IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:	)	Chapter 11
	)	
ADAMS RESOURCES EXPLORATION CORPORATION,[1]	)	Case No. 17-10866 (KG)
	)	
	)	
Debtor.	)	

SECOND AMENDED COMBINED DISCLOSURE STATEMENT AND PLAN OF LIQUIDATION OF ADAMS RESOURCES EXPLORATION CORPORATION

Date: December 13, 2017
Wilmington, Delaware

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[1] The Debtor in this chapter 11 case, along with the last four digits of Debtor's federal tax identification number, is Adams Resources Exploration Corp. (9131). The location of the Debtor's corporate headquarters and service address is: 17 S. Briar Hollow Lane, Suite 100, Houston, TX 77027.

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ARTICLE I
INTRODUCTION AND OVERVIEW OF PLAN

Section 1.1 Introduction.

This Second Amended Combined Disclosure Statement and Plan of Liquidation (the "Plan") of Adams Resources Exploration Corporation ("AREC" or the "Debtor") is being distributed to all Creditors of, and holders of Equity Interests in, the Debtor pursuant to 11 U.S.C. § 1125. The information contained in the Plan, including Exhibits, is based upon AREC's review of its books and records, its business and affairs, and information provided by AREC's employees. Except as otherwise expressly indicated, the information contained in this Plan has not been subject to audit or independent review.

THIS DISCLOSURE STATEMENT HAS ONLY BEEN APPROVED ON AN INTERIM BASIS BY THE BANKRUPTCY COURT IN ORDER FOR THE DEBTOR TO BEGIN SOLICITATION OF VOTES ON THE PLAN AND TO COMBINE THE HEARINGS ON FINAL APPROVAL OF THE DISCLOSURE STATEMENT AND CONFIRMATION OF THE PLAN. THE BANKRUPTCY COURT WILL CONSIDER APPROVAL OF THIS DISCLOSURE STATEMENT ON A FINAL BASIS AND CONFIRMATION OF THE PLAN ON DECEMBER 18, 2017 AT 2:00 P.M EST.

You should take the time to vote on the Plan which, if confirmed, will affect your economic interest. Before casting your ballot, it is important that you be informed about the nature of the Chapter 11 Case, the Plan and its consequences.

You should read this Plan before you decide how to vote. The Debtor believes that this Plan provides adequate information to enable Holders of Claims entitled to vote to make an informed decision on whether to vote to accept or reject the Plan. All information in this Plan is provided for the purpose of soliciting acceptances of the Plan. The Debtor urges you to review the Plan and consult with your own legal counsel, accountants, tax advisors, financial advisors and/or other advisers.

This Plan is the only document that Creditors and Holders of Equity Interest should consider in connection with the solicitation of votes on the Plan. The Debtor makes no representations concerning the Debtor, its assets, or claims against the Debtor except as set forth in this Plan. No representations by any person concerning the Debtor are authorized by the Debtor other than as set forth in this Plan and should not be relied on by you in arriving at your decision to accept or reject the Plan. Accordingly, Holders of Claims and Interests should not rely on anything other than the representations set forth in this Plan in considering whether to accept or reject the Plan.

The Plan contains important information concerning the Debtor's history and operations, claims against the Debtor, and how claims will be treated if the Plan is confirmed by the Bankruptcy Court. The Plan also provides information regarding alternatives to the Plan.

The Debtor cannot represent or warrant that the information herein is without inaccuracy or error but it is the most accurate information available to the Debtor at this time. Nothing

contained herein is an admission of any fact or liability nor shall it be admissible in any proceeding involving the Debtor.

For the reasons set forth in this Plan, the Debtor believes that confirmation of the Plan is in the best interests of Creditors and other parties in interest. Accordingly, the Debtor urges you to vote to accept the Plan.

Section 1.2 Summary of the Treatment of Holders of Claims and Interests.

The chart below summarizes the treatment of Holders of Claims and Interests under the Plan. Please refer to Article VII of the Plan for a more detailed description of the treatment of Holders of Claims and Interests.

Class	Treatment	Status/ Right to Vote	Estimated Aggregate Amount of Claims	Estimated Percentage Recovery Range
Unclassified Administrative Claims	Each Holder of an Allowed Administrative Expense Claim shall be paid in full, in Cash, as soon as practicable after the later of (i) the Effective Date, (ii) the date that such Administrative Expense Claim becomes an Allowed Claim, (iii) the date that such Administrative Expense Claim becomes due in the ordinary course of business and (iv) the date that the Reorganized Debtor and the Holder of such Administrative Expense Claim otherwise agree. Administrative Expense Claims include costs and expenses incurred in the ordinary course of the Debtor's business following the Petition Date, the fees and expenses of Professionals retained by the Debtor and fees due to the United States Trustee pursuant to 28 U.S.C. § 1930.	Not entitled to vote	Less than $100,000	100%
Unclassified Priority Tax Claims	Each Holder of an Allowed Priority Tax Claim pursuant to Section 507(a)(8) of the Bankruptcy Code shall be paid in full, in Cash, as soon as practicable after the later of the Effective Date and the date that such Priority Tax Claim becomes	Not entitled to vote	$12,000	100%

	an Allowed Claim. Any Claim or request for any penalty or penalty amount relating to any Priority Tax Claim (other than a penalty of the type specified in Section 507(a)(8)(G) of the Bankruptcy Code) will be Disallowed. This treatment shall apply to Secured and Unsecured Priority Tax Claims.			
Class 1 Priority Non-Tax Claims	Each Holder of an Allowed Class 1 Non-Tax Priority Claim shall receive Cash in an amount equal to the amount of such Allowed Priority Non-Tax Claim as soon as practicable after the later of the Effective Date and the date such Claim becomes an Allowed Claim.	**Unimpaired** Deemed to Accept the Plan. Not entitled to vote	The Debtor does not believe that there will be any Allowed Class 1 Non-Tax Priority Claims	100%
Class 2 Miscellaneous Secured Claims	Each Holder of an Allowed Miscellaneous Secured Claim shall receive Cash in the amount of the Allowed Claim, including interest to the extent required by applicable law, including Section 506(b) of the Bankruptcy Code, as soon as practicable after the later of the Effective Date and the date such Claim becomes an Allowed Miscellaneous Secured Claim. Secured claims that are also Priority Tax Claims shall be treated as Priority Tax Claims and not Class 2 Miscellaneous Secured Claims.	**Unimpaired** Deemed to Accept the Plan. Not entitled to vote	$38,000	100%
Class 3 General Unsecured Claims	Each Holder of an Allowed Class 3 General Unsecured Claim shall receive Cash in an amount equal to the amount of such Allowed Claim, without interest, as soon as practicable after the later of the Effective Date and the date such Claim becomes an Allowed Claim.	**Impaired** Entitled to vote to accept or reject the Plan	$6,000	100%
Class 4 Unsecured Litigation Claims	Each Holder of an Allowed Class 4 Unsecured Litigation Claim shall receive its *Pro Rata* Share of the Class 4 Distribution Fund in the amount of $750,000, less Debtor's Defense Costs, as soon	**Impaired** Entitled to vote to accept or reject the Plan	Unliquidated. The Debtor does not believe that there will be any allowed	Unknown

	as practicable after the date that all asserted Class 4 Claims are Allowed or Disallowed; provided, however, that no Holder of an Allowed Class 4 Claim shall receive a Distribution in excess of the Allowed amount of such Holder's Class 4 Claim. Notwithstanding the foregoing, Texas Brine shall be deemed to have waived the Texas Brine Claim pursuant to the Texas Brine Order as of the Effective Date and Texas Brine will not receive a distribution under the Plan on account of the Texas Brine Claim.		Class 4 Unsecured Litigation Claims	
Class 5 AREI Unsecured Claim	The AREI Claim[1] shall be an Allowed Claim in the amount of $59,685,387.72. As soon as practicable after the Effective Date, the Holder of the AREI Class 5 Claim shall receive the Class 5 Distribution Fund in the amount of $3,200,000. As soon as practicable after the date that Debtor's Defense Costs are paid and all asserted Class 4 Claims are Allowed or Disallowed, the Holder of the AREI Allowed Claim shall receive any amounts remaining in the Class 4 Distribution Fund. As soon as practicable after this Chapter 11 Case is closed, the Reorganized Debtor shall distribute all remaining Cash and assign any other remaining assets to the Holder of the Class 5 AREI Unsecured Claim.	**Impaired** Entitled to vote to accept or reject the Plan	$59,685,387.72	5.3% to 6.5%

[1] The Holder of the Class 5 AREI Claim is the Debtor's parent and sole equity holder.

Class 6 Interests in the Debtor	Class 6 Equity Interests shall be cancelled and extinguished on the Effective Date. Holders of Class 6 Equity Interests shall neither receive nor retain any property under the Plan.	**Impaired** AREI, the sole Holder of Class 6 Equity Interests, Consents to this treatment and is deemed to Accept the Plan. Not entitled to vote	N/A	0%

Section 1.3 Voting on the Plan.

The Debtor believes that the Plan is the best interests Holders of Claims and Interests and other stake holders and urges Creditors entitled to vote on the Plan vote to accept the Plan. Important information regarding voting on the Plan is set forth below.

The deadline for Ballots casting votes to accept or reject the Plan is December 11, 2017 at 4:00 p.m. (prevailing Eastern Time). To be counted, your Ballot must actually be received by this date and time.

The record holder date for determining which Creditors may vote on the Plan is November 3, 2017.

RECOMMENDATION: THE DEBTOR RECOMMENDS THAT HOLDERS OF CLAIMS ENTITLED TO VOTE ON THE PLAN VOTE TO ACCEPT THE PLAN.

The Bankruptcy Code provides that only the Ballots of Creditors that actually vote on the Plan will be counted for purposes of determining whether the requisite acceptances have been attained. Failure to deliver a properly completed Ballot by the Voting Deadline will constitute an abstention (*i.e.*, will not be counted as either an acceptance or a rejection), and any improperly completed or late Ballot will not be counted.

