors may file with the Bankruptcy 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 or the Reorganized Debtors, as applicable, and all holders of Claims and Equity 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.

Section 16.07. Successors and Assigns

The rights, benefits and obligations of any Entity named or referred to in the Plan shall be binding on, and shall inure to the benefit of any heir, executor, administrator, successor or assign, Affiliate, officer, director, agent, representative, attorney, beneficiaries, or guardian, if any, of each Entity.

Section 16.08. Reservation of Rights

Except as expressly set forth in the Plan, the Plan shall have no force or effect unless the Bankruptcy Court has entered the Confirmation Order. Neither the Plan, any statement or provision contained in the Plan, nor any action taken or not taken by any Debtor or Reorganized Debtors, as applicable, with respect to the Plan, this 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 or the Reorganized Debtors, as applicable, with respect to the holders of Claims or Equity Interests prior to the Effective Date.

Section 16.09. Notices

Except as otherwise set forth in the Plan, all notices or requests in connection with the Plan shall be in writing and will be deemed to have been given when received by personal delivery, facsimile, e-mail, overnight courier or first class mail and addressed to:

If to the Debtors:	Bracewell LLP Attn: Robert G. Burns, Robin J. Miles 1251 Avenue of Americas, 49th Floor New York, New York 10020 Facsimile: (800) 404-3970 Robert.Burns@bracewelllaw.com Robin.Miles@bracewelllaw.com
If to the DIP Lenders or the Consenting Secured Noteholders	Davis Polk & Wardwell LLP Attn: Damian S. Schaible, Darren S. Klein 450 Lexington Avenue New York, NY 10017 Fax: (212) 701-5580 damian.schaible@davispolk.com

	darren.klein@davispolk.com

Section 16.10. Term of Injunctions or Stay

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 Bankruptcy Court) and existing 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.

Section 16.11. Entire Agreement

Except as otherwise indicated, on the Effective Date, the Plan supersedes all previous and contemporaneous negotiations, promises, covenants, agreements, understandings, and representations on such subjects, all of which will have become merged and integrated into the Plan on the Effective Date. To the extent the Confirmation Order is inconsistent with the Plan, the Confirmation Order shall control for all purposes.

Section 16.12. Plan Supplement 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 made available upon written request to the Debtors' counsel at the address above or by downloading such exhibits and documents from the Claims and Solicitation Agent's website at http://www.bmcgroup.com/venoco or the Bankruptcy Court's website at www.deb.uscourts.gov.

Section 16.13. Severability

If, prior to the entry of the Confirmation Order, any term or provision of the Plan is held by the Bankruptcy Court to be invalid, void or unenforceable, the Bankruptcy Court, at the request of the Debtors, shall have the power to alter and interpret such term or provision to make it valid or enforceable to the maximum extent practicable, consistent with the original purpose of the term or provision held to be invalid, void or unenforceable, and such term or provision shall then be applicable as altered or interpreted. Notwithstanding any such holding, alteration or interpretation, the remainder of the terms and provisions of the Plan shall remain in full force and effect and shall in no way be affected, impaired or invalidated by such holding, alteration or interpretation. The Confirmation Order shall constitute a judicial determination and shall provide that each term and provision of the Plan, as it may have been altered or interpreted in accordance with the foregoing, is (a) valid and enforceable pursuant to its terms; (b) integral to the Plan; and (c) non-severable and mutually dependent.

Section 16.14. Substantial Consummation

On the Effective Date, the Plan shall be deemed to be substantially consummated under sections 1101 and 1127(b) of the Bankruptcy Code.

ARTICLE XVII

CERTAIN MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES

Section 17.01. Certain Material U.S. Federal Income Tax Consequences of the Plan

The following discussion summarizes certain material U.S. federal income tax consequences of the implementation of the Plan to the Reorganized Debtors and to certain U.S. Holders (as defined below) of certain Allowed Claims. This discussion does not purport to be a complete analysis or listing of all potential tax considerations.

This summary does not address the U.S. federal income tax consequences to holders (i) of claims who are deemed to have rejected the Plan in accordance with the provisions of section 1126(g) of the Bankruptcy Code, (ii) whose claims are entitled to payment in full in Cash or are otherwise unimpaired under the Plan, or (iii) whose claims are extinguished without distribution in exchange therefore.

This summary is based on the Internal Revenue Code of 1986, as amended (the "IRC"), existing and proposed Treasury regulations promulgated thereunder ("Treasury Regulations"), judicial decisions, and published administrative rules and pronouncements of the Internal Revenue Service ("IRS") as in effect on the date hereof, all of which are subject to change, possibly on a retroactive basis. Any such change could significantly affect the U.S. federal income tax consequences described below.

The U.S. federal income tax consequences of the Plan are complex and due to a lack of definitive judicial or administrative authority or interpretation, are subject to significant uncertainties. The Debtors have not requested a ruling from the IRS or an opinion of counsel with respect to any of the tax aspects of the Plan. The discussion below is not binding on the IRS. Thus, no assurance can be given that the IRS would not assert, or that a court would not sustain, a different position from any discussed herein. In addition, this summary does not address any estate or gift tax consequences of the Plan or the consequences of the Plan under any state, local or foreign income or other tax laws, nor does it purport to address the U.S. federal income tax consequences of the Plan to special classes of taxpayers (such as persons who are related to the Debtors within the meaning of the IRC, any holder that is not a U.S. Holder, broker-dealers, banks, mutual funds, insurance companies, financial institutions, thrifts, small business investment companies, regulated investment companies, tax-exempt organizations, holders of claims who are themselves in bankruptcy, U.S. persons whose functional currency is not the U.S. dollar, dealers in securities or foreign currency, traders that mark-to-market their securities, certain expatriates or former long-term residents of the United States, persons subject to the alternative minimum tax and persons holding claims that are part of a straddle, hedging, constructive sale or conversion transaction).

