UNITED STATES BANKRUPTCY COURT
DISTRICT OF COLORADO

In re:	)	Chapter 11
	)	
American Eagle Energy Corporation Tax ID / EIN: 20-0237026	)	Case No. 15-15073-HRT
	)	
AMZG Inc. Tax ID / EIN: 20-8642477	)	Case No. 15-15074-HRT
	)	
	)	(Jointly Administered)
Debtors.	)	

DISCLOSURE STATEMENT, PURSUANT TO 11 U.S.C. §1125, FOR SECOND AMENDED JOINT CHAPTER 11 PLAN OF LIQUIDATION FOR AMERICAN EAGLE ENERGY CORPORATION AND AMZG INC.

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ATTORNEYS FOR THE AD HOC NOTEHOLDER GROUP

Dated: Denver, Colorado
August 22, 2016

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In re:	)	Chapter 11
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AMENDED DISCLOSURE STATEMENT, PURSUANT TO 11 U.S.C. §1125, FOR JOINT CHAPTER 11 PLAN OF LIQUIDATION FOR AMERICAN EAGLE ENERGY CORPORATION AND AMZG INC.

I. INTRODUCTION AND SUMMARY

This Amended Disclosure Statement ("Disclosure Statement") is filed pursuant to the requirements of Section 1125 of Title 11 of the United States Code (the "Bankruptcy Code"). This Disclosure Statement is intended to provide adequate, necessary, and material information to enable holders of claims in the above-captioned jointly-administered bankruptcy cases (collectively, the "Bankruptcy Cases") to make reasonably informed judgments about the Second Amended Joint Plan of Liquidation (the "Plan") submitted by American Eagle Energy Corporation ("American Eagle") and AMZG Inc. ("AMZG") (collectively, the "Debtors") and an ad hoc group (the "Ad Hoc Noteholders Group") of holders of the Debtors' 11.0% Senior Secured Notes due 2019. The Debtors are soliciting votes to accept the Plan. The overall purpose of the Plan is to liquidate the Debtors' assets and liabilities in a manner designed to maximize recoveries to all creditors. The Debtors believe the Plan is reasonably calculated to lead to the best possible outcome for all creditors in the shortest amount of time and is preferable to all other alternatives.

THE PLAN PROVIDES FOR RELEASES OF, AND INJUNCTIVE RELIEF TO PROTECT, CERTAIN PERSONS OR ENTITIES. THE SCOPE OF THE RELEASES AND INJUNCTION ARE DEFINED IN ARTICLE XIII OF THE PLAN AND ARTICLE IV(E) OF THE DISCLOSURE STATEMENT. IF THE PLAN IS CONFIRMED, ALL PERSONS AND ENTITIES SPECIFIED IN THESE PROVISIONS OF THE PLAN WILL BE RELEASED FROM THE CLAIMS OF THE DEBTORS AND ANY CREDITOR AND PARTY IN INTEREST IN THESE CASES.

THIS DISCLOSURE STATEMENT AND ITS RELATED DOCUMENTS ARE THE ONLY DOCUMENTS AUTHORIZED BY THE BANKRUPTCY COURT TO BE USED IN CONNECTION WITH THE SOLICITATION OF VOTES TO ACCEPT THE PLAN. THIS INTRODUCTION AND SUMMARY IS QUALIFIED IN ITS ENTIRETY BY THE REMAINING PORTIONS OF THIS DISCLOSURE STATEMENT AND THIS DISCLOSURE STATEMENT IN TURN IS QUALIFIED, IN ITS ENTIRETY, BY THE PLAN. THE PLAN IS AN INTEGRAL PART OF THIS DISCLOSURE STATEMENT AND ANY HOLDER OF ANY CLAIM OR INTEREST SHOULD READ AND CONSIDER THE PLAN CAREFULLY IN LIGHT OF THIS DISCLOSURE STATEMENT IN MAKING AN INFORMED JUDGMENT ABOUT THE PLAN. IN THE EVENT OF ANY INCONSISTENCY BETWEEN THIS DISCLOSURE STATEMENT AND THE PLAN, THE PLAN CONTROLS. ALL CAPITALIZED TERMS USED IN THIS DISCLOSURE STATEMENT SHALL HAVE THE DEFINITIONS ASCRIBED TO THEM IN THE PLAN UNLESS OTHERWISE DEFINED HEREIN.

NO REPRESENTATION CONCERNING THE DEBTORS IS AUTHORIZED OTHER THAN AS SET FORTH HEREIN. ANY REPRESENTATIONS OR INDUCEMENTS MADE, WHICH ARE OTHER THAN AS CONTAINED HEREIN, SHOULD NOT BE RELIED UPON IN ARRIVING AT A DECISION ABOUT THE PLAN.

THE INFORMATION CONTAINED HEREIN HAS NOT BEEN SUBJECT TO AUDIT. FOR THAT REASON, AS WELL AS THE COMPLEXITY OF THE DEBTORS' BUSINESS AND FINANCIAL AFFAIRS, AND THE IMPOSSIBILITY OF MAKING ASSUMPTIONS, ESTIMATES, AND PROJECTIONS WITH COMPLETE ACCURACY, THE DEBTORS ARE UNABLE TO WARRANT OR REPRESENT THAT THE INFORMATION CONTAINED HEREIN IS WITHOUT INACCURACY, ALTHOUGH EVERY REASONABLE EFFORT HAS BEEN MADE TO ENSURE THAT SUCH INFORMATION IS ACCURATE. THIS DISCLOSURE STATEMENT INCLUDES FORWARD LOOKING STATEMENTS BASED LARGELY ON THE DEBTORS' CURRENT EXPECTATIONS

AND PROJECTIONS ABOUT FUTURE EVENTS AND FINANCIAL TRENDS AND ARE SUBJECT TO A NUMBER OF RISKS, UNCERTAINTIES, AND ASSUMPTIONS.

THIS DISCLOSURE STATEMENT HAS NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSIONS, NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THE INFORMATION CONTAINED HEREIN. AS TO CONTESTED MATTERS, ADVERSARY PROCEEDINGS, CAUSES OF ACTION, AND OTHER ACTIONS, THE DISCLOSURE STATEMENT SHALL NOT CONSTITUTE OR BE CONSTRUED AS AN ADMISSION OF ANY FACT OR LIABILITY OR WAIVER, BUT RATHER AS A STATEMENT MADE IN SETTLEMENT NEGOTIATIONS.

American Eagle and AMZG are debtors under Chapter 11 of the Bankruptcy Code in jointly administered bankruptcy cases pending in the United States Bankruptcy Court for the District of Colorado, Denver Division (the "Bankruptcy Court").

As prescribed by the Bankruptcy Code and the Federal Rules of Bankruptcy Procedure, Claims asserted against, and Equity Interests in, the Debtors are placed into "Classes." The Plan designates eight (8) separate classes of Claims and Equity Interests.[1] The Plan contains one (1) Class of Unsecured Claims. The classification of Claims and the treatment of each Class are discussed in detail below.

Except as otherwise provided herein, capitalized terms not otherwise defined in this Disclosure Statement shall have the meaning ascribed to them in the Plan.

To the extent the legal, contractual, or equitable rights with respect to any Claim or Equity Interest asserted against the Debtors are altered, modified, or changed by treatment proposed under the Plan, such Claim or Equity Interest is considered "Impaired" and the holder of such Claim or Equity Interest is entitled to vote in favor of or against the Plan. A ballot for

[1] For convenience of identification, the Plan classifies the Allowed Claims in Class 2 as a single Class. This Class is actually a group of subclasses, depending on the underlying property securing such Allowed Claims, and each subclass is treated for all purposes under the Plan as a separate and distinct Class.

voting in favor of or against the Plan (the "Ballot") will be mailed along with the order approving this Disclosure Statement.

THE VOTE OF EACH CLAIM HOLDER OR EQUITY INTEREST HOLDER WITH AN IMPAIRED CLAIM OR INTEREST IS IMPORTANT. TO BE COUNTED, YOUR BALLOT MUST BE RECEIVED AT THE ADDRESS AND BY THE DATE SET FORTH IN THE BALLOT.

VOTING DEADLINE

The last day to vote to accept or reject the Plan is _____, 2016. All votes must be received by the Clerk of the United States Bankruptcy Court for the District of Colorado, 721 19th Street, Room 115, Denver, Colorado 80202 by 5:00 p.m. (MST) on that day.

Upon receipt, the Ballots will be tabulated and the results of the voting will be presented to the Bankruptcy Court for its consideration. As described in greater detail in Section IV of this Disclosure Statement, the Bankruptcy Code prescribes certain requirements for confirmation of a plan. The Bankruptcy Court will schedule a hearing (the "Confirmation Hearing") to consider whether the Debtors have complied with those requirements.

You should use the Ballot that will be sent to you to cast your vote for or against the Plan. You may not cast Ballots or vote orally or by facsimile. A ballot that does not indicate acceptance or rejection of the Plan will not be considered. Whether or not you vote, you will be bound by the terms and treatment set forth in the Plan if the Bankruptcy Court confirms the Plan. The Bankruptcy Court may disallow any vote accepting or rejecting the Plan if the vote is not cast in good faith.