IF NO HOLDERS OF CLAIMS ELIGIBLE TO VOTE IN A PARTICULAR CLASS VOTE TO ACCEPT OR REJECT THE PLAN, THE PLAN SHALL BE DEEMED ACCEPTED BY THE HOLDERS OF SUCH CLAIMS IN SUCH CLASS.

ARTICLE II
DEFINED TERMS AND RULES OF INTERPRETATION

Section 2.1 Defined Terms

Capitalized terms used in the Plan are defined in this Article or in other Articles herein.

"Administrative Claim" and "Administrative Expense Claim" mean a Claim Allowed under Section 503(b) of the Bankruptcy Code that is entitled to priority under Section 507(a)(2) of the Bankruptcy Code, including, without limitation, (a) any actual and necessary costs and expenses of preserving the Estate or administering the Chapter 11 Case as authorized and approved by a Final Order, (b) any actual and necessary costs and expenses incurred in the ordinary course of the Debtor's business, (c) fees and expenses of Professionals to the extent Allowed by Final Order under Sections 330, 331, or 503 of the Bankruptcy Code, and (d) all fees and charges payable by the Estate to the Office of the United States Trustee pursuant to 28 U.S.C. § 1930.

"Allowed" means, with reference to any Claim: (a) a Claim that has been listed by the Debtor in its Schedules, as amended, and (i) is not listed as disputed, contingent or unliquidated and (ii) as to which no proof of Claim has been filed; (b) a Claim as to which a proof of Claim has been filed in a sum certain and either (i) no objection thereto, or application to estimate, equitably subordinate, reclassify or otherwise limit recovery, has been made by the deadline set forth in § 8.2 (6) of the Plan, or (ii) if an objection thereto, or application to estimate, equitably subordinate, reclassify or otherwise limit recovery, has been interposed, the extent to which such Claim (whether in whole or in part) has been allowed by a Final Order; (c) a Claim arising from the recovery of property under Section 550 or 553 of the Bankruptcy Code and allowed in accordance with Section 502(h) of the Bankruptcy Code; (d) any Claim previously allowed by order of the Bankruptcy Court; (e) any Claim allowed under the Plan; or (f) any Claim that is Allowed as agreed between the Reorganized Debtor and the Holder of such Claim.

"Ballot" means the form or forms distributed to each Holder of an impaired Claim entitled to vote on the Plan on which an acceptance or rejection of the Plan shall be indicated.

"Bankruptcy Code" means Title 11 of the United States Code, as now in effect or hereafter amended to the extent that such amendment(s) are made retroactively applicable to the Chapter 11 Cases.

"Bankruptcy Court" means the United States Bankruptcy Court for the District of Delaware and, to the extent of any withdrawal of the reference under 28 U.S.C. § 157, the United States District Court for the District of Delaware.

"Bankruptcy Rules" means the Federal Rules of Bankruptcy Procedure as promulgated under 28 U.S.C. § 2075, as the same may be amended from time to time.

"Business Day" means any day except: (a) Saturday; (b) Sunday; or (c) any other day on which banking institutions in Wilmington, Delaware are required or authorized to be closed by law or executive order.

"Cash" means cash, cash equivalents (including checks drawn on a bank insured by the Federal Deposit Insurance Corporation, certified checks and money orders) and other readily marketable direct obligations of the United States of America and certificates of deposit issued by banks.

"Causes of Action" means all preference, fraudulent conveyance, turnover, and other Claims and causes of action arising under Chapter 5 of the Bankruptcy Code except to the extent waived and released by the Settlement Agreement and any and all other actions, causes of action, liabilities, obligations, rights, suits, debts, sums of money, damages, judgments, Claims and demands whatsoever, that have been or could have been brought by on behalf of the Debtor arising before, on or after the Petition Date, whether known or unknown, in law, equity, or otherwise.

"Chapter 11 Case" means the Debtor's chapter 11 bankruptcy case.

"Claim" means a claim as defined in Section 101(5) of the Bankruptcy Code, including, without limitation, (a) any right to payment, whether or not such right is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured or unsecured; or (b) any right to an equitable remedy for breach of performance if such breach gives rise to a right to payment, whether or not such right to an equitable remedy is reduced to judgment, fixed, contingent, matured, unmatured, disputed, undisputed, secured or unsecured.

"Class" means a category of Persons holding Claims or Interests that are substantially similar in nature to the Claims or the Interests of other Holders in such Class, as designated in Section 3.2 of the Plan.

"Class 4 Distribution Fund" means Cash on the Effective Date in the amount of $750,000, less the amount of the Debtor's Defense Costs provided, however, that in no event shall the amount of the Class 4 Distribution Fund be less than $250,000.

"Class 5 Distribution Fund" means Cash in the amount of $3,200,000.

Confirmation Date" means the date that the Confirmation Order is entered on the docket by the Clerk of the Bankruptcy Court.

"Confirmation Order" means the order entered by the Bankruptcy Court confirming the Plan pursuant to Section 1129 of the Bankruptcy Code.

Contested Claim" means any Claim or portion thereof (a) as to which the Debtor, the Reorganized Debtor, or any other party in interest entitled to do so under applicable law and the Plan has filed an objection or request for estimation by the deadline set forth in § 8.2 (6) of the Plan, which objection or request for estimation has not been determined by a Final Order in accordance with the Bankruptcy Code, the Bankruptcy Rules and the Plan, or (b) which Claim or

portion thereof, prior to the date an objection is brought or request for estimation is made, is subject to disallowance under Section 502(d) or estimation under Section 502(c), of the Bankruptcy Code.

"Creditor" means a Person holding a Claim against the Debtor that (i) was identified in the Schedules and not scheduled as contingent, disputed and/or unliquidated or (ii) with respect to which the person holding such Claim filed a proof of claim against the Debtor.

"Debtor" means Adams Resources Exploration Corporation.

"Debtor's Defense Costs" means the Debtor's costs and expenses incurred and paid in defending against the Claims of Holders of Class 4 Unsecured Litigation Claims following the Effective Date.

"Disallowed" means any Claim or any portion thereof that (i) has been disallowed by a Final Order, (ii) is not Scheduled and as to which no proof of claim or Administrative Expense Request has been Filed, (iii) is Scheduled as zero or as contingent, disputed or unliquidated and as to which no proof of claim or Administrative Expense Request has been Filed, or (iv) has been withdrawn by the Holder of the Claim, or by agreement of the Debtors and the Holder thereof.

"Distributions" means the disbursement of cash or other assets of the Estate to Holders of Allowed Claims.

"Effective Date" means one (1) Business Day after the date on which all conditions to Confirmation of a Plan have been satisfied or waived, provided, however that the Debtor may, in consultation with AREI, declare such other date following the Confirmation Date to be the Effective Date. The Debtor anticipates that the Effective Date will occur by the end of 2017.

"Estate" means the bankruptcy estate of the Debtor created as of the Petition Date under the provisions of the Bankruptcy Code and applicable law.

"Existing Equity Interests" means shares of stock of the Debtor that are authorized, issued, and/or outstanding prior to the Effective Date.

"Final Order" means an order or judgment of the Bankruptcy Court as to which the time to appeal, petition for *certiorari*, or move for reargument or rehearing has expired and as to which no appeal, petition for *certiorari*, or other proceedings for reargument or rehearing shall then be pending or as to which any right to appeal, petition for *certiorari*, reargue, or rehearing shall have been waived in writing in form and substance satisfactory to the Debtor; provided, however, that the possibility that a motion under Rule 59 or Rule 60 of the Federal Rules of Civil Procedure, or any analogous rule under the Bankruptcy Rules, may be filed with respect to such order shall not cause such order not to be a Final Order.

"General Unsecured Claim" means any Claim that is an unsecured claim against the Debtor not included in any other Class of Claims.

"Holder" means the holder of a Claim or Interest.

"Interest" means the equity and stock, whether common or preferred of any class or category, of the Debtor and all rights, contractual or otherwise, to acquire any such equity or stock outstanding immediately prior to the Effective Date, and any Claims in respect thereof.

"New Equity Interest" means the equity interests in the Reorganized Debtor to be issued to the Plan Administrator on the Effective Date.

"Person" means any individual, corporation, partnership, joint venture, association or organization, governmental agency, or political subdivision thereof.

"Petition Date" means April 21, 2017, the date on which the Debtor filed its voluntary Chapter 11 petition with the Bankruptcy Court pursuant to the Bankruptcy Code.

"Plan" means this Combined Disclosure Statement and Plan of Liquidation of Adams Resources Exploration Corporation.

"Priority Claims" means Priority Tax Claims and Priority Non-Tax Claims.

"Priority Non-Tax Claims" means any and all Claims (or portions thereof), if any, entitled to priority under Section 507(a) of the Bankruptcy Code other than Priority Tax Claims and Administrative Expense Claims.

"Priority Tax Claims" means any Claims of governmental units entitled to priority under Section 507(a)(8) of the Bankruptcy Code.

"Professionals" means those Persons (a) employed pursuant to an order of the Bankruptcy Court in accordance with Section 327 of the Bankruptcy Code and to be compensated for services pursuant to Sections 327, 328, 329, 330 and 331 of the Bankruptcy Code, or (b) for which compensation and reimbursement has been allowed by the Bankruptcy Court pursuant to Section 503(b)(4) of the Bankruptcy Code.

"*Pro Rata* Share" shall mean a proportionate share, so that the ratio of the consideration distributed on account of an Allowed Claim in a Class to the amount of such Allowed Claim is the same as the ratio of the amount of the consideration distributed on account of all Allowed Claims in such Class to the amount of all Allowed Claims in such Class.