This discussion assumes, except as noted below, that the claims are held as "capital assets" (generally, property held for investment) within the meaning of section 1221 of the IRC, and that the various debt and other arrangements to which the Debtors are parties will be respected for U.S. federal income tax purposes in accordance with their form.

The following discussion only addresses the U.S. federal income tax consequences to holders of certain Allowed Claims that are U.S. Holders. For purposes of this discussion, a "U.S. Holder" is a holder that is: (a) an individual citizen or resident of the United States for U.S. federal income tax purposes; (b) a corporation (or other entity treated as a corporation for U.S. 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 U.S. federal income taxation regardless of the source of such income; or (d) a trust (i) if a court within the United States is able to exercise primary jurisdiction over the trust's administration and one or more U.S. persons have authority to control all substantial decisions of the trust or (ii) that has a valid election in effect under applicable Treasury Regulations to be treated as a U.S. person. If a holder is a partnership or a disregarded entity for U.S. federal income tax purposes, the tax treatment of a partner in or owner of such entity generally will depend upon the status of such partner or owner, and the activities of the entity. Partners or owners of other pass-through entities that are holders of Allowed Claims should consult their respective tax advisors regarding the U.S. federal income tax consequences of the Plan.

This discussion also assumes that holders hold only Claims in a single class. Holders of multiple classes of Claims should consult their own tax advisors as to the effect such ownership may have on the U.S. federal income tax consequences described below.

Finally, this discussion assumes that, based on the reasonable expectation as to the economic life of the Unsecured LLA Override and the expected duration of the Unsecured LLA Override, the Unsecured LLA Override will be treated for U.S. federal income tax purposes as a continuing, nonoperating economic interest in the nature of a royalty. **THE FOLLOWING SUMMARY OF CERTAIN MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES IS FOR INFORMATIONAL PURPOSES ONLY AND IS NOT A SUBSTITUTE FOR CAREFUL TAX PLANNING AND ADVICE BASED UPON THE PARTICULAR CIRCUMSTANCES PERTAINING TO A HOLDER OF A CLAIM. EACH HOLDER OF A CLAIM IS URGED TO CONSULT ITS OWN TAX ADVISOR FOR U.S. FEDERAL, STATE, LOCAL AND FOREIGN INCOME AND OTHER TAX CONSEQUENCES APPLICABLE TO IT UNDER THE PLAN.**

Section 17.02. Consequences to the Debtors

For U.S. federal income tax purposes, the Debtors are members of an affiliated group of corporations (or disregarded entities wholly owned by members of such group) of which DPC is the common parent, which files a single consolidated U.S. federal income tax return (the "DPC Group"). The Debtors estimate that the DPC Group has NOL carryforwards in excess of $550 million for U.S. federal income tax purposes as of December 31, 2015. The amount of any such NOL carryforwards and other Tax Attributes (as defined below), and the extent to which any limitations apply, remain subject to audit and adjustment by the IRS. In addition, as

discussed below, the amount of the Debtors' NOLs and possibly certain other Tax Attributes, may be eliminated or significantly reduced upon implementation of the Plan.

This summary does not purport to comprehensively discuss the tax consequences to the Debtors of the Reallocation Procedures under Section 4.01 of the Plan, including, but not limited to, the administration of such Reallocation Procedures under Section 4.01(e) of the Plan, which are outside the scope of this summary. However, for U.S. federal income tax purposes, because the U.S. Holders of Allowed Claims should be deemed to receive the Default Distribution in the first instance from the Debtors, and any exchange pursuant to the Reallocation Procedures should be treated as occurring among such U.S. Holders and not as additional consideration from the Debtors, it is not expected that such Reallocation Procedures will result in additional tax consequences to the Debtors. For a discussion of tax consequences of the Reallocation Procedures to certain U.S. Holders, *See* Section 17.03 "*Consequences to the Holders of Certain Claims.*"

(a) Deconsolidation from DPC

It is anticipated that the Plan will result in the deconsolidation of Venoco and its subsidiaries from the DPC Group, as a result of the cancellation of DPC's equity interests in Venoco and the dissolution of DPC pursuant to the Plan. The Debtors do not expect the deconsolidation to have material adverse tax consequences to the Reorganized Debtors. Pursuant to section 6.16 of the Plan, Venoco is appointed, pursuant to section 1123(b)(3)(B) of the Bankruptcy Code, to handle all of the DPC Group's tax matters, including, without limitation, the filing of all tax returns, and the handling of tax audits and proceedings, and may act in its own self-interest and in the interest of its subsidiaries and affiliates, without regard to any adverse consequences to DPC.