The Bankruptcy Code permits a court to confirm a plan even if all Classes whose members are holders of Claims or Equity Interests which are impaired within the meaning of Section 1124 of the Bankruptcy Code (each, an "Impaired Class") have not voted in favor of a plan. Confirmation of a plan over the objection of an Impaired Class is sometimes called

"cramdown." As described in greater detail in Section IV of this Disclosure Statement, the Debtors have expressly reserved the right to seek "cramdown" in the event all Impaired Classes do not vote in favor of the Plan.

THE DEBTORS URGE ALL HOLDERS OF CLAIMS ENTITLED TO VOTE ON THE PLAN TO VOTE TO ACCEPT THE PLAN.

II. DESCRIPTION OF DEBTOR'S BUSINESS

A. In General.

American Eagle was incorporated in the state of Nevada in March 2003 under the name Golden Hope Resources Corp., but later changed its name in July 2005 to Eternal Energy Corp. In December 2011, the company changes its name to American Eagle Energy Corporation in connection with the acquisition of, and merger with, American Eagle Energy Inc.

Upon completion of the 2011 acquisition, American Eagle Energy Inc. became AMZG, a wholly-owned subsidiary of American Eagle. As of the Petition Date, AMZG had no substantial assets and no operations. AMZG's only debt relates to guarantee claims on American Eagle obligations.

Prior to the Bankruptcy Cases, the Debtors were engaged in the acquisition, exploration and development of oil and gas properties, and were primarily focused on extracting proved oil reserves from those properties. During the five years prior to the Petition Date, the Debtors were engaged in exploration and production activities in the northern United States as well as southeast Saskatchewan, Canada. In July 2014, the Debtors sold all of their net revenue and working interests in Canada to focus on exploration and production opportunities in North Dakota and Montana.

As of the Petition Date, American Eagle's exploration and production activities were focused in the northwest portion of Divide County, North Dakota commonly referred to as

the Spyglass Area where American Eagle produces oil and natural gas reserves from the Three Forks and Middle Bakken formations.

B. Overview of American Eagle's Pre-Petition Operations

As of the Petition Date, American Eagle's primary assets were its leasehold interests ("Leasehold Interests"), which grant American Eagle fee ownership of oil and gas under the ground of the real estate subject to the leasehold. Each Leasehold Interest is subject to the rights of royalty owners ("Royalty Owners") who hold some interest in the real property subject to the Leasehold Interest. The Royalty Owners retain an interest in the oil and gas reserves that are subject to their respective Leasehold Interests. Under the terms of the respective leases, American Eagle extracts reserves and holds a portion of any proceeds from such reserves in trust for the appropriate Royalty Owner.

Many of American Eagle's operating wells were subject to joint operating agreements ("JOAs") whereby American Eagle served as operators of the well, but shared costs and profits with other non-operating parties called non-operating working interest owners ("Non-Operating Working Interest Owners"). Under the terms of the JOAs, American Eagle paid the Non-Operating Working Interest Owners their proportional share of proceeds from the production of wells subject to the JOA.

In instances where American Eagle was the operator under a JOA, it held an average of approximately a sixty-five percent (65%) working interest. In some cases, American Eagle participated as a non-operating working interest owner in other operator's wells subject to certain JOAs. In those instances, American Eagle's average holding was approximately a five percent (5%) interest.

Typically, on wells operated by American Eagle, American Eagle marketed and collected all revenues from oil and gas sales and then distributed the proportionate share of the

revenues to the Non-Operating Working Interest Owners and Royalty Owners on a monthly basis. Likewise, the proportionate share of production costs were billed on a monthly basis to Non-Operating Working Interests Owners in the well through a joint interest billing process.

C. Overview of the Debtors' Pre-Petition Debt Structure

In August of 2014, as part of a refinance of a loan facility with Morgan Stanley, American Eagle issued the Senior Secured Notes. In connection with the offering, American Eagle executed the Indenture and related documents in favor of the holders of the Senior Secured Notes ("Noteholders") and the Indenture Trustee ("Trustee") (collectively, the "Secured Parties"). AMZG guaranteed the obligations to the Secured Parties. The obligations to the Secured Parties are secured by valid and perfected liens on all of the Debtors' assets.

The Debtors used the funds borrowed from the Noteholders to pay-off the loan facility from Morgan Stanley plus to pay related fees and ancillary costs and satisfy a working capital deficit. The Debtors used the remaining proceeds as capital for future operations.

Also as part of the August 2014 refinancing, the Debtors entered into a secured credit agreement and related documents with SunTrust Bank ("SunTrust Credit Agreement"). SunTrust Bank and the Trustee entered into an intercreditor agreement whereby, among other things, the Trustee agreed on behalf of the Noteholders to subordinate the liens securing the Debtors' obligations under the Indenture to the liens securing the Debtors' obligations under the SunTrust Credit Agreement.

As the Debtors were finalizing the August 2014 refinance, crude oil prices began to decline. Notwithstanding industry experts predicting oil prices would average no less than $97 a barrel through the later part of 2014, oil prices continued a steep decline in the months thereafter. Between August 2014 and the beginning of 2015, crude oil prices declined in excess of fifty percent (50%) and remained depressed throughout 2015 and 2016.

Originally, the Debtors planned to complete their recapitalization, of which the August 2014 refinance was a part, and to borrow funds from SunTrust to provide additional capital, but, following the continuing decline in oil and natural gas prices, the Debtors declined to borrow any funds under the SunTrust Credit Agreement.

Ultimately, SunTrust reduced the first lien borrowing base to $0 and the Debtors were unable to borrow funds under the SunTrust Credit Agreement had they wanted to. On April 2, 2105, the Debtors received notice from SunTrust that, among other things, all Commitments (as defined in the SunTrust Credit Agreement) had terminated and neither SunTrust nor the Lenders (as defined in the SunTrust Credit Agreement) had any further commitment or other obligation to make Loans (as defined in the SunTrust Credit Agreement) on behalf of the Debtors.

As of the Petition Date, the Debtors were indebted and liable to the Noteholders, without objection, defense, counterclaim, or offset of any kind, under the documents executed in connection with the Debtors' issuance of the Senior Secured Notes (collectively, the "Prepetition Notes Documents"), in the aggregate amount of not less than: (i) $175,000,000 in aggregate principal amount; (ii) all accrued and unpaid interest; and (iii) additional amounts owed under the Prepetition Notes Documents including but not limited to, defaulted interested, interest on defaulted interest, fees, expenses, costs, charges, premiums, make-whole, prepayment, yield maintenance or similar amounts payable pursuant to the Indenture or the Prepetition Notes Documents, and all other amounts due and owing under the Prepetition Notes Documents.

D. Events Leading to Chapter 11 Filing.

As an exploration and production company, the Debtors' assets, revenue, and general financial condition were directly correlated to the price of oil and natural gas. Beginning in August of 2014, oil and natural gas prices decreased more than fifty percent (50%), and

remained depressed through the Petition Date and to the present. The depressed prices made it difficult for the Debtors to obtain capital for further development of their existing leasehold interests.

Unable to raise additional capital in this environment, the Debtors were faced with declining assets and revenues while costs remained relatively constant.

In February of 2015, liquidity concerns caused the Debtors to commence and engage in discussions with the Ad Hoc Noteholders Group regarding the approaching interest payment due under the Prepetition Notes Documents. Those discussions yielded a forbearance agreement executed by the Debtors and the Ad Hoc Noteholders Group, which provided for, among other things, a partial interest payment to the Trustee for the benefit of the Noteholders and forbearance to allow the Debtors and the Ad Hoc Noteholders Group to discuss restructuring and sale alternatives.

As crude oil prices remained low, the Debtors and Ad Hoc Noteholders Group continued discussions on maximizing value to the Noteholders and all stakeholders in the Debtors' business, and ultimately determined that relief under Chapter 11 of the Bankruptcy Code would allow the Debtors the best opportunity to restructure or sell their assets and maximize value. On May 7, 2015, the Debtors conducted meetings of their respective directors, who approved the filing of the Debtors' voluntary petitions under Chapter 11 of the Bankruptcy Code on May 8, 2015.

E. Events Subsequent to Chapter 11 Filing.

After the Petition Date, the Debtors continued to operate their business as debtors-in-possession under Sections 1101(a) and 1108 of the Bankruptcy Code. The United States Trustee appointed an official committee of unsecured creditors (the "Committee") on May 15, 2015.

Early on in these Chapter 11 cases, the Debtors were involved in extensive negotiations with counsel for the Trustee, the Ad Hoc Noteholders Group, and the Committee regarding the Debtors' use of cash on hand and future cash to be received in connection with operations ("Cash Collateral"). Ultimately, the Debtors successfully negotiated multiple agreements which contemplated the Debtors' continuing use of Cash Collateral, and the Bankruptcy Court approved those agreements over the objections of various parties. These court-approved agreements allowed the Debtors to pay for operating expenses during the Chapter 11 Cases and to maintain their relationships with vendors and customers.