"Reorganized Debtor" means the Debtor following the Effective Date charged with implementing the Plan in accordance with Article VIII of the Plan.

"Secured Claim" means, pursuant to Bankruptcy Code Section 506, that portion of a Claim that is (a) secured by a valid, perfected and enforceable security interest, lien, mortgage or other encumbrance, which is not subject to avoidance under applicable bankruptcy or non-bankruptcy law, in or upon any right, title or interest of the Debtor in and to property of the Estates, to the extent of the value of the Holder's interest in such property as of the relevant

determination date or (b) any Claim that is (i) subject to an offset right under applicable law and (ii) any secured claim against the Debtor pursuant to Bankruptcy Code Sections 506(a) and 553.

"Schedules" means the schedules of assets and liabilities, the list of holders of interests and the statements of financial affairs filed by the Debtor under section 521 of the Bankruptcy Code and Bankruptcy Rule 1007, as such schedules, lists and statements have been or may be supplemented or amended from time to time.

"Texas Brine" means Texas Brine Company, LLC.

"Texas Brine Claim" shall have the meaning ascribed to that term in Section 4.2.5 of the Plan.

"Texas Brine Motion" means the *Motion to Recognize Inapplicability of Stay or, Alternatively, for Relief from Stay* filed by Texas Brine in the Chapter 11 case on June 2, 2017 [Docket No. 100].

"Texas Brine Order" means the Bankruptcy Court's order on the Texas Brine Motion dated June 22, 2017 [Docket No. 130].

"Unresolved Claim" means any Contested Claim or any Claim to the extent that it is not an Allowed Claim.

Section 2.2 Rules of Interpretation.

1. For purposes herein: (a) in the appropriate context, each term, whether stated in the singular or the plural, shall include both the singular and the plural, and pronouns stated in the masculine, feminine or neuter gender shall include the masculine, feminine and the neuter gender; (b)any reference herein to a contract, agreement or other document being in a particular form or on particular terms and conditions means that the referenced document shall be substantially in that form or substantially on those terms and conditions; (c) any reference herein to an existing document or exhibit having been filed or to be filed shall mean that document or exhibit, as it may thereafter be amended, modified or supplemented; (d) unless otherwise specified, all references herein to "Articles" or "Sections" are references to Articles or Sections of this Plan; (e) the words "herein," "hereof" and "hereto" refer to the Plan in its entirety rather than a particular portion of the Plan; (f) captions and headings to Articles and Sections are inserted for convenience of reference only and are not intended to be a part of or to affect the interpretation hereof; (g) the rules of construction set forth in section 102 of the Bankruptcy Code shall apply; and (h) any term used in capitalized form herein that is not otherwise defined but that is used in the Bankruptcy Code or the Bankruptcy Rules shall have the meaning assigned to that them in the Bankruptcy Code or the Bankruptcy Rules, as the case may be.

2. The provisions of Fed. R. Bankr. P. 9006(a) shall apply in computing any period of time prescribed or allowed hereby.

3. All references herein to monetary figures shall refer to currency of the United States of America, unless otherwise expressly provided.

ARTICLE III
BACKGROUND

Section 3.1 The Debtor's Business.

1. History.

The Debtor was founded by K.S. "Bud" Adams in 1967 as an oil and gas exploration and production company. Early in its existence, the Debtor was actively involved in oil and gas exploration and development, generated prospects, and served as the operator of a number of leases/wells. Accordingly, the Debtor employed a number of experienced and knowledgeable industry experts, such as petroleum engineers, geologists, and other exploration and production professionals. As the Debtor's key professionals retired, left the company, and passed away, AREC later shifted its emphasis from prospect generation and operation to ownership of non-operating working interests in leases/wells operated by other companies.

In 2016, the Debtor's President and its Treasurer both retired. Its former President had been with the Debtor since approximately 1997 and had approximately forty-six (46) years of experience as a petroleum engineer. Its former Treasurer is a CPA who had been with the Debtor since approximately 1984. As of the Petition Date (defined below), the Debtor had five (5) employees, primarily consisting of support personnel, such as field supervisors, revenue accountants, joint interest accountants and production secretaries.

2. Oil and Gas Interests.

As of the Petition Date, the Debtor owned lease interests in Texas, Louisiana, Oklahoma, Kansas, Montana, and Arkansas. As of December 31, 2016, the Debtor owned fractional interests in approximately 470 wells (13.5 net wells). The Debtor operated six (6) of those wells but all of the wells the Debtor operated had been plugged and abandoned as of March 31, 2017. The relationships of the operator and non-operators for each of the leases in which the Debtor has an interest are governed by operating agreements.

As of December 31, 2016, the Debtor had estimated proved reserves of approximately 889 thousand barrels of oil equivalents (MBOE), comprised of 4.214 billion cubic feet (BCF) of natural gas and 186.7 thousand barrels (MBO) of oil and condensate. The discounted future net income attributable to the Debtor's reserves was estimated to be approximately $3,477,400 as of December 31, 2016.[2]

[2] Ryder Scott Company, L.P., Estimated Future Reserves and Income Attributable to Certain Leasehold Royalty Interests, as of December 31, 2016.

3. Corporate Governance and Ownership.

The Debtor is incorporated in Delaware and is in good standing with the Delaware Department of State. It has issued 10,000 shares of common stock, all of which are owned by Adams Resources & Energy, Inc. (the "Parent"). Adams Resources & Energy, Inc. is a publicly traded company (symbol: AE) incorporated in Delaware.

The Debtor is governed by a Board of Directors comprised of two (2) Directors, Sharon Davis and John Riney. The Debtor has the following Officers: (i) John Riney, President; (ii) Sharon Davis, Treasurer; (iii) David Hurst, Secretary; (iv) James Quinn, Assistant Secretary; and (v) Josh Anders as Chief Financial Officer.

Section 3.2 Prepetition Capital Structure and Debt.

1. Intercompany Loans.

As of the Petition Date, the Debtor owed approximately $59.7 million to the Parent pursuant to unsecured intercompany loans. The Parent funded these amounts over a period of time to fund the Debtor's operating cash flow shortfalls and necessary operating expenses through extended periods of non-profitability.

2. AFEs and JIBs.

As of the Petition Date, the Debtor owed approximately $767,000 in approved and unfunded Authorizations for Expenditure ("AFEs") and Joint Interest Bills ("JIBs") with respect to the development and operation of wells in which the Debtor owned a fractional interest.

3. Royalty Obligations.

The Debtor owed ongoing royalty obligations to the fee owners of property subject to its lease interests. Some royalty obligations were paid by the Debtor from the revenues it received on account of its lease interests, and some were paid on behalf of the Debtor by the operators of wells in which the Debtor had an interest before the proceeds of the Debtor's hydrocarbon production were delivered to the Debtor. On April 19, 2017, the Debtor paid approximately $11,000 to 36 royalty owners based on revenues it received in March 2017. The Debtor believes that it is current on its royalty payment obligations

4. Trade Debt.

In the ordinary course of producing oil and gas from its properties, the Debtor historically obtained goods and services from over 140 vendors. The Debtor believes that it was current on its trade debt as of the Petition Date through funds provided by the above-referenced intercompany loans as needed.

5. Decommissioning Obligations.

As of the Petition Date, the Debtor also owed regulatory decommissioning obligations[3] in proportion to its working interest in oil and gas leases and wells. The decommissioning obligations are owed to the state regulatory bodies with oversight of oil and gas operations. The Debtor believes it is current on its decommissioning obligations. The Purchasers of the Debtor's oil and gas assets (discussed below) assumed the Debtor's decommissioning obligations related to the purchased assets.

Section 3.3 Events Leading to the Commencement of the Chapter 11 Case.

The Debtor's chapter 11 filing was precipitated by the confluence of several factors, including: (i) financial and operational challenges caused in large part by low commodity prices resulting from the downturn in the oil and gas industry; (ii) liquidity demands; and (iii) escalating legal costs resulting from the "Sinkhole Litigation" discussed below. Given these factors, the Debtor filed its bankruptcy petition to conduct a process to sell its assets pursuant to Section 363 of the Bankruptcy Code.

1. Financial and Operational Challenges.

The downturn in the exploration and production industry significantly impacted the Debtor's ability to cash flow through operations and the Debtor operated at a loss in 2014, 2015, and 2016. Despite management's efforts to correct this trend, industry conditions prevented a successful turnaround.

Low commodity prices during this period caused broad-ranging distress in the oil and gas industry. West Texas Intermediate ("WTI") crude oil spot prices fell from a monthly high of approximately $105 per barrel in June of 2014 to approximately $51 per barrel as of the Petition Date. During that period, prices fell as low as $25 per barrel. In 2016, the Debtor's averaged realized price for WTI crude oil was just over $38 per barrel. Natural gas prices have also fallen significantly. The Debtor's average price per Mcf in 2016 was $2.26, compared to $4.65 in 2014.

These declines in commodity pricing led to continued curtailment of drilling in most areas, as the expenditures required for drilling rendered it economically infeasible at suppressed prices. As a result of pricing declines, the Debtor did not participate in any exploratory wells in 2016. The Debtor participated in one (1) dry hole in 2015 and four (4) dry holes in 2014.

The Debtor's participation in development well drilling also declined significantly since 2014. By way of comparison, during the period of advantageous pricing in 2014, the Debtor participated in forty-six (46) development wells. The Debtor participated in thirteen (13) development wells in 2015, and, as prices declined further, the Debtor participated in only seven (7) development wells in 2016.

[3] These obligations include plugging and abandoning, site clearance, cleanup, and other decommissioning obligations.

As a result of this reduced drilling activity, the Debtor's annual production declined significantly. The production of 187,000 barrels of crude oil in 2016 represents a decline of approximately 41.2% from 2014 production. Natural gas production in 2016 also declined by approximately 25% compared to 2014 levels.