(b) Cancellation of Indebtedness and Attribute Reduction

It is anticipated that the Plan will result in a cancellation of a significant portion of the Debtors' outstanding indebtedness. In general, the discharge of a debt obligation in exchange for an amount of cash and other property having a fair market value less than the "adjusted issue price" of that debt that is discharged gives rise to cancellation of indebtedness income ("COD Income"). Under the IRC, a taxpayer generally must recognize COD Income to the extent that its indebtedness is discharged during the taxable year. Section 108(a)(1) of the IRC provides exceptions to this rule, however, where a taxpayer is in bankruptcy and where the discharge is granted, or is effected, pursuant to a plan approved by the bankruptcy court with respect to a non-intercompany indebtedness or where the taxpayer is otherwise sufficiently insolvent. In such cases, instead of recognizing COD Income, the taxpayer is generally required, under section 108(b) of the IRC, to reduce certain of its tax attributes by the amount of COD Income that is excluded from gross income, after the determination of the U.S. federal income taxes of the taxpayer for the taxable year in which the discharge occurs. The attributes of the taxpayer generally are reduced in the following order: NOL carryforwards, general business and minimum tax credit carryforwards, capital loss carryforwards, the basis of the taxpayer's assets, and finally, foreign tax credit carryforwards (collectively, "Tax Attributes"). Where the debtor joins in the filing of a consolidated U.S. federal income tax return, applicable Treasury Regulations require, in certain circumstances, that the Tax Attributes of the other members of the

group must also be reduced. Section 108(b)(5) of the IRC permits a taxpayer to elect to first apply the reduction to the basis of the taxpayer's depreciable assets, with any remaining balance applied to the taxpayer's other Tax Attributes in the order stated above.

The Debtors generally will not recognize COD Income from the cancellation of indebtedness with respect to non-intercompany indebtedness pursuant to the Plan; however, certain Tax Attributes of the Debtors will be reduced or eliminated. Because the Debtors' outstanding indebtedness will be satisfied in significant part in exchange for stock and warrants under the Plan, the amount of COD Income, and accordingly, the amount of Tax Attributes required to be reduced, will depend on the fair market value of such consideration. These values cannot be known with certainty until after the Effective Date. Thus, although the Debtors will be required to reduce their Tax Attributes, the exact amount of such reductions will not be known until after the Effective Date. However, the Debtors currently anticipate the Debtors' NOL carryforwards will be significantly reduced or eliminated as a result of implementation of the Plan.

(c) Net Operating Loss Limitations

Following the Effective Date and after applying the cancellation of debt rules discussed above, any remaining NOL carryforwards and other Tax Attributes allocable to periods prior to the Effective Date including certain built-in losses (collectively, "Pre-Change Losses") will be subject to limitation under sections 382 and 383 of the IRC. Section 382 generally limits the amount of Pre-Change Losses a corporate taxpayer can utilize in the years following an "ownership change" (the "Annual Section 382 Limitation"). Section 382 of the IRC also may limit the Debtors' ability to use "net unrealized built-in losses" (i.e., certain losses and deductions that have economically accrued prior to, but remain unrecognized as of, the Effective Date) to offset future income.

An "ownership change" generally occurs when the percentage of the corporation's stock owned by certain 5% shareholders increases by more than 50 percentage points over the lowest percentage owned at any time during the applicable testing period (generally, the shorter of: (i) the three-year period preceding the testing date and (ii) the period of time since the most recent ownership change of the corporation). A 5% shareholder for these purposes includes, generally, an individual or entity that directly or indirectly owns 5% or more of a corporation's stock during the relevant period, and may in certain situations include one or more groups of shareholders that, in the aggregate, own less than 5% of the value of the corporation's stock. The Debtors will undergo an ownership change on the Effective Date.

(d) Annual Section 382 Limitation

As a general rule, a loss corporation's Annual Section 382 Limitation equals the product of (i) the value of the stock of the corporation (with certain adjustments) immediately before the ownership change, and (ii) the applicable "long-term tax-exempt rate," a rate published monthly by the Treasury Department. However, under section 382(l)(6) of the IRC, the Annual Section 382 Limitation with respect to an ownership change occurring pursuant to a loss corporation's Chapter 11 plan is calculated by reference to the lesser of (x) the value of the corporation's stock (with certain adjustments) immediately after the ownership change, and (y) the value of the corporation's pre-change gross assets. Although such calculation may substantially increase the

Annual Section 382 Limitation, the use of any Pre-Change Losses remaining after implementation of the Plan may still be substantially limited. Any unused portion of the Annual Section 382 Limitation generally is available for use in subsequent years, thus increasing the Annual Section 382 Limitation for such years. The Annual Section 382 Limitation is also increased if the loss corporation has net unrealized built-in gains, i.e., certain gains economically accrued but unrecognized at the time of the ownership change, in excess of a threshold amount.

Notwithstanding the foregoing, a loss corporation's Annual Section 382 Limitation would be zero if the loss corporation does not continue its historic business or use a significant portion of its assets in a new business for two years after the ownership change. The Debtors intend to meet the continuity of business requirement for U.S. federal income tax purposes after the ownership change.