The Debtors also sought and obtained Bankruptcy Court authority to retain counsel, Baker & Hostetler LLP (Doc. No. 151), an investment banker and financial advisor, Canaccord Genuity Inc. (Doc. No. 181), an accountant, Hein & Associates LLP (Doc. No. 237), and special counsel for the Debtors' oil and gas matters, Roberts & Olivia LLC (Doc. No. 385).

1. The Sale Transaction

The Debtors' comprehensive efforts to market substantially all of the Debtors' assets for sale (which began before the Petition Date) continued throughout the Bankruptcy Cases. As part of those efforts, the Debtors and their professionals negotiated extensively with the Ad Hoc Noteholders Group, the Committee and various other interested parties regarding the form, time and manner of a sales process for substantially all of the Debtors' assets that would result in the highest and best offers for the Debtors' assets.

The Debtors entered into extensive, arm's length discussions with the Ad Hoc Noteholders Group regarding the Ad Hoc Noteholders Group's potential acquisition of the Debtors' assets by credit bidding a portion of the Debtors' obligations under the Indenture, subject to higher or better bids. These discussions culminated in the negotiation of an asset purchase agreement by and between the Debtors and AMZG Acquisition LLC, an entity formed

by the Ad Hoc Noteholders Group, pursuant to which the Ad Hoc Noteholders Group proposed to acquire the Debtors' assets for $70 million in the form of a credit bid, as well as assumption by the Ad Hoc Group at the closing of certain liabilities.

With the Ad Hoc Noteholders Group acting as the stalking horse, the Debtors, in consultation with the Ad Hoc Noteholders Group, determined that a full and open marketing of the Debtors' assets was in the best interest of the estate and its creditors. Accordingly, the Debtors sought and obtained Bankruptcy Court approval of proposed bidding and sale procedures (Doc. Nos. 172, 252). After approval of the bid procedures, the oil and gas market continued to decline. As such, the Ad Hoc Noteholders' credit bid was reduced from $70 million dollars to $52.5 million dollars on or about August 18, 2015.

In accordance with the court-approved sale process, the Debtors and their professionals worked closely with potential purchasers by, for example, providing extensive due diligence materials and reviewing and negotiating numerous proposals, offers and letters of intent regarding the Debtors' assets. Ultimately, the Debtors' marketing efforts led to the negotiation of the Asset Purchase Agreement dated October 21, 2015, among American Eagle and AMZG, as sellers, and Resource Energy Can-Am, LLC ("Resource Energy" or "Purchaser), as buyers (the "APA"), which contemplated the sale to Purchaser of substantially all of the Debtors' assets – excluding cash and accounts receivable. Pursuant to the terms and conditions of the APA, at the "Closing" of the transactions contemplated by the APA, the Purchaser was to pay the Debtors the "Base Purchase Price" of Thirty-Six Million, Seven Hundred Fifty Thousand Dollars ($36,750,000.00) for substantially all of the Debtors' assets – primarily Leasehold Interests and related operating assets. In connection with the APA, the parties also executed an escrow agreement providing for an escrow account that will hold all or substantially all of the Sale Proceeds. Because of the claim of various lienholders to some or all of the Sale Proceeds

(see discussion below regarding the Lien Claimants Adversary Proceeding and the USG Adversary Proceeding), the escrowed funds will be held in the current escrow account or in a subsequent account until the claims of the various lienholders are consensually resolved or adjudicated to final order by the Bankruptcy Court or another court of competent jurisdiction. The Debtors determined that the sale contemplated by the APA was in the best interest of the estate and all parties in interest.

Thereafter, the Debtors sought Bankruptcy Court approval of the APA and authorization to consummate the Sale Transaction contemplated by the APA. On November 6, 2015, the Bankruptcy Court authorized the Debtors to enter into the APA pursuant to the *Order (A) Authorizing and Approving (I) the Asset Purchase Agreement; (II) the Sale of the Debtors' Assets Free and Clear of All Liens, Claims, and Encumbrances and Interests; and (III) the Assumption and Assignment of Certain Executory Contract and Unexpired Leases; and (B) Granting Related Relief (Doc. No. 467)* (the "Sale Order"). In the Sale Order, the Bankruptcy Court found, among other things, that: (i) the Debtors had provided sufficient notice of the APA and Sale Transaction to all interested parties; (ii) the Debtors' extensive marketing efforts afforded all interested parties and full and fair opportunity to bid for the Debtors' assets; (iii) the APA was negotiated and undertaken by the Debtors and the Purchaser at arm's length without collusion or fraud, and in good faith; and (iv) that the APA represented the highest or best offer for the Debtors' assets. On November 23, 2015, the Sale Transaction closed in accordance with the terms of the APA.

2. The Debtors' Remaining Assets.

As set forth above, the Debtors sold substantially all of their assets – excluding cash and receivables – in the Sale Transaction in exchange for the Sales Proceeds. It is undisputed that multiple parties allege liens on the Sales Proceeds, and that those liens far exceed

the value of the Sales Proceeds. As described below, the secured creditors alleging competing liens against the Sales Proceeds are parties to two pending adversary proceedings (the Lien Claimants Adversary Proceeding and the USG Adversary Proceeding), the purpose of which is to determine the validity and relative priority of each party's alleged liens against the Sales Proceeds. Other than the Sale Proceeds, the Debtors' remaining significant assets are cash, accounts receivable and causes of action.

3. The Lien Claimants Adversary Proceeding and the USG Adversary Proceeding.

On July 10, 2015, certain of the Lien Claimants filed an adversary proceeding in the Bankruptcy Court against the Debtors and others (Adv. Proc. No. 15-01269-HRT, styled *Precision Completion & Production Services, Ltd. et al. v. Bennett Management Corporation, et al.*) (the "Lien Claimants Adversary Proceeding"). In the Lien Claimants Adversary Proceeding, various of the Lien Claimants seek a declaration that the Lien Claimants' alleged Liens arising under title 35, chapter 24 of the North Dakota Century Code are senior in priority to the liens securing the Senior Secured Notes Claims, and the Indenture Trustee seeks a declaration that the liens securing the Senior Secured Notes are senior in priority to the Lien Claimants' alleged Liens.

On August 28, 2015, USG Properties Bakken I, LLC ("USG") filed an adversary proceeding in the Bankruptcy Court against the Debtors and others (Adv. Proc. No. 15-01343-HRT, styled *USG Properties Bakken I, LLC v. American Eagle Energy Corporation et al.*) (the "USG Adversary Proceeding"). In the USG Adversary Proceeding, USG seeks, among other things, a declaration that its alleged claims against the Debtors arising under that certain Carry Agreement are secured by liens on all assets subject to the JOA between USG and the Debtors and that such liens are senior in priority to the liens securing the Senior Secured Notes

Claims and the liens secured the claims of the Lien Claimants.

On March 21 – 22, 2016, at the direction of the Bankruptcy Court, the parties to the Lien Claimants' Adversary Proceeding and the USG Adversary Proceeding engaged in mediation (the "Mediation") in Denver, Colorado under the auspices of the Honorable Leif M. Clark, a former United States Bankruptcy Judge, as mediator, in an attempt to, among other things, resolve each adversary proceeding and provide for a distribution of the Sale Proceeds to the competing secured creditors. As a result of good-faith, arm's length negotiations begun at Mediation, the terms of settlements of the secured claims alleged by USG, Jacam, 4G, Hydratek, and Miller Oil were reached by and between each such party, on the one hand, and the Debtors, Indenture Trustee, and Ad Hoc Group, on the other hand. The terms of the foregoing settlements are incorporated into the Plan. Motions seeking approval of the settlements reached with USG and Jacam were presented to the Bankruptcy Court at a hearing on June 9, 2016 and June 13, 2016 (the "9019 Hearing"). The Bankruptcy Court declined to approve the settlements at that time based on objections raised by the Committee and parties to the Lien Claimants' Adversary Proceeding. Following the 9019 Hearing, the terms of a settlement was reached between Halliburton, on the one hand, and the Debtors, Indenture Trustee, and Ad Hoc Group, on the other hand. The terms of such settlement are also incorporated into the proposed Plan.

As of the date of this Disclosure Statement, the Lien Claimants Adversary Proceeding and the USG Adversary Proceeding remain pending, and the Bankruptcy Court has not determined the extent, validity and priority of the respective liens, if any, held by the Lien Claimants, USG and the Senior Secured Notes.

4. The Power Energy Claims

In accordance with that certain Lease Crude Oil Purchase Agreement ("Crude Oil Purchase Agreement") dated July 1, 2013 by and between American Eagle and Power Energy Partners, LP ("PEP"), American Eagle sold all of its hydrocarbon production to PEP. PEP, in turn, delivered and sold such hydrocarbons to Global Companies, LLC ("Global"). Prior to and after the Petition Date, PEP withheld certain payments from American Eagle on various grounds. By agreement, American Eagle was able obtain the release of a portion of the funds withheld by PEP. PEP continues to hold over $1,410,045.54 related to production delivered to PEP under the Crude Oil Purchase Agreement for the months prior to September 2015.