As of the Petition Date, the Debtor's revenues were a function of crude oil and natural gas prices and production volumes. The combination of reduced prices and reduced production volumes necessarily led to reduced revenue. Specifically, these industry dynamics caused the Debtor's revenues to fall 44% in 2016 relative to 2015 performance. When compared to 2014, 2016 revenues were down 74.5%. As a result, the Debtor has generally been unable to fund its operations from cash flow.

2. Liquidity Demands.

The Debtor's election to participate in certain development wells in the Permian Basin prior to the Petition Date required the Debtor to satisfy JIBs in order to remain a participating party in those wells and derive future financial benefit from the wells. In the Debtor's business judgment, participation in those wells was critical to maximizing the value of the Debtor's assets and lease interests. If the Debtor had been deemed to be a "non-consenting" (non-participating) party with respect to the wells, the Debtor would have been subject to significant "non-consent" penalties, which would have severely and negatively affected the value of its assets. The Debtor would not have had the funds to satisfy these JIBs in the absence of access to capital through the debtor-in-possession financing discussed in Article IV.C.2 below.

3. The Sinkhole Litigation.

The Debtor's cash flow challenges were compounded by significant litigation expenses associated with claims asserted against the Debtor and others in lawsuits filed in Louisiana (as such lawsuits have been or may be filed, amended or supplemented from time-to-time, the "Sinkhole Litigation"). The Sinkhole Litigation emanates from the 2012 collapse of an underground solution mining cavern operated by Texas Brine in Napoleonville, Louisiana. Texas Brine drilled and developed the collapsed brine cavern near the edge of the Napoleonville Salt Dome. When the cavern collapsed, a large sinkhole manifested itself at the surface and eventually grew to approximately 37 acres in size and 750 feet in depth (the "Sinkhole"). The Sinkhole's emergence triggered a state of emergency, required emergency evacuation of residents, allegedly damaged a number of pipelines in the area, allegedly caused surface, subsurface, and other damage to surrounding landowners, and allegedly caused damages to the State of Louisiana, the Assumption Parish Sheriff, and the Assumption Parish Police Jury. The Sinkhole Litigation consists of ten (10) separate lawsuits, nine (9) of which are pending in Assumption Parish, Louisiana, and one (1) of which is pending in the Eastern District of Louisiana awaiting trial on class certification.

The Debtor operated a legally permitted and approved oil and gas well in the area of the Sinkhole between January 1986 and May 1, 1986 and owned a non-operating working interest in the well between May 1, 1986 and August 2001. The Debtor was brought into the Sinkhole Litigation via a third-party demand filed by Texas Brine. Texas Brine alleges that the production of oil and gas between June of 1986 and 2001 depleted reservoir pressure, which "caused or

contributed to" the collapse of the brine cavern and development of the Sinkhole. Texas Brine has asserted causes of action against the Debtor for reimbursement of the amounts of any judgments against it pursuant to contribution and tort indemnity theories, as well as a "first-party" claim for Texas Brine's own alleged damages. The Debtor maintains that there is no merit to Texas Brine's claims; however, the multiplicity of the Sinkhole Litigation, coupled with the highly scientific nature of both fact and expert evidence, the thirty-year history of the brine cavern, and the millions of documents produced in the cases, has resulted in significant fees and costs to defend these claims. Several of the Debtor's former insurers have become insolvent and gone through receivership proceedings, and its more recent insurers have denied coverage. The cost of the Debtor's defense in the Sinkhole Litigation has significantly impacted the Debtor's cash flow.

4. Marketing and Sale Efforts.

Over the several years prior to the Petition Date, the Debtor closed several asset dispositions in an effort to respond to market conditions and improve the company's financial performance. The Debtor's most recent dispositions of lease interests were in 2012 and 2014.

In 2012, the Debtor sold certain producing properties to Jonder Exploration, SV Resources Partners, Seneca Resources, and Chevron U.S.A. for a purchase price of $4.1 million, representing a net gain of $2.5 million. In 2014, the Debtor sold additional assets to Obloen Resources, Penn Virginia, Tanos Energy, and Red Rocks Energy Partners for $3.6 million, representing a net gain of $2.2 million.

In 2016, the Debtor informally discussed a potential sale of the remainder of its interests in producing properties with prospective buyers. While these discussions generated some interest, the Debtor's management determined that a formal marketing process might assist in maximizing the value received by the Debtor for the assets.

In the months preceding its bankruptcy filing, the Debtor interviewed and placed inquiries with a number of brokers and investment banks. On April 19, 2017, the Debtor entered into an agreement with Oil & Gas Asset Clearinghouse, LLC to conduct the marketing and sale of the Debtor's assets. The Debtor filed its bankruptcy petition because it determined, in its business judgment, that the marketing and sale of its assets in this bankruptcy case would maximize value to the estate and the recovery of the Debtor's creditors.

ARTICLE IV
THE DEBTOR'S CHAPTER 11 BANKRUPTCY CASE

Section 4.1 Overview of Chapter 11

Chapter 11 is the principal business reorganization chapter of the Bankruptcy Code. In addition to permitting debtor rehabilitation, chapter 11 promotes equality of treatment for similarly situated creditors and similarly situated equity interest holders, subject to the priority of distributions prescribed by the Bankruptcy Code's "absolute priority" rule. The "absolute priority rule" sets distribution priorities and governs how chapter 11 plans treat different classes of dissimilarly situated creditors and equity interest holders.

Commencement of a chapter 11 case creates an estate that comprises all of the legal and equitable interests of the debtor as of the bankruptcy commencement 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."

Consummating a plan is the principal objective of a chapter 11 case. A bankruptcy court's confirmation of a chapter 11 plan binds the debtor, any person acquiring property under the chapter 11 plan, any creditor or equity interest holder of the debtor and any other person or entity as may be ordered by the bankruptcy court in accordance with the applicable provisions of the Bankruptcy Code. Subject to certain limited exceptions, the order issued by the bankruptcy court confirming a chapter 11 plan enjoins creditors of a debtor from taking any action to collect on any debt that arose prior to the confirmation of the chapter 11 plan and provides for the treatment of such debt in accordance with the terms of the confirmed chapter 11 plan.

Prior to soliciting acceptances of a proposed chapter 11 plan, section 1125 of the Bankruptcy Code requires a debtor to prepare a disclosure statement containing information of a kind, and in sufficient detail, to enable a hypothetical reasonable investor to make an informed judgment regarding acceptance of the chapter 11 plan. This Disclosure Statement is being submitted in accordance with the requirements of section 1125 of the Bankruptcy Code.

Section 4.2 Significant Events During the Chapter 11 Case. Below is a summary of the significant events in the Debtor's Chapter 11 Case.

1. First Day Motions and Orders.

As is typical in most chapter 11 cases, the Debtor filed several motions on the Petition Date requesting relief that would facilitate its smooth transition into bankruptcy. On April 25, 2017, the Bankruptcy Court entered the following orders granting these motions.

(a) In order to reduce the Debtor's administrative and financial burdens, the Bankruptcy Court entered an interim order authorizing the Debtor to (i) continue and maintain its existing cash management system, (ii) continue its practice of intercompany transactions and (iii) continue and maintain its existing bank accounts. The Bankruptcy Court entered a final order granting this relief on May 23, 2017. [Docket No58].

(b) The Bankruptcy Court entered an interim order authorizing the Debtor to pay (i) royalty and working interest obligations, (ii) lease operating obligations, and (iii) joint interest billing obligations. This interim relief was necessary to maintain the value of the Debtor's oil and gas assets. The Bankruptcy Court entered a final order granting this relief on May 23, 2017. [Docket No. 61].

(c) The Bankruptcy Court entered an order authorizing the Debtor to maintain its existing insurance policies and practices to ensure continued insurance coverage for the Debtor and reduce its administrative burdens. [Docket No. 17].

(d) In order to ensure that the Debtor's employees continued to provide services to the Debtor, the Bankruptcy Court authorized the Debtor to (i) pay its employee's prepetition

salary and wages, payroll taxes and employee benefit and (ii) continue and maintain their existing employee benefits plans and programs. [Docket No. 16.]

2. Debtor in Possession Financing.

Prior to the Petition Date, the Debtor obtained funding necessary to continue its operations and fund its defense in the Sinkhole Litigation through unsecured, intercompany loans from its parent, Adams Resources & Energy, Inc. ("AREI"). As of the Petition Date, AREI held an unsecured claim of approximately $59.7 million against the Debtor on account of these intercompany transactions.

On the Petition Date, the Debtor filed a motion requesting authority to obtain debtor in possession financing from AREI (the "DIP Financing Motion") pursuant to a Debtor in Possession Credit and Security Agreement (the "DIP Financing Facility") between the Debtor and AREI. Pursuant to the DIP Financing Motion, the Debtor requested authority to borrow up to $580,000 on an interim basis and $1,250,000 on a final basis. On April 25, 2017, the Bankruptcy Court entered an order authorizing the Debtor to borrow up to $580,000 from AREI on an interim basis. [Docket No. 13.] On May 24, 2017, the Bankruptcy Court entered an order authorizing the Debtor to borrow up to $1,250,000 from AREI on a final basis. [Docket No. 70]. The Debtor's obligations to AREI under the DIP Financing Facility were secured by liens on substantially all of the Debtor's assets. The Debtor borrowed approximately $700,000 under the DIP Financing Facility during the course of the Chapter 11 Case and paid off the entire balance owed on the DIP Financing Facility.

3. Other Events During the Chapter 11 Case.

The Office of the United States Trustee did not receive enough interest from unsecured creditors to appoint an official committee of unsecured creditors so no official committee has been formed.