(e) Special Bankruptcy Exception

Section 382(1)(5) of the IRC provides an exception to the application of the Annual Section 382 Limitation when a corporation is under the jurisdiction of a court in a Chapter 11 case (the "382(1)(5) Exception"). The 382(1)(5) Exception provides that where an ownership change occurs pursuant to a bankruptcy reorganization or similar proceeding, the Annual Section 382 Limitation will not apply if the pre-change shareholders or "qualified creditors" own at least fifty percent (50%) of the voting power and equity value of the reorganized corporation after the ownership change. Qualified creditors are, in general, creditors who (i) have held their claims continuously since at least eighteen (18) months before the filing of the bankruptcy petition or (ii) hold claims incurred in the ordinary course of the debtor's business and have held those claims continuously since they were incurred. If the 382(l)(5) Exception applies, the taxpayer's ability to use its Pre-Change Losses would not be subject to the Annual Section 382 Limitation, unless the taxpayer affirmatively elects for the 382(l)(5) Exception not to apply. However, several other limitations would apply under the 382(1)(5) Exception, including (a) a corporation's Pre-Change Losses that may be carried over to a post-change year must be reduced to the extent attributable to any interest paid or accrued on debt converted to stock in the reorganization during the three taxable years preceding the Effective Date and during the part of the taxable year prior to and including the Effective Date, and (b) if the taxpayer undergoes another ownership change within two years after the Effective Date, the taxpayer's Annual Section 382 Limitation following that ownership change will be zero.

Whether Reorganized Debtors qualify for the 382(l)(5) Exception is highly fact-specific. While uncertain, under the current terms of the Plan, the Debtors expect that the Reorganized Debtors will not be eligible for the 382(l)(5) Exception. If the Reorganized Debtors do not qualify for the 382(1)(5) Exception or elect out of the 382(l)(5) Exception, the Reorganized Debtors' use of any remaining NOL carryforwards will be subject to the Annual Section 382 Limitation described above.

(f) Alternative Minimum Tax Liability

In general, a federal alternative minimum tax ("AMT") is imposed on a corporation's alternative minimum taxable income ("AMTI") at a 20% rate to the extent that such tax exceeds the corporation's regular U.S. 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. In particular, even though a corporation might otherwise be able to offset all of its taxable income for regular U.S. federal income tax purposes by available NOL carryforwards, a corporation is generally entitled to offset no more than 90% of its AMTI with NOL carryforwards (as recomputed for AMT purposes). Accordingly, usage of the Debtors' NOL carryforwards by the Reorganized Debtors may be subject to limitations for AMT purposes in addition to any other limitations that may apply.

In addition, if a corporation (or a consolidated group) undergoes an ownership change and is in a net unrealized built-in loss position on the date of the ownership change, the corporation's (or group's) aggregate tax basis in its assets may be reduced for certain AMT purposes to reflect the fair market value of such assets as of the change date. Accordingly, if, as expected, the Reorganized Debtors are in a net unrealized built-in loss position on the Effective Date, for certain AMT purposes the tax benefits attributable to the tax basis in assets may be reduced.

Any AMT that a corporation pays generally will be allowed as a nonrefundable credit against its regular U.S. federal income tax liability in future taxable years when the corporation is no longer subject to the AMT.

Section 17.03. Consequences to the Holders of Certain Claims

(a) Consequences to U.S. Holders of Allowed First Lien Notes Claims

Pursuant to the Plan, and in complete and final satisfaction of their Claims, each holder of Allowed First Lien Notes Claims (Class V3), will receive its pro rata share of 90% of the New Common Stock. The U.S. federal income tax consequences of the Plan to a U.S. Holder of an Allowed First Lien Notes Claim will depend, in part, on whether such Claim constitutes a "security" of Venoco for U.S. federal income tax purposes. If an Allowed First Lien Notes Claim does not constitute a "security" of Venoco for U.S. federal income tax purposes, then a U.S. Holder's receipt of New Common Stock in exchange therefor should generally be treated as a taxable transaction as further described below under the heading "*Taxable Exchange*." If, on the other hand, an Allowed First Lien Notes Claim is treated as a "security" of Venoco, then the receipt of New Common Stock in exchange therefor should generally be treated as part of a "reorganization" for U.S. federal income tax purposes, as further described below under the heading "*Reorganization Treatment*."

The term "security" is not defined in the IRC or in the Treasury Regulations and has not been clearly defined by judicial decisions. The determination of whether a particular debt obligation constitutes a "security" depends on an overall evaluation of the nature of the debt, including whether the holder of such debt obligation is subject to a material level of entrepreneurial risk and whether a continuing proprietary interest is intended or not. One of the most significant factors considered in determining whether a particular debt obligation is a security is its original term. In general, debt obligations issued with a weighted average maturity at issuance of less than five (5) years do not constitute securities, whereas debt obligations with a weighted average maturity at issuance of ten (10) years or more do constitute securities. Additionally, the IRS has ruled that new debt obligations with a term of less than five (5) years issued in exchange for, and bearing substantially the same terms (e.g., other than interest rate), as

outstanding securities should also be classified as securities for this purpose since the new debt represents a continuation of the holder's investment in the corporation in substantially the same form. The debt underlying the Allowed First Lien Notes Claims was issued on April 2, 2015 with an original maturity of slightly less than four (4) years. U.S. Holders of Allowed First Lien Notes Claims are urged to consult their own tax advisors regarding the appropriate treatment for U.S. federal income tax purposes of their Claims as "securities" and otherwise concerning the tax consequences to such U.S. Holders of the Plan.