During October, 2015, American Eagle had no reason to believe that PEP would not pay as it had in previous months for hydrocarbons delivered to PEP under the Crude Oil Purchase Agreement in September and October 2015. On October 20, 2015, the day prior to the scheduled auction for the sale of the Debtors' assets, William Jegen, the chief executive officer of PEP, through a limited liability company formed and managed by him, submitted an offer to purchase the Debtors' assets for $18.5 million. On or before October 27, 2015, American Eagle contacted PEP regarding the outstanding payment owed under the Crude Oil Purchase Agreement for September production, which was due under the Crude Oil Purchase Agreement on October 20, 2015. Notwithstanding lack of payment, PEP continued to receive deliveries of American Eagle's October production. On October 29, 2015, PEP, or its affiliate Power Crude Transport, Inc. ("PCT") contacted Resource Energy and indicated that PCT planned to stop hauling salt water for American Eagle as of November 1, 2015, which would have the effect of shutting-in American Eagle's wells. Given PEP's breach of the Crude Oil Purchase Agreement and PCT's threat to shut off salt water transport, American Eagle

immediately found another buyer for its crude oil and a new vendor for hauling salt water. Through discovery, American Eagle has confirmed that PEP paid its insider affiliate Power Crude Transport, Inc. ("PCT") $702,826.78 and paid its insider affiliate T&A Energy, Inc. ("T&A") $1,650,000 during September and October, 2015.

On November 4, 2015, American Eagle filed an adversary proceeding in the Bankruptcy Court against Power Energy Partners LP ("PEP") (Adv. Pro. No. 15-01444-HRT, styled *American Eagle Energy Corporation v. Power Energy Partners LP, et al.*) (the "Power Energy Partners Adversary Proceeding"). In the Power Energy Partners Adversary Proceeding, American Eagle is seeking, among other things, damages for PEP's breach of the Crude Oil Purchase Agreement for PEP's improper holdback of funds and failure to pay for September and October production. American Eagle is also seeking the return of funds from PCT, T&A, and William Jegen under fraudulent transfer theories.

In connection with the Power Energy Partners Adversary, American Eagle also sought a temporary restraining order and preliminary injunction to: (i) prohibit PEP from further breach of the Crude Oil Purchase Agreement; (ii) an accounting by PEP; and (iii) require PEP to pay all proceeds into the registry of the Court pending resolution of the Power Energy Partners Adversary ("PI Motion"). Following the initial hearing on the PI Motion, the Court entered an agreed order ("Initial PI Order") which required PEP to: (i) direct Global to immediately deliver to American Eagle and all funds owed to PEP by Global for the purchase of hydrocarbons produced by American Eagle ("Global Funds"); (ii) required PEP to turnover to American Eagle any proceeds it was holding from the sale of hydrocarbons; and (iii) PEP to provide an accounting to American Eagle of all proceeds it received on the hydrocarbons purchased for the months of September and October of 2015. The Initial PI Order required American Eagle to pay approximately $282,000.00 to the North Dakota Office of State Tax

Commissioner upon receipt of the Global Funds ("Tax Commissioner Payment"). As a result of the Initial PI Order, American Eagle received approximately $795,482.67. After the Tax Commissioner Payment, the balance of the Global Funds was paid pro rata to royalty owners and working interest holders.

American Eagle continues to pursue its claims against PEP, PCT, T&A, William Jegen in the Power Energy Partners Adversary Proceeding. The Power Energy Partners Adversary Proceeding remains pending. Pursuant to an order entered by the U.S. District Court for the District of Colorado on April 7, 2016, the District Court will preside over the trial and various trial-related issues, and the Bankruptcy Court will retain its authority to supervise and resolve all pretrial matters, with dispositive rulings on non-core matters subject to review by the District Court upon timely objection by any party.

As set forth more fully in the Plan, the Power Energy Claims, together with certain other claims or causes of action available to the Debtors, are defined as the Segregated Causes of Action, which are excluded from the Liquidating Trust Assets. The Debtors' interest in the proceeds of the Power Energy Claims are part of the "Adequate Protection Collateral" granted to the Trustee under the Final Cash Collateral. Accordingly, the Power Energy Claims will be prosecuted by and in the name of the Liquidating Trustee for the sole benefit of the holders of the Senior Secured Notes; provided, however, a pro rata amount of any recovery on account of the Power Energy Claims will be also be paid to holders of outstanding royalty claims related to September and October production.

5. Conversion Motions:

On April 13, 2016, the Committee filed its Motion for an Order Converting Case to Chapter 7 [Doc. No. 558] ("Committee Conversion Motion"). Based on the settlement reached by and between the Debtors, the Committee and the Ad Hoc Noteholders

Group, the Committee will be withdrawing the Committee Conversion Motion and supporting the Plan.

On April 27, 2016, the United States Trustee ("UST") filed its Motion to Convert Chapter 11 Cases [Doc. No. 570] ("UST Conversion Motion"). Currently, the UST Conversion Motion is scheduled for hearing on September 19, 2016. The Debtors are not certain if the UST plans to pursue the UST Conversion Motion in light of the various settlements between the Debtors, the Committee, the Ad Hoc Noteholders Group, USG, and several of the Lien Claimants and the filing of the Plan.

III. THE PLAN

THE FOLLOWING SUMMARY IS INTENDED ONLY TO PROVIDE AN OVERVIEW OF THE DEBTORS' PLAN. ANY PARTY IN INTEREST CONSIDERING A VOTE ON THE PLAN SHOULD CAREFULLY READ THE PLAN IN ITS ENTIRETY BEFORE MAKING A DETERMINATION TO VOTE IN FAVOR OF OR AGAINST THE PLAN. THIS SUMMARY IS QUALIFIED IN ITS ENTIRETY BY THE PLAN.

A. Overview.

The purpose of the Plan is to provide for the distribution of the Sale Proceeds to the holders of Claims against the Debtors, and to create the Liquidation Trust to oversee an orderly liquidation and distribution of the Debtors' remaining assets.

The provisions of the Plan governing, among other things: (i) the payment of allowed fees and expenses incurred by the Creditors' Committee Professionals; (ii) the payment of the Unsecured Creditor Payment; and (iii) the establishment of the Liquidation Trust have been fully negotiated by and among the Debtors, Ad Hoc Group, and the Committee. The Committee has agreed to withdraw the Committee Conversion Motion and support confirmation of the Plan.

The Plan contemplates the creation of the Liquidating Trust controlled by the Liquidating Trustee. The Ad Hoc Group will designate the Liquidating Trustee prior to the Effective Date. On the Effective Date of the Plan, the Liquidating Trust Assets will be transferred to the Liquidating Trust. The Liquidation Trust will liquidate such assets in an orderly fashion for the benefit of the Unsecured Creditors (Class 7). The Plan also provides that the holders of Allowed Administrative Claims and Allowed Priority Tax Claims will be paid in full on the Effective Date or the date that such Claims become Allowed Claims. Upon the Effective Date, existing equity in the Debtors will be cancelled.

Section 4.2 of the Plan incorporates a settlement offer to the holders of Outstanding Well Lien Claims. Sections 4.3 – 4.5 of the Plan incorporate the terms of settlements that have been agreed upon by the Debtors, Indenture Trustee, and Ad Hoc Group, on the one hand, and the claimant(s) whose claims are treated under Sections 4.3 – 4.5, respectively, on the other hand.

All Claims against the Debtors shall be classified and treated pursuant to the terms of the Plan. As noted more fully below, the Plan contains eight (8) Classes of Claims and Equity Interests. There are five (5) classes consisting of Secured Claims, one (1) Class of Priority Non-Tax Claims, one (1) Class of Unsecured Claims, and one (1) Class of Equity Interests.

B. Classification and Treatment of Administrative Expense Claims and Priority Tax Claims.

1. Administrative Claims.

Except to the extent that a holder of an Allowed Administrative Expense Claim agrees to a different treatment, and subject in all respects to Section 2.3 of the Plan, on the Effective Date or as soon thereafter as is reasonably practicable, the Liquidating Trustee shall pay to each holder of an Allowed Administrative Expense Claim, in full satisfaction of such Claim, an amount in Cash equal to the Allowed amount of such Claim.

Applications for payment of Administrative Expense Claims must be filed with the Bankruptcy Court and served on the Liquidating Trustee no later than the first Business Day that is thirty (30) days after the Confirmation Date. Applications for payment of Administrative Expense Claims filed after this date shall be discharged, forever bared and shall receive no payment under the Plan.

2. Compensation and Reimbursement Claims.

All entities seeking an award by the Bankruptcy Court of compensation for services rendered or reimbursement of expenses incurred through and including the Confirmation Date under sections 327, 328, 330, 331, 503(b)(2), 503(b)(3), 503(b)(4), or 503(b)(5) of the Bankruptcy Code (i) shall file their respective final applications for allowance of compensation for services rendered and reimbursement of expenses incurred no later than the first Business Day that is thirty (30) days after the Confirmation Date, and (ii) shall be paid by the Liquidating Trustee, in full satisfaction of such Claim, an amount in Cash equal to the Allowed amount of such Claim. Applications for payment of compensation and reimbursement claims filed after this date shall be discharged, forever bared and shall receive no payment under the Plan.