By applications dated May 3 and May 4, 2017, the Debtor requested authority from the Bankruptcy Court to retain and employ (i) Sullivan Hazeltine Allinson LLC as bankruptcy counsel, (ii) Oil & Gas Asset Clearinghouse, LLC ("OGAC") as its broker to market the Debtor's oil and gas assets, and (iii) Gavin/Solmonese LLC as Chief Restructuring Officer. By orders dated May 23 and May 24, 2017, the Bankruptcy Court granted Debtor's retention applications. [Docket Nos. 60, 62, and 72]. On May 23, 2017, the Bankruptcy Court also entered orders (i) approving interim compensation procedures for professionals [Docket No. 63] and (ii) authorizing the retention and payment of professionals utilized by the Debtor in the ordinary course of business. [Docket No. 50]. On June 20, 2017, the Bankruptcy Court entered an order authorizing the Debtor to retain Locke Lord LLP as special litigation counsel in the Sinkhole Litigation. [Docket No. 122].

4. The Claim Bar Date and the Filing of Claims.

By Order dated May 23, 2017 (as amended by Order dated June 8, 2017), the Bankruptcy Court set (i) July 10, 2017 as the deadline for all persons other than governmental units to file pre-petition claims against the Debtor and (ii) October 23, 2017 as the deadline for governmental

units to file pre-petition claims against the Debtor. [Docket No. 73]. As of the date hereof, 40 claims have been filed against the Debtor.

5. Texas Brine Motion for Relief from Stay.

On June 2, 2017, Texas Brine filed its *Motion to Recognize Inapplicability of Stay or, Alternatively, for Relief from Stay* (the "Texas Brine Motion"). [Docket No. 100]. Pursuant to the Texas Brine Motion, Texas Brine requested an order permitting it to proceed directly against the Debtor's insurers in the Sinkhole Litigation. The Debtor filed its objection to the Texas Brine Motion on June 15, 2017. [Docket No. 110].

Subsequently, the Debtor and Texas Brine negotiated a consensual resolution regarding the relief Texas Brine requested in the Texas Brine Motion. On June 22, 2017, the Bankruptcy Court entered an agreed order on the Texas Brine Motion (the "Texas Brine Order") [Docket No. 130]. The Texas Brine Order permits Texas Brine to prosecute its claims in the Sinkhole Litigation against the Debtor's insurers but its recovery on these claims, whether by judgment, settlement or other award, is limited to the extent of any applicable insurance proceeds. Significantly, pursuant to the TBC Order, Texas Brine will waive its right to any distribution or any other payment upon the effective date of a confirmed chapter 11 plan other than any recovery Texas Brine may obtain from the Debtor's insurers.

Nothing in the Disclosure Statement, Plan, or Confirmation Order is intended to, nor shall it, affect, modify or impair the Texas Brine Order. Although Texas Brine has asserted a substantial unliquidated claim related to the Sinkhole Litigation (Claim 26-1) (the "Texas Brine Claim"), in light of the agreement of the parties memorialized in the Texas Brine Order, Texas Brine does not intend to vote on the Plan. Texas Brine additionally has agreed that upon the occurrence of the Effective Date, the Texas Brine Claim may be characterized as waived on any claims and distribution registers in the Chapter 11 Case without further notice or a hearing.

6. The Sale of the Debtor's Assets.

On May 4, 2017, the Debtor filed its motion requesting that the Bankruptcy Court enter an order establishing procedures for the sale of substantially all of the Debtor's oil and gas assets (the "Procedures Motion") [Docket No. 36]. On May 24, 2017, the Bankruptcy Court entered its order approving the Procedures Motion (the "Procedures Order") [Docket No. 71]. On May 26, the Debtor filed its motion requesting that the Bankruptcy Court enter an order authorizing the Debtor to sell substantially all of its oil and gas assets pursuant to the Procedures Order [Docket No. 83].

OGAC marketed the Debtor's oil and gas assets extensively in accordance with the Procedures Order. While a significant number of potential bidders expressed interest in acquiring some or all of the Debtor's oil and gas assets, the Debtor did not receive any qualifying bids by the original bid deadline of July 12, 2017. After extending the bid deadline, the Debtor received two qualifying bids. The offers submitted by the two bidders—Sequitur Permian, LLC ("Sequitur") and Bendel Ventures LP 1 ("Bendel")—were on different subsets of the Debtor's oil and gas assets. The Debtor conducted an auction in Houston Texas on July 19, 2017 and, at

the conclusion of the auction, the Debtor accepted both the Sequitur and Bendel's bids as the highest and best offers for the particular assets subject to those bids.

A portion of the Debtor's oil and gas assets were not subject to either bid accepted on July 19, 2017, but both Sequitur and Bendel expressed an interest in submitting additional bids on most of these remaining assets. As a result, at the auction, the Debtor set a subsequent deadline for parties to submit bids on these remaining assets and stated that it would conduct a telephonic auction for these assets if it received competing bids. Other potential bidders were advised of the supplemental bid deadline for the remaining assets. Both Sequitur and Bendel submitted bids on two batches of the remaining assets and the Debtor conducted a telephonic auction on July 27, 2017 for these assets. At the conclusion of this auction, the Debtor selected both bids submitted by Bendel as the highest and best offers for the assets subject to those bids.

The Bankruptcy Court held a sale hearing on August 1, 2017 and conditionally approved the sales to both Sequitur and Bendel subject to the execution of asset purchase agreements. On August 11, 2017, the Bankruptcy Court entered an order approving the sale to Sequitur for a purchase price of $2,560,950. [Docket No. 167]. The sale to Sequitur closed that same day. The Bankruptcy Court entered its order approving the sale to Bendel for a purchase price of $2,478,000 on September 7, 2017. [Docket No. 180]. The sale to Bendel closed on September 11, 2017.

On August 30, 2017, the Debtor filed a motion to sell oil and gas assets related to two wells located in Assumption Parish, LA to Petrodome Napoleonville, LLC ("Petrodome") in a private sale for $180,365. [Docket No. 195]. The Bankruptcy Court entered an order approving the sale to Petrodome on September 20, 2017 and the sale to Petrodome closed on September 21, 2017. Docket No. 195].

The Debtor has a few remaining interests in oil and gas wells. The Debtor may continue to market these assets for sale or may seek to abandon them pursuant to Section 554 of the Bankruptcy Code.

ARTICLE V
THE DEBTOR'S ASSETS AND LIABILITIES

The assets of the Debtor's estate consist primarily of approximately $4.9 million in Cash and its remaining minimal interests in oil and gas wells. The sale of assets discussed in the previous section generated proceeds of approximately $5.2 million. Repayment of the DIP loan and the payment of ordinary course administrative expenses and professional fees has reduced the Debtor's cash to approximately $4.9 million as of the date hereof. Additional ordinary course administrative and professional expenses continue to accrue. In addition, the Debtor may have to reimburse Sequitur and Bendel up to $250,000 after the completion of final purchase price reconciliations, although the Debtor expects that this amount will be lower.

The Debtor will retain all of its potential Causes of Action pursuant to the Plan but does not believe the Causes of Action will have any substantial value. The Debtor does not believe that it has any additional assets with substantial value.

The liabilities of the Debtor include: pre-petition claims, other than litigation claims and intercompany claims, not paid pursuant to a Court order in an amount of approximately $60,000; disputed, unliquidated litigation claims, which consist primarily of claims related to the Sinkhole Litigation; and an intercompany debt owed to AREI in the amount of approximately $59.7 million.

ARTICLE VI
VOTING TO ACCEPT OR REJECT THE PLAN

Section 6.1 **Voting Requirements Under the Bankruptcy Code.** Pursuant to the Bankruptcy Code, a plan classifies claims and interests into classes, each consisting of creditors and interest holders having similar legal rights in relation to the debtor. Each class must then be classified as either "impaired" or "unimpaired" under a plan.

There are two ways in which a plan may leave a claim or interest "unimpaired." First, a plan may leave the legal, equitable and contract rights of the holder of a claim or interest in that class unaltered. Second, a plan may cure all defaults and reinstate all of the terms of the obligations underlying the claim or interest. If a class is unimpaired, it is conclusively deemed to have voted in favor of the plan and, accordingly, is not entitled to vote to accept or reject the plan.

An impaired class of claims or interests that will receive no distribution under the plan is deemed to have voted against the plan and, accordingly, is not entitled to vote to accept or reject the plan.

If an impaired class of claims or interests will receive a distribution under the plan, each holder of a claim or interest in that class has the right to vote, as a class, to accept or reject the plan. A class of claims or interests accepts a plan if more than one-half in number of the ballots received from members of that class representing at least two-thirds of the amount of the claims or interests for which ballots are received vote to accept the plan.

If there is one or more impaired class under a plan, at least one impaired class must vote to accept the plan pursuant to Section 1129(10) of the Bankruptcy Code.

Section 6.2 **Procedures for Voting.** As discussed more fully in Article VII, below, Holders of Claims in Classes 3, 4, and 5 are impaired and are entitled to vote to accept or reject the Plan. Holders of Claims in these Classes will receive a form of Ballot to be used in voting to accept or reject the Plan in addition to a copy of this Disclosure Statement and the Plan.

Each Holder entitled to vote should first carefully review the entire Disclosure Statement and Plan. In order for a Holder's vote to be properly counted, the Holder should complete the Ballot by (i) filling in the name of the Holder for whom the ballot is being submitted, (ii) indicating the total dollar amount of the Claim and (iii) marking in the space provided whether the Holder votes to accept or reject the Plan. Finally, in order to be counted, the ballot must be signed by the Holder or by an officer, partner, or other authorized agent of the Holder. The Debtor reserves the right to object to the allowance and/or allowable amount of any Claim set forth on a Ballot for purposes of voting and/or distributions under the Plan.

IF NO HOLDERS OF CLAIMS ELIGIBLE TO VOTE IN A PARTICULAR CLASS VOTE TO ACCEPT OR REJECT THE PLAN, THE PLAN SHALL BE DEEMED ACCEPTED BY THE HOLDERS OF SUCH CLAIMS N SUCH CLASS.