(i) Taxable Exchange

In general, if the exchange of an Allowed First Lien Notes Claim pursuant to the Plan is a taxable exchange, the exchanging U.S. Holder will recognize gain or loss in an amount equal to the difference, if any, between (i) the aggregate fair market value of New Common Stock received in respect of its Claim on the Effective Date (other than any exchange consideration received in respect of a Claim for accrued but unpaid interest and possibly accrued original issue discount ("OID")) and (ii) the holder's adjusted tax basis in the Allowed First Lien Notes Claim (other than any tax basis attributable to accrued but unpaid interest and possibly accrued OID). See Clause 4.—"Character of Gain or Loss" below. In addition, a holder of a Claim will have interest income to the extent of any exchange consideration allocable to accrued but unpaid interest not previously included in income. See Clause 5.—"*Distributions in Respect of Accrued but Unpaid Interest or OID*" below. Each holder is urged to consult its own tax advisor regarding the possible application of (or ability to elect out of) the "installment method" of reporting any gain.

In the case of a taxable exchange, a U.S. Holder's tax basis in the New Common Stock received pursuant to the Plan should equal the fair market value of such New Common Stock on the Effective Date. The U.S. Holder's holding period in the New Common Stock received pursuant to the Plan should commence on the day following the Effective Date.

(ii) Reorganization Treatment

If an Allowed First Lien Notes Claim constitutes a "security" of Venoco for U.S. federal income tax purposes, the receipt of New Common Stock in exchange therefor should generally qualify for "reorganization" exchange treatment for U.S. federal income tax purposes. The classification as a reorganization exchange generally serves to defer the recognition of any gain or loss by the respective U.S. Holder. However, a U.S. Holder of an Allowed First Lien Notes Claim will still have interest income to the extent of any exchange consideration allocable to accrued but unpaid interest not previously included in income. See Clause 5.—"*Distributions in Respect of Accrued but Unpaid Interest or OID*" below.

If the exchange qualifies as a reorganization for U.S. federal income tax purposes, a U.S. Holder's aggregate tax basis in the New Common Stock will equal such U.S. Holder's aggregate adjusted tax basis in the Allowed First Lien Notes Claims exchanged therefor, increased by any gain or interest income recognized in the exchange, and decreased by any deductions claimed in respect of any previously accrued but unpaid interest. In such case, a U.S. Holder's holding period in the New Common Stock will include its holding period in the Allowed First Lien Notes

Claim exchanged therefor, except to the extent of any exchange consideration received in respect of accrued but unpaid interest.

A detailed discussion of the material U.S. federal income tax consequences to U.S. Holders related to ownership, transfer or other disposition of the New Common Stock is generally outside the scope of this discussion. However, U.S. Holders should note, that if the exchange pursuant to the Plan of their Allowed First Lien Notes Claim for New Common Stock qualifies as a reorganization for U.S. federal income tax purposes, in the case of an Allowed First Lien Notes Claim that was acquired at a "market discount" (as discussed below, see Clause 4.—"*Character of Gain or Loss*"), the IRC indicates that any accrued market discount in respect of the Claims that is not currently includible in income should carry over to any nonrecognition property received in exchange therefor (i.e., to the New Common Stock). Any gain recognized by a U.S. Holder upon a subsequent disposition of such New Common Stock would be treated as ordinary income to the extent of any accrued market discount not previously included in income. To date, specific Treasury Regulations implementing this rule have not been issued.

In addition, under section 108(e)(7) of the IRC, any gain recognized on the subsequent sale, exchange, redemption, or other disposition of New Common Stock will be treated as ordinary income to the extent the holder of the surrendered secured claim previously claimed ordinary loss deductions with respect to the surrendered claim.

(b) Consequences to U.S. Holders of Allowed Second Lien Notes Claims

Pursuant to the Plan, and in complete and final satisfaction of their Claims, each holder of an Allowed Second Lien Notes Claim (Class V4) will receive their pro rata share of the New Second Lien Warrants that will be distributed to that class under the Plan. If an Allowed Second Lien Notes Claim does not constitute a "security," as such term is described above under the heading – "*Consequences to U.S. Holders of Allowed First Lien Notes Claims*," of Venoco for U.S. federal income tax purposes, then a U.S. Holder's receipt of New Second Lien Warrants in exchange therefor should generally be treated as a taxable transaction as further described below under the heading "Taxable Exchange" below. If, on the other hand, an Allowed Second Lien Notes Claim is treated as a "security" of Venoco, the receipt of New Second Lien Warrants in exchange therefor should generally be treated as part of a "reorganization" for U.S. federal income tax purposes, as further described below under the heading "*Reorganization Treatment*."

The debt underlying the Allowed Second Lien Notes Claims was issued on April 2, 2015 with an original maturity of approximately four (4) years. U.S. Holders of Allowed Second Lien Notes Claims are urged to consult their own tax advisors regarding the appropriate treatment for U.S. federal income tax purposes of their Claims as "securities" and otherwise concerning the tax consequences to such U.S. Holders of the Plan.