3. Creditors' Committee Professionals.

In full and final satisfaction of the Creditors' Committee Professionals' administrative expense claims incurred in these Chapter 11 Cases, the Creditors' Committee Professionals shall be collectively paid on the Effective Date: (i) $150,000 in accordance with the Final Cash Collateral Order, but solely to the extent that such amount has not previously been paid to the Creditors' Committee Professionals, and (ii) the Creditors' Committee Professional Fee Amount.

4. Priority Tax Claims.

Unless otherwise assumed by the Purchaser as part of the Sale Transaction, each holder of an Allowed Priority Tax Claim will be paid either (i) the full amount of the Allowed Priority Tax Claim (without post-petition interest or penalty) in Cash on the Effective Date or as soon thereafter as is reasonably practicable, or (ii) such lesser amount as to which the holder of an Allowed Priority Tax Claim and the Liquidating Trustee might otherwise agree. The Debtors estimate Allowed Priority Tax Claims at less than $50,000.

C. Classification of Claims and Equity Interests

The following table designates the Classes of Claims against and Equity Interests in the Debtors and specifies which of those Classes are (i) impaired or unimpaired by the Plan, (ii) entitled to vote to accept or reject the Plan in accordance with section 1126 of the Bankruptcy Code, and (iii) deemed to reject the Plan:

Class	Designation	Impairment	Entitled to Vote
Class 1	Senior Secured Notes Claim	Impaired	Yes
Class 2	Outstanding Well Lien Claims	Impaired	Yes
Class 3	USG Carry Agreement Claim	Impaired	Yes
Class 4	Halliburton Well Lien Claim	Impaired	Yes
Class 5	Well Lien Claims of Jacam, Hydratek, Miller Oil, and 4G	Impaired	Yes
Class 6	Priority Non-Tax Claims	Unimpaired	No (deemed to accept)
Class 7	General Unsecured Claims	Impaired	Yes
Class 8	Equity Interests	Impaired	No (deemed to reject)

For convenience of identification, the Plan classifies the Allowed Claims in Class 2 as a single Class. This Class consists of a group of subclasses, depending on the underlying property securing such Allowed Claims, and each subclass is treated for all purposes under the Plan as a separate and distinct Class.

D. Treatment of Claims and Equity Interests

1. Class 1 — Senior Secured Notes Claim.

The secured portion of the Senior Secured Notes Claim shall be paid in Cash by the Liquidating Trustee from the Retained Cash (less amounts required to pay the Claims set forth in Article II of the Plan and the Unsecured Creditor Payment), proceeds of accounts receivable, the Debtors' interest in proceeds from the Segregated Causes of Action, and, subject to the provisions hereof, the Sale Proceeds that are not payable to Settling Well Lien Claimants, USG, Halliburton, Jacam, Hydratek, Miller Oil, or 4G or otherwise required to be reserved pursuant to Section 4.2 of the Plan; provided, however, if any Non-Settling Well Lien Claimant is determined by Final Order or agreement of the Indenture Trustee to have a Lien on Collateral that is senior to the Lien on such Collateral held by the Indenture Trustee, the Senior Secured Notes Claim shall not be paid from the proceeds of such Collateral until such Well Lien Claims has been paid in full. The Senior Secured Notes Deficiency Claim shall be treated in Class 7.

2. Class 2 — Outstanding Well Lien Claims.

Unless the Well Lien Claim has been satisfied prior to the Effective Date, each holder of an Outstanding Well Lien Claim that votes to accept the Plan shall receive a payment from the Sale Proceeds equal to thirty-two percent (32%) of the Allowed amount of such Well Lien Claim and shall be forever released by the Debtors and their bankruptcy estates from any and all claims, actions, causes of action (including causes of action under chapter 5 of

the Bankruptcy Code) and liabilities that were asserted or may have been asserted in the Chapter 11 Cases. Such payment and release shall be in full and final satisfaction of such Well Lien Claim, and no Settling Well Lien Claimant shall be entitled to any Deficiency Claim under the Plan and shall be deemed to have forever released any and all claims, actions, causes of action and liabilities that were asserted or that may have been asserted against the Debtors or their assets in the Bankruptcy Cases, the Lien Claimants' Adversary Proceeding, or in any other forum or proceeding. Each Settling Well Lien Claimants' receipt of such payment and release shall be conditioned on the filing by the respective Settling Well Lien Claimant of: (i) a notice of dismissal with prejudice of its claims in the Lien Claimants' Adversary Proceeding substantially in the form attached as Exhibit B to the Plan and (ii) a notice of release of its Well Lien Statement with the Recorder of Divide County, North Dakota. If a holder of a Well Lien Claim does not vote to accept the Plan, Sales Proceeds equal to one hundred seventy-five percent (175%) of the Allowed amount of such holder's Well Lien Claim shall be reserved pending resolution of the Lien Claimants' Adversary Proceeding. The Well Lien Claim of each Non-Settling Well Lien Claimant shall be paid in Cash from the Sales Proceeds only to the extent of the value of the Collateral securing such Well Lien Claim by the Liquidating Trustee from the Sales Proceeds; provided, however, if the Lien securing any such Well Lien Claim is determined by Final Order or agreement by the holder to be junior in priority to the Lien securing the Senior Secured Notes Claim, such Well Lien Claim shall be treated as Class 7 General Unsecured Claim. If a Non-Settling Well Lien Claimant is the holder of a Deficiency Claim, such Claim shall be treated as Class 7 General Unsecured Claim.

If a Class 2 Claim has been assumed by the Purchaser as part of the Sale Transaction or otherwise satisfied prior to the Effective Date, such holder shall have no Claim against the Debtors or the Liquidating Trust.

3. Class 3 – USG Carry Agreement Claim.

On the Effective Date, in full and final satisfaction of the USG Carry Agreement Claim USG shall receive: (i) a $3,200,000 payment from the Sales Proceeds, and (ii) an assignment of $476,295.13 of the account receivable, together with all attendant rights, claims and choses in action associated with such account, and proceeds thereof held by the Debtors for amounts owed by Power Energy Partners LP and its subsidiaries, affiliates, insiders, or agents for, among other things, hydrocarbons received from the Debtors but not paid for by Power Energy Partners LP and any immediate or subsequent transferees. USG shall not be entitled to any Deficiency Claim on account of the USG Carry Agreement Claim and shall be deemed to have forever released any and all claims, actions, causes of action and liabilities that were asserted or that may have been asserted against the Debtors or their assets in the Bankruptcy Cases, the USG Adversary Proceeding, or in any other forum or proceeding. USG's receipt of the payment and assignment described in Section 4.3 of the Plan shall be conditioned on the filing by USG of a notice of dismissal with prejudice of its claims in the USG Adversary Proceeding. Upon receipt of the payment described in Section 4.3 of the Plan, USG shall be forever released by the Debtors and their bankruptcy estates from any and all claims, actions, causes of action (including causes of action under chapter 5 of the Bankruptcy Code) and liabilities that were asserted or may have been asserted in the Chapter 11 Cases. The payment, assignment and release described in Section 4.3 of the Plan shall be made thereunder solely to the extent not already made pursuant to a Final Order of this Court.

4. Halliburton Claim. On the Effective Date, in full and final satisfaction of Halliburton's Well Lien Claim and Halliburton's claims against the Debtors' bankruptcy estates for reimbursement of fees and expenses, Halliburton shall receive a payment from the Sales Proceeds equal to $1,500,000 and shall be forever released by the Debtors and their bankruptcy

estates from any and all claims, actions, causes of action (including causes of action under chapter 5 of the Bankruptcy Code) and liabilities that were asserted or may have been asserted in the Chapter 11 Cases. By its acceptance of the Plan, Halliburton acknowledges and agrees that the $1,500,000 payment provided for thereunder shall be allocated as follows: $1,350,000 on account of the Well Lien Claim of Halliburton, and $150,000 on account of Halliburton's claims against the Debtors' bankruptcy estates for reimbursement of fees and expenses. Halliburton shall not be entitled to any Deficiency Claim under the Plan on account of its Well Lien Claim and shall be deemed to have forever released any and all claims, actions, causes of action and liabilities that were asserted or that may have been asserted against the Debtors or their assets in the Bankruptcy Cases, the Lien Claimants' Adversary Proceeding, or in any other forum or proceeding. Halliburton's receipt of such payment and release shall be conditioned on the filing by Halliburton of: (i) a notice of dismissal with prejudice of its claims in the Lien Claimants' Adversary Proceeding substantially in the form attached as Exhibit B to the Plan and (ii) a notice of release of its Well Lien Statement with the Recorder of Divide County, North Dakota. The payment and release described in Section 4.4 of the Plan shall be made thereunder solely to the extent not already made pursuant to a Final Order of this Court.