Section 6.3 **Mailing of Ballots**. Completed and signed Ballots should be sent to Adams Resources Exploration Corporation, Ballot Processing Center, c/o Sullivan Hazeltine Allinson LLC, ATTN: William A. Hazeltine, 901 North Market Street, Suite 1300, Wilmington, DE 19801. COMPLETED BALLOTS SHOULD BE SENT SO THAT THEY ARE RECEIVED NO LATER THAN DECEMBER 11, 2017 AT 5:00 P.M. EASTERN TIME. ANY BALLOTS RECEIVED AFTER THE ABOVE DATE WILL NOT BE COUNTED IN DETERMINING ACCEPTANCE OR REJECTION OF THE PLAN.

ARTICLE VII
CLASSIFICATION AND TREATMENT OF CLAIMS AND INTERESTS

Section 7.1 **Classification and Treatment of Claims and Interests Generally**. Under the Plan, Claims against, and Interests in, the Debtor are divided into "Classes of Claims" or "Classes of Interests" according to their relative priority under the Bankruptcy Code and other criteria. Although the Plan is divided into classes, the Plan does not seek to allow any Claim or any particular Claim Holder's entitlement to distributions under the Plan unless specifically set forth in the Plan.

Section 1123 of the Bankruptcy Code requires that a plan of reorganization classify the Claims of a debtor's creditors (other than certain Claims, including expenses of administration and priority taxes) and the Interests of its Interest Holders. The Bankruptcy Code also provides that, except for certain Claims classified for administrative convenience, a plan of reorganization may place a Claim of a creditor or an Interest of an Interest Holder in a particular Class only if such Claim or Interest is substantially similar to the other Claims or Interests in such Class.

The Plan does not classify Administrative Expense Claims or Priority Tax Claims and places Priority Non-Tax Claims (Class 1), Miscellaneous Secured Claims (Class 2), General Unsecured Claims (Class 3), Unsecured Litigation Claims (Class 4), AREI Unsecured Claim (Class 5), and Old Equity Interests (Class 6) in separate classes.

The Debtor believes that it has classified all Claims and Interests in compliance with the requirements of Section 1123 of the Bankruptcy Code. If a Holder of a Claim or Interest challenges such classification and the Bankruptcy Court finds that a different classification is required for the Plan to be confirmed, then the Debtor intends to make such reasonable modifications to the classification of Claims or Interests under the Plan as may be required by the Bankruptcy Court for confirmation. Except to the extent that such modification or classification adversely affects the treatment of a Holder of a Claim or Interest and requires re-solicitation, acceptance of the Pan by any Holder of a Claim pursuant to this solicitation will be deemed to be a consent to the Plan's treatment of such Holder regardless of the Class to which such Holder is ultimately deemed to be a member.

Section 7.2 Treatment of Administrative Expense Claims and Priority Tax Claims.

Pursuant to Section 1129(a)(9) of the Bankruptcy Code, the Plan provides for two categories of claims that are not classified—Administrative Expense Claims and Priority Tax Claims. The Holders of claims in these two categories are not entitled to vote to accept or reject the Plan.

1. **Administrative Claims.**

Treatment. Each Holder of an Allowed Administrative Expense Claim shall be paid in full, in Cash, as soon as practicable after the later of (i) the Effective Date, (ii) the date that such Administrative Expense Claim becomes an Allowed Claim, (iii) the date that such Administrative Expense Claim becomes due in the ordinary course of business and (iv) the date that the Reorganized Debtor and the Holder of such Administrative Expense Claim otherwise agree. Administrative Expense Claims include costs and expenses incurred in the ordinary course of the Debtor's business following the Petition Date, claims arising under Section 503(b)(9) of the Bankruptcy Code, taxes that arose after the Petition Date, the fees and expenses of Professionals retained by the Debtor and fees due to the United States Trustee pursuant to 28 U.S.C. § 1930.

The Debtor believes that, as of the Effective Date, all Allowed Administrative Expense Claims will be paid other than (i) the unpaid fees and expenses of the Debtor's Professionals, (ii) fees due to the United States Trustee, and (iii) claims not yet due in the ordinary course of business.

Deadline to File Administrative Expense Claims. Holders of Administrative Expense Claims arising from the Petition Date through the Effective Date (other than claims of the Debtor's Professionals) must file Requests for Payment of Administrative Expense Claims on or before thirty (30) days after service of notice of the Effective Date provided, however, that taxing authorities shall not be required to file Administrative Expense Claims for any tax liabilities that arose after the Petition Date. The Reorganized Debtor shall have sixty (60) days, which period may be extended by the Bankruptcy Court for cause upon motion by the Reorganized Debtor, following the Administrative Claim Bar Date, to review and object to any Administrative Expense Claims. The Reorganized Debtor shall serve any motion to extend the deadline to object to Administrative Expenses Claims on all Holders of Administrative Expense Claims that will be affected by the requested extension.

Professionals and other Persons seeking an award from the Bankruptcy Court for compensation for services rendered and/or reimbursement of expenses through and including the Effective Date under Sections 503(b)(2), 503(b)(3), 503(b)(4) or 503(b)(5) of the Bankruptcy Code must file their respective final applications for compensation for services rendered and reimbursement of expenses on or before thirty (30) days after service of notice of the Effective Date. The final applications may include requests for compensation for services rendered and/or reimbursement of expenses incurred following the Effective Date in preparing the final applications, which may be based on an estimate, provided that the applicable Professional must file detailed support for all actual time charges and expenses incurred prior to date of the hearing on its final fee application. No approval of the Bankruptcy Court shall be required with respect

to compensation for fees and expenses of professionals of the Reorganized Debtor incurred after the Effective Date.

United States Trustee Fees.

All fees due and payable pursuant to Section 1930 of Title 28 of the United States Code prior to the Effective Date shall be paid by the Debtor as soon as practicable after the Effective Date. After the Effective Date, the Debtor, the Reorganized Debtor and the Plan Administrator shall be jointly and severally liable to pay any and all such fees when due and payable. The Debtor shall file with the Bankruptcy Court all monthly operating reports due prior to the Effective Date when they become due or as soon as practicable thereafter, in a form reasonably acceptable to the United States Trustee. After the Effective Date, the Plan Administrator, on behalf of the Reorganized Debtor, shall file with the Bankruptcy Court quarterly reports when they become due, in a form reasonably acceptable to the United States. Trustee. The Debtor, the Reorganized Debtor and the Plan Administrator shall remain obligated to pay quarterly fees to the Office of the U.S. Trustee until the earliest of the closing of the Chapter 11 Case, the dismissed of the Chapter 11 Case, or conversion of the Chapter 11 Case to a case under Chapter 7 of the Bankruptcy Code.

2. Priority Tax Claims.

Treatment. Each Holder of an Allowed Priority Tax Claim pursuant to Section 507(a)(8) of the Bankruptcy Code shall be paid in full, in Cash, as soon as reasonably practicable after the later of the Effective Date and the date that such Priority Tax Claim becomes an Allowed Claim. Any Claim or request for any penalty or penalty amount relating to any Priority Tax Claim (other than a penalty of the type specified in Section 507(a)(8)(G) of the Bankruptcy Code) shall be Disallowed, and the Holder of an Allowed Priority Tax Claim shall not assess or attempt to collect, and shall be enjoined by the Confirmation Order, from assessing or attempting to collect, such from the Estate, the Reorganized Debtor, or any of their respective assets. Secured and Unsecured Priority Tax Claims will be treated as Priority Tax Claims.

The Debtor estimates that the Allowed Priority Tax Claims will not exceed $12,000.

Section 7.3 Classification and Impairment of Claims and Interests. The six Classes into which Claims and Interests are classified are as follows:

Class 1	Priority Non-Tax Claims	Unimpaired
Class 2	Miscellaneous Secured Claims	Unimpaired
Class 3	General Unsecured Claims	Impaired
Class 4	Unsecured Litigation Claims	Impaired
Class 5	AREI Unsecured Claim	Impaired
Class 6	Interests in the Debtor	Impaired

Unless otherwise specified in the Plan or the Confirmation Order, (i) interest shall not accrue on Claims and (ii) no Holder of a Claim shall be entitled to Interest accruing on or after the Petition Date on account of any Claim.

Section 7.4 Description and Treatment of Classified Claims and Interests

1. ***Class 1 – Priority Non-Tax Claims.***

Class 1 consists of all Allowed Priority Claims under Section 507 of the Bankruptcy Code other than Administrative Claims, Professional Fee Claims, and Priority Tax Claims.

Treatment. Each Holder of an Allowed Class 1 Non-Tax Priority Claim shall receive Cash in an amount equal to the amount of such Allowed Priority Non-Tax Claim as soon as practicable after the later of the Effective Date and the date such Claim becomes an Allowed Claim unless the Reorganized Debtor and the Claim Holder agree to different treatment. Class 1 is Unimpaired and Holders of Class 1 Claims are conclusively deemed to accept the Plan and are not entitled to vote on the Plan.

The Debtor does not believe that there will be any Allowed Priority Non-Tax Claims.

2. ***Class 2 – Miscellaneous Secured Claims.***

Class 2 Consists of any Secured Claims as determined by Section 506(a) of the Bankruptcy Code.

Treatment. Except to the extent that the Reorganized Debtor and the Holder of an Allowed Miscellaneous Secured Claim agree to a different treatment, each Holder of an Allowed Miscellaneous Secured Claim shall receive Cash in the amount of the Allowed Miscellaneous Secured Claim, including interest to the extent required by applicable law, including Section 506(b) of the Bankruptcy Code, as soon as practicable after the later of the Effective Date and the date such Claim becomes an Allowed Claim. Secured claims that are also Priority Tax Claims shall be treated as Priority Tax Claims and not Class 2 Miscellaneous Secured Claims.