(i) Taxable Exchange

In general, if the exchange of an Allowed Second Lien Notes Claim pursuant to the Plan is a taxable exchange, the exchanging U.S. Holder will recognize gain or loss in an amount equal to the difference, if any, between (i) the aggregate fair market value of New Second Lien Warrants received in respect of its Claim on the Effective Date (other than any exchange

consideration received in respect of a Claim for accrued but unpaid interest and possibly accrued OID) and (ii) the holder's adjusted tax basis in the Allowed Second Lien Notes Claim (other than any tax basis attributable to accrued but unpaid interest and possibly accrued OID). See Clause (e).—"*Character of Gain or Loss*" below. In addition, a holder of a Claim will have interest income to the extent of any exchange consideration allocable to accrued but unpaid interest not previously included in income. See Clause (f).—"*Distributions in Respect of Accrued but Unpaid Interest or OID*" below. Each holder is urged to consult its own tax advisor regarding the possible application of (or ability to elect out of) the "installment method" of reporting any gain.

In the case of a taxable exchange, a U.S. Holder's tax basis in the New Second Lien Warrants received pursuant to the Plan should equal the fair market value of such New Second Lien Warrants on the Effective Date. The U.S. Holder's holding period in the New Second Lien Warrants received pursuant to the Plan should commence on the day following the Effective Date.

(ii) Reorganization Treatment

If an Allowed Second Lien Notes Claim constitutes a "security" of Venoco for U.S. federal income tax purposes, the receipt of New Second Lien Warrants in exchange therefor should generally qualify for "reorganization" exchange treatment for U.S. federal income tax purposes. The classification as a reorganization exchange generally serves to defer the recognition of any gain or loss by the respective U.S. Holder. However, a U.S. Holder of an Allowed Second Lien Notes Claim will still have interest income to the extent of any exchange consideration allocable to accrued but unpaid interest not previously included in income. See Clause (f).—"*Distributions in Respect of Accrued but Unpaid Interest or OID*" below.

If the exchange qualifies as a reorganization for U.S. federal income tax purposes, a U.S. Holder's aggregate tax basis in the New Second Lien Warrants will equal such U.S. Holder's aggregate adjusted tax basis in the Allowed Second Lien Notes Claims exchanged therefor, increased by any gain or interest income recognized in the exchange, and decreased by any deductions claimed in respect of any previously accrued but unpaid interest. In such case, a U.S. Holder's holding period in the New Second Lien Warrants will include its holding period in the Allowed Second Lien Notes Claim exchanged therefor, except to the extent of any exchange consideration received in respect of accrued but unpaid interest.

A detailed discussion of the material U.S. federal income tax consequences to U.S. Holders related to ownership, transfer or other disposition of the New Second Lien Warrants is generally outside the scope of this discussion. However, U.S. Holders should note, that if the exchange pursuant to the Plan of their Allowed Second Lien Notes Claim for New Second Lien Warrants qualifies as a reorganization for U.S. federal income tax purposes, in the case of an Allowed Second Lien Notes Claim that was acquired at a "market discount" (as discussed below, see Clause (e).—"Character of Gain or Loss"), the IRC indicates that any accrued market discount in respect of the Claims that is not currently includible in income should carry over to any nonrecognition property received in exchange therefor (i.e., to the New Second Lien Warrants). Any gain recognized by a U.S. Holder upon a subsequent disposition of such New Second Lien Warrants would be treated as ordinary income to the extent of any accrued market

discount not previously included in income. To date, specific Treasury Regulations implementing this rule have not been issued.

In addition, under section 108(e)(7) of the IRC, any gain recognized on the subsequent sale, exchange, redemption, or other disposition of New Second Lien Warrants will be treated as ordinary income to the extent the holder of the surrendered secured claim previously claimed ordinary loss deductions with respect to the surrendered claim.

(c) Consequences to Holders of Allowed 8.875% Senior Notes Claims and Allowed Senior PIK Toggle Notes Claims.

Pursuant to the Plan,

- subject to the Reallocation Procedures, in full and final satisfaction, release, settlement, and discharge of, and in exchange for all Allowed 8.875% Senior Notes Claims, the following property shall be distributed Pro Rata to or on behalf of the holders of Allowed 8.875% Senior Notes Claims: (i) $6,500,000 in Cash; (ii) 2.6% of the New Common Stock to be effectuated as a transfer by the Backstoppers out of the DIP Backstop Fee; and (iii) the Unsecured LLA Override Shares issued to the Noteholder HoldCo.

- If the holders of Class D3 Senior PIK Toggle Notes Claims vote as a Class to accept the Plan, unless the holder agrees to a different treatment, each holder of an Allowed Class D3 Senior PIK Toggle Notes Claim against DPC shall receive, in full and final satisfaction, release, settlement and discharge of, and in exchange for, its Allowed Claim its Pro Rata share of (i) the New DPC Warrants and (ii) DPC Residual Value. Conversely, if the holders of Class D3 Senior PIK Toggle Notes Claims vote as a Class to reject the Plan, each holder of an Allowed Class D3 Senior PIK Toggle Notes Claim against DPC shall receive its Pro Rata share of DPC Residual Value.