5. Class 5 – Well Lien Claims of Jacam , Miller Oil, Hydratek, and 4G. On the Effective Date, in full and final satisfaction of each of their respective Well Lien Claims, Jacam, Miller Oil, Hydratek, and 4G shall reach receive a payment from the Sales Proceeds equal to forty percent (40%) of the Allowed amount of their respective Well Lien Claim, and shall be forever released by the Debtors and their bankruptcy estates from any and all claims, actions, causes of action (including causes of action under chapter 5 of the Bankruptcy Code) and liabilities that were asserted or may have been asserted in the Chapter 11 Cases. Jacam, Miller Oil, Hydratek, or 4G shall not be not be entitled to any Deficiency Claim under the Plan

on account of its Well Lien Claim and shall be deemed to have forever released any and all claims, actions, causes of action and liabilities that were asserted or that may have been asserted against the Debtors or their assets in the Bankruptcy Cases, the Lien Claimants' Adversary Proceeding, or in any other forum or proceeding. Jacam, Miller Oil, Hydratek, and 4G's receipt of the payment and release described in section 4.5 of the Plan shall be conditioned on the filing by such entity of: (i) a notice of dismissal with prejudice of its claims in the Lien Claimants' Adversary Proceeding substantially in the form attached as Exhibit B to the Plan and (ii) a notice of release of its Well Lien Statement with the Recorder of Divide County, North Dakota. The payments and releases described in Section 4.5 of the Plan shall be made thereunder solely to the extent not already made pursuant to a Final Order of this Court.

6. Class 6 – Priority Non-Tax Claims.

Unless the Priority Non-Tax Claim has been assumed by the Purchaser as part of the Sale Transaction and except to the extent that a holder of an Allowed Priority Non-Tax Claim against the Debtors agrees to a different treatment of such Claim, each such holder shall receive Cash in an amount equal to one hundred percent (100%) of the unpaid amount of such Allowed Priority Non-Tax Claim on the Effective Date or as soon thereafter as is practicable. The Debtors estimate All Priority Non-Tax Claims at less than $50,000.00

7. Class 7 – General Unsecured Claims.

On the Effective Date, or as soon as the sum of all Allowed General Unsecured Claims excluding Deficiency Claims has been determined, holders of Allowed General Unsecured Claims (but excluding all Deficiency Claims), shall receive a payment equal to a Pro Rata Share of the Unsecured Creditor Payment. The holders of all Allowed General Unsecured Claims, including the holders of any Deficiency Claims, shall each receive a Pro Rata Share of the Beneficial Interests in the Liquidating Trust. Holders of Beneficial Interests in the

Liquidating Trust shall each receive their Pro Rata Share of Cash proceeds of Available Trust Cash.

The Debtors estimate Allowed General Unsecured Claims (including Deficiency Claims) in the amount of $175,000,000.00 to $185,000,000.00. At this time, the Debtors are unable to provide an estimate of the likely net proceeds from the prosecution of the Causes of Action and Avoidance Actions, which will fund distributions from the Liquidating Trust to the holders of Beneficial Interests in the Liquidating Trust. However, the Debtors estimate that unsecured creditors will receive less than 10% of their Allowed Unsecured Claims in distributions, and could potentially receive little or nothing depending on the Liquidating Trust's success in prosecuting the Causes of Action and Avoidance Actions.

8. Class 8 – Equity Interests.

Equity Interests issued by American Eagle and AMZG Inc. shall be cancelled on the Effective Date. Each holder of an Equity Interest shall neither receive nor retain any property or interest in property on account of such Equity Interest and such holder shall have no Claim against the Debtors or the Liquidating Trust.

E. Means of Implementation.

1. Substantive Consolidation.

AMZG is a wholly-owned subsidiary of American Eagle Energy Corporation. As of the Petition Date, AMZG had no substantial assets and no operations. AMZG's only debt related to guarantee claims on American Eagle obligations. The Debtors believe it is in the best interest of the estate and its creditors to substantively consolidate the Debtors' estates. The result is that the substantively-consolidated Debtors will have additional assets and but essentially the same liabilities. Additionally, the Debtors believe that administrative costs may be reduced as a result of substantive consolidation because the Debtors

separate existence may be disregarded.

Accordingly, the Plan contemplates that entry of the Confirmation Order shall constitute approval, effective as of the Effective Date, of the substantive consolidation of the Chapter 11 Cases. On and after the Effective Date: (i) all assets and liabilities of the Debtors shall be merged so that all of the assets of the Debtors shall be available to pay all of the liabilities under the Plan, (ii) no distributions shall be made under the Plan on account of Intercompany Claims, (iii) all guarantees by the Debtors of the obligations of any other Debtor, including the Senior Secured Notes Guaranty, shall be eliminated so that any claim against any Debtor and any guarantee thereof executed by any other Debtor and any joint or several liability of the Debtors shall be one obligation of American Eagle, and (iv) each and every Claim filed or Allowed, or to be filed or Allowed, in the case of any of the Debtors shall be deemed filed or Allowed against American Eagle.

2. Formation, Operations and Dissolution of the Liquidating Trust.

On the Effective Date, the Debtors will form the Liquidating Trust, and the Liquidating Trust Assets, which consist of Causes of Action and Avoidance Actions, but exclude the Segregated Causes of Action, shall automatically vest in the Liquidating Trust, free and clear of all Liens, Claims and encumbrances, except to the extent otherwise provided in the Plan. The sole purpose of Liquidating Trust shall be to liquidate and distribute the Liquidating Trust Assets. The Segregated Causes of Action are excluded from the Liquidating Trust Assets, but shall be prosecuted by and in the name of the Liquidating Trustee for the sole benefit of the holders of the Senior Secured Notes and, solely with respect to the Power Energy Claims, those royalty interest owners having an interest in the proceeds of the Power Energy Claims.

The Liquidating Trustee shall administer the Liquidating Trust, and shall have the powers and duties set forth in the Trust Agreement. The Liquidating Trustee shall be

designated on or before the Effective Date by the Ad Hoc Noteholders' Group. The designation of the Liquidating Trustee shall be effective on the Effective Date without the need for a further order of the Bankruptcy Court. The Liquidating Trustee shall be entitled to reasonable compensation set forth in the Trust Agreement. The costs and expenses of the Liquidating Trust, including the fees and expenses of the Liquidating Trustee and its retained professionals, shall be paid in accordance with the allocation procedures set forth in Section 6.2(h) of the Plan.

The Liquidating Trustee shall distribute Cash at least annually and in accordance with the Trust Agreement, beginning on the Effective Date or as soon thereafter as is practicable, from the Liquidating Trust Assets on hand (including any Cash received from the Debtors on the Effective Date), except such amounts (i) as would be distributable to a holder of a Disputed Claim if such Disputed Claim had been Allowed, prior to the time of such distribution (but only until such Claim is resolved), (ii) as are reasonably necessary to meet contingent liabilities and to maintain the value of the Liquidating Trust Assets during liquidation, (iii) to pay reasonable expenses (including, but not limited to, any taxes imposed on the Liquidating Trust or in respect of the Liquidating Trust Assets), and (iv) to satisfy other liabilities incurred by the Liquidating Trust in accordance with the Plan or the Trust Agreement. In addition, the Sale Proceeds shall only be distributed upon order of the Bankruptcy Court as provided for herein and in the Sale Order.

The Liquidating Trustee may retain and reasonably compensate counsel and other professionals to assist in its duties as Liquidating Trustee on such terms as the Liquidating Trustee deems appropriate without Bankruptcy Court approval.

The Liquidating Trust and the Liquidating Trustee shall be discharged or dissolved, as the case may be, at such time as (i) all Disputed General Unsecured Claims have been resolved, (ii) all Liquidating Trust Assets have been liquidated, and (iii) all distributions

required to be made by the Liquidating Trustee under the Plan have been made, but in no event shall the Liquidating Trust be dissolved later than three (3) years from the Effective Date unless the Bankruptcy Court, upon motion within the one (1) month period prior to the three (3) year anniversary (and, in the case of any extension, within one (1) months prior to the end of such extension), determines that a fixed period extension is necessary to facilitate or complete the recovery and liquidation of the Liquidating Trust Assets. The Liquidating Trustee shall not unduly prolong the duration of the Liquidating Trust and shall at all times endeavor to resolve, settle or otherwise dispose of all claims that constitute Liquidating Trust Assets and to effect the distribution of the Liquidating Trust Assets in accordance with the terms hereof and terminate the Liquidating Trust as soon as practicable. Prior to and upon termination of the Liquidating Trust, the Liquidating Trust Assets will be distributed to the beneficiaries of Liquidating Trust, pursuant to the provisions set forth in the Liquidating Trust and the Plan.

3. Dissolution of the Debtors.

Upon completion of the acts required by the Plan to create the Liquidating Trust and to appoint the Liquidating Trustee, the Debtors shall be deemed dissolved for all purposes.

F. Leases and Executory Contracts.

To the extent the Debtors reject any executory contract or unexpired lease prior to the Confirmation Date, any party asserting a Claim, pursuant to Section 365 of the Bankruptcy Code, arising from the rejection of an executory contract or unexpired lease shall file a proof of such Claim within thirty (30) days after the entry of an Order rejecting such contract or lease, and any Allowed Claim resulting from rejection shall be a Class 7 Claim. The Debtors shall have through and including the Confirmation Hearing within which to assume or reject any unexpired lease or executory contract; and, further, that in the event any such unexpired lease or executory

contract is not assumed (or subject to a pending motion to assume) by such date, then such unexpired lease or executory contract shall be deemed rejected as of the Confirmation Date.