Class 2 is Unimpaired and Holders of Class 2 Claims are conclusively deemed to accept the Plan and are not entitled to vote on the Plan.

The Debtor believes that the only Holders of Allowed Miscellaneous Secured Claims are taxing authorities asserting statutory liens not asserted as Priority Tax Claims. The Debtor estimates that Allowed Miscellaneous Secured Claims will not exceed $38,000.

3. ***Class 3 – General Unsecured Claims.***

Class 3 consists of the Claims of those Creditors holding General Unsecured Claims against the Debtor not included in any other Class of Claims.

Treatment. Each Holder of an Allowed Class 3 General Unsecured Claim shall receive Cash in an amount equal to the amount of such Allowed Claim, without interest, as soon as practicable after the later of the Effective Date and the date such Claim becomes an Allowed

Claim unless the Reorganized Debtor and the Claim Holder agree to different treatment. Class 3 is Impaired and Holders of Class 3 Claims are entitled to vote on the Plan.

The Debtor estimates that Allowed Class 3 General Unsecured Claims will be approximately $6,000.

4. *Class 4 –Unsecured Litigation Claims.*

Class 4 shall consist of the disputed, contingent and unliquidated unsecured Claims asserted by parties to pending litigation against the Debtor.

Treatment. Unless the Reorganized Debtor and any Holder of a Class 4 Claim agree to different treatment, each Holder of an Allowed Class 4 Unsecured Litigation Claim shall receive its *Pro Rata* Share of the Class 4 Distribution Fund, net of Debtor's Defense Costs, as soon as practicable after the date that all asserted Class 4 Claims are Allowed or Disallowed; provided, however, that no Holder of an Allowed Class 4 Claim shall receive a Distribution in excess of the Allowed amount of such Holder's Class 4 Claim. Notwithstanding the foregoing, Texas Brine shall be deemed to have waived the Texas Brine Claim pursuant to the Texas Brine Order as of the Effective Date and Texas Brine will not receive a distribution under the Plan on account of the Texas Brine Claim.

Class 4 is Impaired and Holders of Class 4 Claims are entitled to vote on the Plan.

The Class 4 Distribution Fund is being funded in the amount of $750,000. The Debtor disputes all asserted Class 4 Claims and does not believe that any Class 4 Claims will become Allowed Claims. No funds will be distributed from the Class 4 Distribution Fund until all Class 4 Claims are either Allowed or Disallowed. Any amounts remaining in the Class 4 Distribution Fund after Debtor's Costs and all Class 4 Distributions have been paid shall be paid to the Holder of the Class 5 Claim.

5. *Class 5 – AREI Unsecured Claim.*

Class 5 shall consist of the unsecured Intercompany Claim of AREI, the Debtor's parent and sole own of the Old Equity Interests, in the amount of $59,685,387.72 (the "AREI Class 5 Claim").

Treatment. The AREI Claim[4] shall be an Allowed Claim in the amount of $59,685,387.72. As soon as practicable after the Effective Date, the Holder of the AREI Class 5 Claim shall receive the Class 5 Distribution Fund in the amount of $3,200,000. As soon as practicable after the date that Debtor's Defense Costs are paid and all asserted Class 4 Claims (other than the Texas Brine Claim) are Allowed or Disallowed and all Allowed Class 4 Claims are paid, the Holder of the AREI Allowed Claim shall receive any amounts remaining in the Class 4 Distribution Fund. As soon as practicable after this Chapter 11 Case is closed, the Reorganized Debtor shall distribute all remaining Cash and assign any other remaining assets to the Holder of the Class 5 AREI Unsecured Claim or, at AREI's option, abandon any such remaining assets.

[4] The Holder of the Class 5 AREI Claim is the Debtor's parent and sole equity holder.

Class 5 is Impaired and the Holder of the Class 5 Claim is entitled to vote on the Plan.

6. ***Class 6 –Interests in the Debtor.***

Class 6 shall consist of all Old Equity Interests in the Debtor.

Treatment. Class 6 Equity Interests shall be cancelled and extinguished on the Effective Date. Class 6 is Impaired and Holders of Class 6 Equity Interests shall neither receive nor retain any property under the Plan. AREI, the sole Holder of Class 6 Old Equity Interests, consents to this treatment and is deemed to accept the Plan.

Section 7.5 Non-Consensual Confirmation. If all Classes do not accept the Plan, the Debtor will seek non-consensual confirmation of the Plan pursuant to Section 1129(b) of the Bankruptcy Code. The requirements for confirmation of a plan pursuant to Section 1129(b) of the Bankruptcy Code are described in Article XIII herein. To the extent any class votes to reject the Plan, the Debtor reserves the right to modify the Plan.

ARTICLE VIII
IMPLEMENTING THE PLAN

Section 8.1 The Reorganized Debtor.

1. **Vesting of Assets of Estate**. On and after the Effective Date, all assets of the Debtor and the Estate, including, without limitation, Causes of Action, wherever situated, shall vest in the Reorganized Debtor.

2. **The Plan Administrator**. The Plan Administrator, shall be the sole officer and director and the Plan Administrator or his appointee shall be the sole equity holder of the Reorganized Debtor following the Effective Date. The Plan Administrator will be selected by the Debtor in consultation with AREI. The Debtor anticipates that it will appoint John Riney, the Debtor's President, as Plan Administrator. A copy of the Plan Administrator Agreement is attached as **Exhibit A**.

The Reorganized Debtor's equity to be distributed to the Plan Administrator will have no value because all of the Reorganized Debtor's assets not expended to administer the Plan will be distributed to Holders of Allowed Claims.

3. **Duties and Responsibilities of Reorganized Debtor**. The Reorganized Debtor shall assume all of the fiduciary responsibilities, duties and obligations previously undertaken by the Debtor on and after the Effective Date consistent with the Plan and applicable law. The Reorganized Debtor shall stand in the same position as the Debtor with respect to any claim the Debtor may have to the attorney-client privilege, the work product doctrine, or any other privilege, and the Reorganized Debtor shall succeed to all of the Debtor's rights to preserve, assert or waive any such privilege.

The Reorganized Debtor's duties, responsibilities and obligations include, but are not limited to, the following:

- liquidation of the Reorganized Debtor's remaining assets;
- preparation and filing of tax returns on behalf of the Debtor and Reorganized Debtor, including the right to request a determination of tax liability as set forth in Section 505 of the Bankruptcy Code;
- requesting and receiving of federal tax forms (as necessary) from any party who is entitled to receive a Distribution on account of a Claim or Interest;
- prosecution and resolution of Causes of Action;
- reconciling, objecting to and resolving Claims and making Distributions under the Plan;
- payment of fees due to the Office of the United States Trustee;
- responding to inquiries of Claim and Interest Holders; and
- obtaining a Final Decree closing the Chapter 11 Case.

4. **Retention of Professionals**. The Plan Administrator, on behalf of the Reorganized Debtor, may retain counsel, accountants, advisors, expert witnesses, consultants and other Professionals as he shall consider advisable without approval of the Bankruptcy Court. Persons who served as Professionals to the Debtor prior to the Effective Date may serve as Professionals to the Reorganized Debtor. The fees and expenses of the Professionals retained by the Reorganized Debtor shall be paid in accordance with the Plan Administrator Agreement and a budget or budgets approved by AREI, without the necessity of approval of the Bankruptcy Court.

5. **Debtor's Defense Costs**. The payment of the Debtor's Defense Costs shall reduce the Class 4 Distribution Fund on a dollar for dollar basis provided, however, that in no event shall the amount of the Class 4 Distribution Fund be less than $250,000 until such time as all Class 4 Unsecured Litigation Funds are Allowed or Disallowed and distributions are made to Holders of Allowed Class 4 Unsecured Litigation Claims, if any.

Section 8.2 Distributions.

1. **Administrative Expense Claims and Priority Claims**. As soon as practicable after the Effective Date, the Reorganized Debtor shall pay or shall reserve an amount sufficient to pay Allowed and Unresolved Administrative Expense Claims and Priority Claims in accordance with Sections 7.2 and 7.3.1 herein.

2. **Class 3 General Unsecured Claims**. As soon as practicable after the Effective Date, the Reorganized Debtor shall pay or shall reserve an amount sufficient to pay Allowed and Unresolved Class 3 Claims in accordance with Section 7.3.3 herein.

3. **Class 4 Unsecured Litigation Claims**. The Reorganized Debtor shall make Distributions to Holders of Allowed Class 4 Claims as soon as practicable after the date that all asserted Class 4 Claims are Allowed or Disallowed in accordance with Section 7.4 herein.

4. **Class 5 AREI Unsecured Claim**. In accordance with Section 7.5 herein, as soon as practicable after the Effective Date, the Reorganized Debtor shall distribute the Class 5 Distribution Fund to the Holder of the Class 5 AREI Unsecured Claim. As soon as practicable after the date that Debtor's Defense Costs are paid and all asserted Class 4 Claims (other than the Texas Brine Claim) are Allowed or Disallowed and all Allowed Class 4 Claims are paid, the Plan Administrator shall distribute to the Holder of the AREI Allowed Claim any amounts remaining in the Class 4 Distribution Fund. The Plan Administrator may from time to time, in his sole discretion, distribute any excess Cash, net of budgeted wind down expenses, to the Holder of the Class 5 AREI. As soon as practicable after this Chapter 11 Case is closed, the Reorganized Debtor shall distribute all remaining Cash and assign any other remaining assets to the Holder of the Class 5 AREI Unsecured Claim or, at AREI's option, abandon any such remaining assets.

5. **Unresolved Claims**. To the extent that an Unresolved Claim becomes an Allowed Claim after the Effective Date, the Reorganized Debtor shall, as soon as practicable thereafter, distribute to the Holder of the newly Allowed Claim the amount of Cash that such Holder would have received had its Claim been an Allowed Claim as of the Effective Date.