The following summary describes certain material U.S. federal income tax consequences of the Plan to U.S. Holders of Allowed 8.875% Senior Notes Claims and Allowed Senior PIK Toggle Notes Claims. This summary does not discuss the consequences to U.S. Holders of these Claims if their respective class does not vote to accept the Plan as a class. Further, this summary addresses only the exchanges of Allowed Claims for consideration as described herein and expressly does not comprehensively discuss the tax consequences to a U.S. Holder of an Allowed 8.875% Senior Notes Claim that may receive additional Unsecured LLA Override Shares, additional New Common Stock or additional Cash under the provisions of the Reallocation Procedures in Section 4.01 of the Plan, which are generally outside the scope of this summary. However, if a U.S. Holder of an Allowed 8.875% Senior Notes Claim elects to receive consideration other than the Default Distribution pursuant to the provisions of the Reallocation Procedures, such U.S. Holder should be treated for U.S. federal income tax purposes as first receiving its Default Distribution under the Plan, with tax consequences as described herein, and separately as realizing gain or loss on a separate exchange to the extent such U.S. Holder is treated as surrendering Unsecured LLA Override Shares or New Common Stock for other consideration under the Reallocation Procedures, in a taxable exchange. Any gain or loss

recognized on a taxable exchange under the Reallocation Procedures will result in the U.S. Holder realizing short-term gain or loss to the extent that the initial exchange of Allowed 8.875% Senior Notes Claims for the Default Distribution is treated as a taxable exchange.

Each U.S. Holder of Allowed 8.875% Senior Notes Claims, and Allowed Senior PIK Toggle Notes Claims (assuming each of their respective classes voted to accept the Plan as a class) generally will recognize gain or loss for U.S. federal income tax purposes as a result of the consummation of the Plan equal to the difference, if any, between (x) the sum of (a) the amount of Cash and (b) the aggregate fair market value on the Effective Date of any (i) New Common Stock, (ii) Unsecured LLA Override Shares, (iii) New DPC Warrants, or (iv) DPC Residual Value received in respect of such Allowed Claims, as applicable (other than any exchange consideration attributable to accrued but unpaid interest and possibly accrued OID in respect of such underlying Claim) and (y) the U.S. Holder's adjusted tax basis in the Allowed Claim, as applicable, exchanged pursuant to the Plan (other than any tax basis attributable to accrued but unpaid interest and possibly accrued OID). See Clause 4 —"*Character of Gain or Loss,*" below. In addition, a U.S. Holder of an Allowed 8.875% Senior Notes Claim or Allowed Senior PIK Toggle Notes Claim, as applicable, will have interest income to the extent of any exchange consideration allocable to accrued but unpaid interest not previously included in income.. See Clause 5 — "*Distributions in Respect of Accrued but Unpaid Interest or OID,*" below.

In such case, a U.S. Holder's aggregate tax basis in the New Common Stock, Unsecured LLA Override Shares, the New DPC Warrants and the DPC Residual Value, if any, received pursuant to the Plan should equal the fair market value of such assets received, and the U.S. Holder's aggregate basis shall be then allocated among the assets received in accordance with their relative fair market values on the Effective Date. The U.S. Holder's holding period in such assets should begin on the day following the Effective Date.

(d) Consequences to Holders of Allowed General Unsecured Claims

Pursuant to the Plan, and in complete and final satisfaction of their respective Allowed Claims, holders of Allowed Venoco General Unsecured Claims (Class V6) and Allowed DPC General Unsecured Claims (Class D4) (and collectively, the "Allowed General Unsecured Claims") will receive their pro rata share of cash distributions to their class, but only if their respective class votes to accept the Plan as a class. Conversely, if their respective class does not vote to accept the Plan by class, holders of such class of Allowed General Unsecured Claims will receive their pro rata share of Venoco Residual Value (if any) or DPC Residual Value (if any), as applicable.

The following summary describes certain material U.S. federal income tax consequences of the Plan to U.S. Holders of Allowed General Unsecured Claims that would apply if their respective class votes to accept the Plan as a class. This summary does not discuss the consequences to U.S. Holders of Allowed General Unsecured Claims if their respective class does not vote to accept the Plan as a class.

In general, each U.S. Holder of Allowed General Unsecured Claims will recognize gain or loss in an amount equal to the difference between (i) its respective share of the cash received pursuant to the Plan and (ii) such U.S. Holder's adjusted tax basis in such Allowed General

Unsecured Claim (other than any Claim attributable to accrued but unpaid interest). See Clause 4 —"*Character of Gain or Loss*," below. In addition, a U.S. Holder of Allowed General Unsecured Claims will have interest income to the extent of any exchange consideration allocable to accrued but unpaid interest not previously included in income. See Clause 5 —"*Distributions in Respect of Accrued but Unpaid Interest or OID*," below.

(e) Character of Gain or Loss

Where gain or loss on the exchange of Allowed Claims is recognized by a U.S. Holder, the character of such gain or loss as long-term or short-term 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, whether the Claim constitutes a capital asset in the hands of the U.S. Holder and how long it has been held, whether the Claim was acquired at a market discount, and whether and to what extent the U.S. Holder previously claimed a bad debt deduction.

A U.S. holder that purchased its Claim from a prior holder at a "market discount" (relative to the principal amount of the claim at the time of acquisition) may be subject to the market discount rules of the IRC. In general, a debt instrument is considered to have been acquired with "market discount" if its U.S. Holder's adjusted tax basis in the debt instrument is less than (i) its stated principal amount or (ii) in the case of a debt instrument issued with OID, its adjusted issue price, in each case by at least a *de minimis* amount.