G. Procedures for Disputed Claims

The Debtors, and from and after the Effective Date the Liquidating Trustee, will have the exclusive right to object to Administrative Expense Claims, Priority Tax Claims, Well Lien Claims, the USG Claim, Priority Non-Tax Claims, and General Unsecured Claims. Notwithstanding any other provision of the Plan or this Disclosure Statement, if any portion of a Claim is a Disputed Claim, no payments or distribution provided under the Plan shall be made on account of such Claim unless and until such Disputed Claim becomes an Allowed Claim. The Liquidating Trustee may at any time request that the Bankruptcy Court estimate any contingent, unliquidated, or Disputed Claim pursuant to section 502(c) of the Bankruptcy Code. In the event that the Bankruptcy Court estimates any contingent, unliquidated, or Disputed Claim, the amount so estimated shall constitute either the Allowed amount of such Claim or a maximum limitation on such Claim, as determined by the Bankruptcy Court. If the estimated amount constitutes a maximum limitation on the amount of such claim, the Liquidating Trustee may pursue supplementary proceedings to object to the allowance of such Claim. On or after the Effective Date, if any Disputed Claim becomes an Allowed Claim, the Liquidating Trustee shall distribute to the holder hereof the distributions that such holder would have received had its Claim been Allowed on the Effective Date.

IV. CONFIRMATION

A. Confirmation Hearing.

Section 1128 of the Bankruptcy Code requires the Court, after notice, to hold a Confirmation Hearing on the Plan at which time any party in interest may be heard in support of or in opposition to Confirmation. The Confirmation Hearing may be adjourned from time-to-

time without further notice except for an announcement to be made at the Confirmation Hearing. Any objection to Confirmation must be made in writing and filed with the Clerk, and delivered to the following persons, at least seven (7) days prior to the Confirmation Hearing:

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B. Financial Information Relevant to Confirmation

The Debtors have evaluated several alternatives to the Plan. At this stage of the Debtors' cases, if no chapter 11 plan can be confirmed, it is anticipated that the Chapter 11 Cases would be converted to a case under Chapter 7 of the Bankruptcy Code, in which event a trustee would be elected or appointed to liquidate the Debtors' assets for distribution to creditors in accordance with the priorities established by the Bankruptcy Code. The Debtors believe that liquidation under Chapter 7 would cause distributions to be significantly reduced because of the increased costs and expenses of a liquidation under chapter 7 arising from fees payable to a trustee for bankruptcy and professional advisors to such trustee. Accordingly, the Debtors submit that Creditors of the Debtors will fair significantly better under the Plan than if the Debtors were forced into a liquidation under Chapter 7.

C. Confirmation Standards.

For a plan of reorganization to be confirmed, the Bankruptcy Code requires, among other things, that a plan be proposed in good faith and comply with the applicable provisions of Chapter 11 of the Bankruptcy Code. Section 1129 of the Bankruptcy Code also imposes requirements that at least one class of Impaired Claims accept a plan, that confirmation of a plan is not likely to be followed by the need for further financial reorganization, that a plan be in the best interests of creditors, and that a plan be fair and equitable with respect to each class of Claims or Equity Interests which is Impaired under the plan.

The Bankruptcy Court shall confirm a plan only if it finds that all of the requirements enumerated in Section 1129 of the Bankruptcy Code have been met. The Debtors believe that the Plan satisfies all of the requirements for Confirmation.

1. Best Interests Test.

Before the Plan may be confirmed, the Bankruptcy Court must find (with certain exceptions) that the Plan provides, with respect to each Class, that each holder of an Allowed Claim or Equity Interest of such Class either: (a) has accepted the Plan; or (b) will receive or retain under the Plan, on account of such Claim or Equity Interest, property of a value, as of the Effective Date, that is not less than the amount that such holder would receive or retain if the Debtors were, on the Effective Date, liquidated under Chapter 7 of the Bankruptcy Code. Due to the increased costs that will result from the liquidation of the Debtors' assets under Chapter 7 of the Bankruptcy Code, the Debtors believe that the best interests test is satisfied under the circumstances.

To determine what holders of Claims and Equity Interests would receive if the Debtors were liquidated, the Court must determine how the assets and properties of the Debtors would be liquidated and distributed in the context of Chapter 7 liquidation cases.

The Debtors' cost of liquidation under Chapter 7 cases would include the fees payable to a trustee in bankruptcy and to any additional attorneys and other professionals engaged by such trustee and any unpaid expenses incurred by the Debtors during the Chapter 11 cases, including compensation of attorneys and accountants. The additional costs and expenses incurred by a trustee in a Chapter 7 liquidation could be substantial and would decrease the possibility that Unsecured Creditors would receive meaningful distributions. This is particularly the case where the Debtors are engaged in ongoing litigation with third parties. The trustee and his professionals will need to review and analyze complex agreements and statutory provisions

which would likely result in significant cost to the estate. The foregoing types of Claims arising from Chapter 7 administration and such other Claims as may arise in Chapter 7 or result from the pending Chapter 11 cases would be paid in full from the liquidation proceeds before the balance of those proceeds would be made available to pay the Claims of Unsecured Creditors. Liquidation in Chapter 7 might substantially delay the date at which Creditors would receive any payment.

The Debtors have carefully considered the probable effects of liquidation under Chapter 7 on the ultimate proceeds available for distribution to Creditors and holders of Equity Interests, including the following:

a. the possible costs and expenses of the Chapter 7 trustee or trustees and their professionals; and

b. the possible substantial increase in Claims, which would have priority over or on parity with those of Unsecured Creditors.

2. Financial Feasibility.

The Bankruptcy Code requires, as a condition to Confirmation, that Confirmation of a plan is not likely to be followed by the liquidation or the need for further financial reorganization of the debtor unless the liquidation is proposed in the Plan. The Debtors assert that the Plan is feasible and believe that they will be able to prove such at the Confirmation Hearing.

3. Acceptance by Impaired Classes.

The Bankruptcy Code requires as a condition to Confirmation that each Class of Claims or Interests that is Impaired under the Plan accept such plan, with the exception described in the following section. A Class of Claims has accepted the Plan if the Plan has been accepted by Creditors that hold at least two-thirds (2/3) in dollar amount and more than one-half

(1/2) in number of the Allowed Claims of such Class who vote to accept or to reject the Plan.

A Class of Interests has accepted the Plan if the Plan has been accepted by holders of Interests that hold at least two-thirds (2/3) in amount of the Allowed Interests of such Class that vote to accept or reject the Plan. Holders of Claims or Interests who fail to vote are not counted as either accepting or rejecting the Plan.

A Class that is not Impaired under a Plan is deemed to have accepted such Plan; solicitation of acceptances with respect to such Class is not required. A Class is Impaired unless: (i) the legal, equitable, and contractual rights to which the Claim or Interest entitles the holder of such Claim or Interest are not modified; (ii) with respect to Secured Claims, the effect of any default is cured and the original terms of the obligation are reinstated; or (iii) the Plan provides that on the Effective Date the holder of the Claim or Interest receives on account of such claim or interest, Cash equal to the Allowed Amount of such Claim or, with respect to any Interest, any fixed liquidation preference to which the holder is entitled.

4. Confirmation Without Acceptance by all Impaired Classes: "Cramdown."

The Bankruptcy Code contains provisions that enable the Bankruptcy Court to confirm the Plan, even though all Impaired Classes have not accepted the Plan, provided that the Plan has been accepted by at least one Impaired Class of Claims. Section 1129(b)(1) of the Bankruptcy Code states:

> "Notwithstanding section 510(a) of this title, if all of the applicable requirements of subsection (a) of this section other than paragraph (8) are met with respect to a plan, the court, on request of the proponent of the plan, shall confirm the plan notwithstanding the requirements of such paragraph if the plan does not discriminate unfairly, and is fair and equitable, with respect to each class of claims or interests that is impaired under, and has not accepted, the plan."

This section makes clear that the Plan may be confirmed, notwithstanding the failure of an Impaired Class to accept the Plan, so long as the Plan does not discriminate

unfairly and it is fair and equitable with respect to each Class of Claims that is Impaired under and has not accepted the Plan.

THE DEBTORS BELIEVE THEY ARE ABLE TO MEET THE STATUTORY STANDARDS SET FORTH IN THE BANKRUPTCY CODE WITH RESPECT TO NONCONSENSUAL CONFIRMATION OF THE PLAN AND WILL SEEK SUCH RELIEF IF NECESSARY.

D. Consummation.

The Plan will be consummated and Payments made if the Plan is confirmed pursuant to a Final Order of the Bankruptcy Court and distributions under the Plan commence. It will not be necessary for the Debtors to await any required regulatory approvals from agencies or departments of the United States to consummate the Plan. The Plan will be implemented pursuant to its provisions and the Bankruptcy Code.

E. Effects of Confirmation.

1. Authority to Effectuate the Plan

Upon the entry of the Confirmation Order by the Bankruptcy Court, the Plan provides that all matters provided under the Plan will be deemed to be authorized and approved without further approval from the Bankruptcy Court. The Debtors shall be authorized, without further application for an order of the Bankruptcy Court, to take whatever action is necessary to achieve consummation and carry out the Plan in accordance with the Plan and the Bankruptcy Code.

2. Binding Effect of Confirmation

Confirmation of the Plan will legally bind the Debtors, all Creditors, Interest Holders, and other parties in interest to the provisions of the Plan whether or not the Claim or Interest Holder is impaired under the Plan and whether or not such Creditor or Interest Holder voted to accept the Plan.

3. No Discharge of Claims

For the avoidance of doubt, notwithstanding any other provision of the Plan, neither confirmation nor substantial consummation of the Plan shall result in the Debtors receiving a discharge under Section 1141(d) of the Bankruptcy Code.

4. Releases and Injunction Related to Releases

THE PLAN IS PREMISED UPON THE RELEASES CONTAINED BELOW. THE DEBTORS ASSERT THAT THE RELEASES ARE BEING GIVEN IN CONSIDERATION FOR THE SERVICE OF THE DEBTORS, THE CREDITORS' COMMITTEE, THE AD HOC NOTEHOLDER GROUP AND ITS MEMBERS, THE INDENTURE TRUSTEE, AND ANY OF THEIR RESPECTIVE MEMBERS, OFFICERS, DIRECTORS, EMPLOYEES, ADVISORS, PROFESSIONALS, OR AGENTS, (COLLECTIVELY, "RELEASED PARTIES") TO FACILITATE THE REORGANIZATION OF THE DEBTORS AND IMPLEMENTATION OF THE LIQUIDATION CONTEMPLATED BY THE PLAN.

(a) General Releases by the Debtors and All Parties in Interest. EXCEPT AS OTHERWISE PROVIDED FOR HEREIN, ON THE EFFECTIVE DATE, THE DEBTORS, ALL HOLDERS OF CLAIMS, AND ALL HOLDERS OF EQUITY INTERESTS WILL BE DEEMED TO FOREVER RELEASE, WAIVE, DISCONTINUE, AND DISCHARGE ALL EXISTING CLAIMS, OBLIGATIONS, PROCEEDINGS, SUITS, JUDGMENTS, DAMAGES, DEMANDS, DEBTS, RIGHTS, CAUSES OF ACTION, OBJECTIONS TO CLAIMS, AND LIABILITIES THAT ARE BASED IN WHOLE OR IN PART ON ANY ACT, FAILURE TO ACT, OMISSION, TRANSACTION, OR OTHER OCCURRENCE TAKING PLACE OR ARISING ON OR PRIOR TO THE EFFECTIVE DATE, SOLELY TO THE EXTENT THAT THE FOREGOING RELATES TO THE DEBTORS, THAT THE DEBTORS, ALL HOLDERS OF CLAIMS, AND ALL HOLDERS OF EQUITY INTERESTS HAS, HAD OR MAY HAVE AGAINST THE RELEASED PARTIES, AND TO THE MAXIMUM EXTENT POSSIBLE, BUT ONLY TO THE EXTENT SUCH CLAIMS ARE DERIVATIVE IN NATURE. NOTWITHSTANDING THE FOREGOING, THE RELEASES PROVIDED HEREIN SHALL NOT AFFECT IN ANY MANNER THE OBLIGATIONS ARISING UNDER THE PROVISIONS OF THE PLAN, INCLUDING THE RIGHT TO ENFORCE THE OBLIGATIONS OF ANY PARTY ARISING UNDER THE PLAN AND THE CONTRACTS, INSTRUMENTS, RELEASES, AGREEMENTS, AND DOCUMENTS DELIVERED IN CONNECTION WITH THE PLAN. NOTHING IN THE PLAN IS INTENDED, NOR SHALL IT BE CONSIDERED, TO ELIMINATE, WAIVE OR RELEASE ANY OF DEBTORS' PRESENT OR FORMER MANAGERS, OFFICERS OR DIRECTORS FROM ANY LIABILITIES THAT MAY HAVE ARISEN OR OCCURRED PRIOR TO THE COMMENCEMENT DATE, INCLUDING, WITHOUT LIMITATION, THE CAUSES OF ACTION AGAINST ANY OF THE DEBTORS' PRESENT OR FORMER MANAGERS, OFFICERS OR DIRECTORS.

(b) Injunction Related to Releases. EXCEPT AS EXPRESSLY PROVIDED IN THE PLAN OR TO OTHERWISE ENFORCE THE TERMS OF THE PLAN, AS OF THE CONFIRMATION DATE, THE DEBTORS, ALL HOLDERS OF CLAIMS, AND ALL HOLDERS OF EQUITY INTERESTS, TO THE FULLEST EXTENT PERMITTED BE APPLICABLE LAW, ARE PERMANENTLY ENJOINED FROM TAKING ANY OF THE FOLLOWING ACTIONS ON ACCOUNT OF ANY SUCH DISCHARGED CLAIMS, DEBTS, LIABILITIES, EQUITY INTERESTS, OR OTHER RIGHTS: (I) COMMENCING OR CONTINUING IN ANY MANNER ANY ACTION OR PROCEEDING AGAINST THE RELEASED PARTIES OR THEIR RESPECTIVE PROPERTY, OTHER THAN TO ENFORCE ANY RIGHT, PURSUANT TO THE PLAN, TO A DISTRIBUTION; (II) ENFORCING, ATTACHING, COLLECTING OR RECOVERING IN ANY MANNER ANY JUDGMENT, AWARD, DECREE OR ORDER AGAINST THE RELEASED PARTIES; (III) ASSERTING A SETOFF, RIGHT OF SUBROGATION OR RECOUPMENT OF ANY KIND AGAINST ANY DEBT, LIABILITY, OR OBLIGATION DUE TO THE RELEASED PARTIES; AND (IV) COMMENCING OR CONTINUING ANY ACTION, IN ANY MANNER, IN ANY PLACE THAT DOES NOT COMPLY WITH OR IS INCONSISTENT WITH THE PROVISIONS OF THE PLAN.

5. **Exculpation. NEITHER THE DEBTORS, THE CREDITORS' COMMITTEE, THE AD HOC NOTEHOLDER GROUP AND ITS MEMBERS, THE INDENTURE TRUSTEE NOR ANY OF THEIR RESPECTIVE MEMBERS, OFFICERS, DIRECTORS, EMPLOYEES, ADVISORS, PROFESSIONALS, INDEPENDENT CONTRACTORS OR AGENTS, (COLLECTIVELY, "EXCULPATION PARTIES") SHALL HAVE OR INCUR ANY LIABILITY TO ANY HOLDER OF A CLAIM OR EQUITY INTEREST FOR ANY ACT OR OMISSION IN CONNECTION WITH, RELATED TO, OR ARISING OUT OF THE CHAPTER 11 CASES, NEGOTIATIONS REGARDING OR CONCERNING THE PLAN, THE PURSUIT OF CONFIRMATION OF THE PLAN, THE CONSUMMATION OF THE PLAN, OR THE ADMINISTRATION OF THE PLAN OR THE PROPERTY TO BE DISTRIBUTED UNDER THE PLAN, EXCEPT FOR WILLFUL MISCONDUCT OR GROSS NEGLIGENCE, AND, IN ALL RESPECTS, THE EXCULPATION PARTIES SHALL BE ENTITLED TO RELY UPON THE ADVICE OF COUNSEL WITH RESPECT TO THEIR DUTIES AND RESPONSIBILITIES UNDER THE PLAN.**

NOTHING CONTAINED IN THE PLAN SHALL OPERATE AS A RELEASE, WAIVER, OR DISCHARGE OF ANY CLAIM, CAUSE OF ACTION, RIGHT OR OTHER LIABILITY AGAINST MEMBERS OF THE CREDITORS' COMMITTEE IN ANY CAPACITY OTHER THAN AS A MEMBER OF THE CREDITORS' COMMITTEE.

6. Post-Confirmation Status Report

Pursuant to the Plan, within 120 days of the entry of the Confirmation Order, the Reorganized Debtors will file a status report with the Bankruptcy Court explaining what progress has been made toward consummation of the confirmed Plan. The status report will

be served on the United States Trustee and those parties who have requested special notice post-confirmation. The Bankruptcy Court may schedule subsequent status conferences in its discretion.

VI. ALTERNATIVE TO THE PLAN.

If the Plan is not confirmed and consummated, the Debtors believe that the most likely alternative is liquidation of the Debtors under Chapter 7 of the Bankruptcy Code. The Debtors believe that this alternative is much less attractive to Creditors than the Plan because of the increased administrative expenses with no additional return to Creditors.

VII. CONCLUSION.

The Debtors recommend that Holders of Claims entitled to vote on the Plan vote to accept the Plan.

Dated: Denver, Colorado
August 22, 2016

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