Under these rules, any gain recognized on the exchange of Claims (other than in respect of a Claim for accrued but unpaid interest) generally will be treated as ordinary income to the extent of the market discount accrued (on a straight-line basis or, at the election of the holder, on a constant-yield basis) during the U.S. Holder's period of ownership, unless the holder elected to include the market discount in income as such market discount accrued. If a U.S. Holder of a Claim did not elect to include the market discount in income as such market discount accrued and, thus, under the market discount rules, was required to defer all or a portion of any deductions for interest on debt incurred or maintained to purchase or carry its Claims, such deferred amounts would become deductible at the time of the exchange but, if the exchange is a reorganization exchange, the U.S. Holder may deduct only up to the amount of gain that the holder recognizes in the exchange.

(f) Distributions in Respect of Accrued But Unpaid Interest or OID

In general, to the extent that any consideration received pursuant to the Plan by a U.S. Holder of an Allowed Claim is received in satisfaction of accrued but unpaid interest during its holding period, such amount will be taxable to the holder as interest income (if not previously included in the U.S. Holder's gross income). Conversely, a U.S. Holder generally recognizes a deductible loss to the extent any accrued interest claimed or accrued OID was previously included in its gross income and was not paid in full. However, the IRS has privately ruled that a holder of a "security" of a corporate issuer, in an otherwise tax-free exchange, could not claim a current loss with respect to any accrued but unpaid OID. Accordingly, it is also unclear whether, by analogy, a U.S. Holder of a Claim that does not constitute a security, would be required to recognize a capital loss, rather than an ordinary loss, with respect to previously included accrued OID that is not paid in full.

Although the manner in which consideration is to be allocated between accrued interest and principal for these purposes is unclear under current law, the consideration paid pursuant to the Plan with respect to a secured claim shall be allocated, pursuant to the Plan, first to the principal amount of such secured claim as determined for U.S. federal income tax purposes and then to accrued interest, if any, with respect to such secured claim. Accordingly, in cases where a holder receives distributions under the Plan having a value less than the principal amount of its secured claim, the Plan allocates the full amount of consideration transferred to such holder to the principal amount of such obligation and will not treat any amount of the consideration to be received by such holder as attributable to accrued interest. There is no assurance that such allocation will be respected by the IRS for U.S. federal income tax purposes. U.S. Holders are urged to consult their own tax advisor regarding the particular U.S. federal income tax consequences to them of the treatment of accrued but unpaid interest, as well as the character of any loss claimed with respect to accrued but unpaid interest previously included in gross income.

(g) Information Reporting and Backup Withholding

Certain payments, including the payments made with respect to Claims pursuant to the Plan or by the Reorganized Debtors, may be subject to information reporting by the payor to the IRS. Moreover, such reportable payments may be subject to backup withholding (currently at a rate of 28%) under certain circumstances. Backup withholding is not an additional tax. Rather, amounts withheld under the backup withholding rules may be credited against a holder's U.S. federal income tax liability, and a holder may obtain a refund of any excess amounts withheld under the backup withholding rules by filing an appropriate claim for a refund with the IRS (generally a United States federal income tax return). The Debtors intend to comply with all applicable reporting withholding and requirements of the IRC.

(h) Importance of Obtaining Professional Tax Assistance

THE FOREGOING DISCUSSION IS INTENDED ONLY AS A SUMMARY OF CERTAIN MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN TO CERTAIN U.S. HOLDERS AND IS NOT A SUBSTITUTE FOR CAREFUL TAX PLANNING WITH A TAX PROFESSIONAL. THE ABOVE DISCUSSION IS FOR INFORMATIONAL PURPOSES ONLY AND IS NOT TAX ADVICE. THE TAX CONSEQUENCES ARE IN MANY CASES UNCERTAIN AND MAY VARY DEPENDING ON A CLAIM HOLDER'S PARTICULAR CIRCUMSTANCES. ACCORDINGLY, HOLDERS OF CLAIMS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS ABOUT THE U.S. FEDERAL, STATE, AND LOCAL, AND APPLICABLE FOREIGN INCOME AND OTHER TAX CONSEQUENCES OF THE PLAN.

ARTICLE XVIII

CONCLUSION AND RECOMMENDATION

The Debtors believe that Confirmation and implementation of the Plan is preferable to any of the alternatives described herein because it will provide the greatest recovery to holders of Claims and Equity Interests. Other alternatives would involve significant delay, erosion of value, uncertainty and substantial administrative costs and are likely to reduce any return to holders of

Impaired Claims and Equity Interests. The Debtors urge the holders of Claims entitled to vote on the Plan to vote to accept the Plan and to evidence such acceptance by casting their Ballots as set forth in the instructions enclosed with the Ballots so that they will be received by the Voting Deadline.

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Dated: May 16, 2016
Wilmington, Delaware

VENOCO, INC.
DENVER PARENT CORPORATION
ELLWOOD PIPELINE, INC.
WHITTIER PIPELINE CORPORATION
TEXCAL ENERGY (GP) LLC

By: _____
Name: Scott M. Pinsonnault
Title: Chief Financial Officer and Chief Restructuring Officer of Venoco, Inc.

TEXCAL ENERGY (LP) LLC

By: VENOCO, INC., its Manager

By: _____
Name: Scott M. Pinsonnault
Title: Chief Financial Officer and Chief Restructuring Officer of Venoco, Inc.

TEXCAL ENERGY SOUTH TEXAS, L.P.

By: TEXCAL ENERGY (GP) LLC, as general partner

By: _____
Name: Scott M. Pinsonnault
Title: Chief Financial Officer and Chief Restructuring Officer of Venoco, Inc.