6. **Objections to Claims**. Following the Effective Date, only the Reorganized Debtor shall be authorized to object to Claims provided, however, that any party in interest, including the United States Trustee, may object to Professional Fee Claims. The deadline for objections to Claims shall be 180 days after the Effective Date provided, however, that the Reorganized Debtor may seek extensions of this deadline from the Bankruptcy Court. The Reorganized Debtor shall serve any motion to extend the deadline to object to Claims on all Holders of Claims that will be affected by the requested extension and all parties entitled to notice pursuant to the Bankruptcy Rules and the Local Rules of Bankruptcy Practice and Procedure of the United States Bankruptcy Court for the District of Delaware.

7. **Checks Not Presented Within 120 Days**. The Reorganized Debtor is authorized to stop payment on any check delivered to a Holder that is not presented for collection within 120 days after such check is delivered. The failure to present a check for payment within 120 days shall be deemed a waiver by such Holder of any remaining Claims against the Estate (including the right to receive payment from the Reorganized Debtor) provided, however, if any check is returned indicating that it cannot be delivered due to an incorrect address, the Reorganized Debtor shall take reasonable steps to determine the current address of the affected Claimant and resend the check, which will restart the 120-day period.

8. **Tax Matters**. The Reorganized Debtor, to the extent deemed necessary to fulfill any obligation to any taxing authority, may require Holders who are to receive Distributions under the Plan to provide the Reorganized Debtor with appropriate tax-payer identification numbers and related withholding information before making a payment to any such Person. If a Person shall fail to provide the Reorganized Debtor with any requested tax-payer identification

information within 120 days of the request, this failure shall be deemed a waiver by such Holder of all Claims against the Estate (including the right to any payment by the Reorganized Debtor), provided, however, if any request is returned indicating that it cannot be delivered due to an incorrect address, the Reorganized Debtor shall take reasonable steps to determine the current address of the affected Claimant and resend the request, which will restart the 120-day period.

Section 8.3 Preservation of Causes of Action by the Reorganized Debtor.

1. Except as expressly provided herein, and unless expressly waived, relinquished, exculpated, released, compromised or settled in the Plan, the Confirmation Order, any Final Order, or in any contract, instrument, release or other agreement entered into or delivered in connection with the Plan, the Reorganized Debtor will exclusively retain, may prosecute and/or enforce, and expressly reserves and preserves for these purposes, in accordance with Sections 1123(a)(5)(B) and 1123(b)(3) of the Bankruptcy Code, any and all Claims, demands, rights and Causes of Action whether arising under Article 5 of the Bankruptcy Code or otherwise, that the Debtor or the Estate may hold against any Person or entity. The failure of the Debtor to describe or identify a Claim, a right of action, suit, Cause of Action or proceeding in the Plan shall not constitute a waiver, release or abandonment by the Debtor or the Estate of such Claim, right of action, suit, Cause of Action or proceeding.

2. The Reorganized Debtor shall be empowered and authorized, without approval of the Bankruptcy Court, but subject to the approval of AREI, to bring suit, settle, adjust, dispose of or abandon any Claims, rights or other Causes of Action, including any counterclaims to the extent such counterclaims are potential setoffs against the proceeds of such Causes of Action.

Section 8.4 Cancellation and Return of Securities, Notes, Instruments and Agreements.

Except as otherwise set forth herein, on the Effective Date, (a) the Existing Equity Interests and other note, bond, indenture, or other instrument or document evidencing or creating any Equity Interest or ownership interest in the Debtor will be cancelled and (b) the obligations of, Claims against, and/or Interests in the Debtor under, relating, or pertaining to any such agreements, indentures, certificates of designation, bylaws, or certificate or articles of incorporation or similar documents governing the Existing Equity Interests will be released, and the Holders thereof shall have no rights against the Reorganized Debtor or the Plan Administrator, and such instruments shall evidence no such rights, except the right to receive the distributions, if any, provided for in this Plan.

The Reorganized Debtor's certificate of incorporation will include a provision prohibiting the issuance of any non-voting equity securities, and will otherwise comply with sections 1123(a)(6) and (7) of the Bankruptcy Code.

The certificate of incorporation will further provide for the issuance of one share of stock. This share (the "New Equity Interest") will be issued to the Plan Administrator. The Plan Administrator shall have the ability to vote the New Equity Interest through his or her possession and voting control of the New Equity Interest. If the Plan Administrator is replaced pursuant to the Plan Administrator Agreement, the New Equity Interest will be transferred to the newly appointed Plan Administrator.

ARTICLE IX
TREATMENT OF EXECUTORY CONTRACTS AND UNEXPIRED LEASES

Section 9.1 General. Effective on and as of the Effective Date, all Executory Contracts and Unexpired Leases (as those terms are used in Section 365 of the Bankruptcy Code) shall be deemed rejected, except for any Executory Contract or Unexpired Lease (a) that already has been rejected pursuant to a Final Order of the Bankruptcy Court, (b) has been specifically assumed or assumed and assigned by the Debtor on or before the Effective Date pursuant to a Final Order of the Bankruptcy Court, or (c) in respect of which a motion for assumption or assumption and assignment has been filed with the Bankruptcy Court on or before and remains pending as of the Effective Date.

Section 9.2 Approval Rejection of Executory Contracts. Entry of the Confirmation Order by the Bankruptcy Court shall constitute approval, pursuant to Sections 365(a) and 1123(b)(2) of the Bankruptcy Code, of the rejection of the Executory Contracts and Unexpired Leases that are to be rejected pursuant to the Plan.

Section 9.3 Claims Deadline for Filing Proofs of Claim Relating to Executory Contracts and Unexpired Leases Rejected Pursuant to the Plan. Claims arising out of the rejection of an Executory Contract or Unexpired Lease rejected pursuant to the Plan must be filed with the Bankruptcy Court by no later than thirty (30) days after service of notice of the Effective Date, which date shall be set forth in such notice. Absent order of the Court to the contrary, the Holders of Claims not timely filed pursuant to this paragraph shall not be entitled to any distribution under the Plan. [5]

ARTICLE X
EFFECTS OF CONFIRMATION

The Plan provides the following regarding the effects of Confirmation of the Plan.

Section 10.1 Effect on Third Parties. The Plan shall be binding on all Persons who have or may have Claims against or Interests in the Debtor and the Plan shall be the sole means for such Persons to receive any distributions from the Debtor from assets to be distributed under this Plan with respect to such Claims or Interests.

Section 10.2 Injunction. Except as otherwise specifically provided in the Plan, all Persons who have held, hold, or may hold Claims against or Interests in the Debtor and any successors, assigns or representatives of such Person shall be precluded and permanently enjoined on and after the Effective Date from (a) commencing or continuing in any manner any Claim, action or other proceeding of any kind against any of the assets to be distributed under this Plan, (b) the enforcement, attachment, collection or recovery by any manner or means of any judgment, award, decree, or order with respect to any of the

[5] The right to file a proof of Claim on account of such deemed rejection is not intended, nor shall it be deemed, to extend the time period for filing proofs of Claim for damages with respect to any executory contract or unexpired lease rejected by the Debtor prior to the Effective Date.

assets to be distributed under this Plan, and (c) creating, perfecting or enforcing any encumbrance of any kind with respect to any of the assets to be distributed under this Plan. Except as otherwise specifically provided in the Plan, all Persons who have held, hold, or may hold Claims that are exculpated under section 10.3 of this Plan are permanently enjoined on and after the Effective Date from commencing or continuing, in any manner or in any place, any action or other proceeding to recover on any such exculpated claim against any party exculpated under section 10.3 of this Plan.

Section 10.3 Exculpation. The Debtor, the Reorganized Debtor, the officers and directors of the Debtor who served during any portion of the Chapter 11 Case, and the Debtor's Professionals retained in the Chapter 11 Case shall not have or incur any liability to any person or entity for any act or omission taking place between the Petition Date and the Effective Date of this Plan in connection with the Chapter 11 Case and/or arising out of the formulation, implementation, confirmation, consummation or administration of the Plan (including solicitation or rejection thereof) or the treatment or administration of the property to be distributed under the Plan, except if such act or omission is determined in a Final Order of a court of competent jurisdiction to reflect bad faith or constitute gross negligence, willful misconduct or willful fraud. Nothing herein shall prevent the parties entitled to exculpation under this section of the Plan from asserting as a defense that they have relied in good faith upon advice of counsel with respect to their duties and responsibilities under the Plan.

Section 10.4 Releases by the Debtor. Except for Claims and Causes of Action for bad faith, willful fraud, gross negligence or willful misconduct as determined by a Final Order of a court of competent jurisdiction, on the Effective date, the Debtor shall unconditionally and forever release the Debtor's agents, advisors, accountants, attorneys, and other representatives, and AREI (including its current directors, officers, employees, members and Professionals), solely in its capacity as DIP Lender (, from all claims, obligations, suits, judgments, damages, rights, Causes of Action, and liabilities whatsoever, whether liquidated or unliquidated, fixed or contingent, matured or unmatured, known or unknown, foreseen or unforeseen, existing on the Effective Date or thereafter arising in law, equity or otherwise that are based in whole or in part upon any act or omission, transaction, event, or other occurrence taking place before the Effective Date and in any way relating to the Chapter 11 Case or this Section 10.4 of the Plan.

Section 10.5 Effect of No Confirmation. If the Plan is not confirmed for any reason, then the rights of all parties in interest in the Chapter 11 Case are and will be reserved in full. Any concession reflected or provision contained in the Plan is made for *purposes* of the Plan only, and if the Plan does not become effective, no party in interest in this Chapter 11 Case will be bound or deemed prejudiced by such concession.

ARTICLE XI
RETENTION OF JURISDICTION

Following the Effective Date, the Bankruptcy Court shall, except as otherwise provided by applicable law or the Confirmation Order, retain jurisdiction of the Chapter 11 Case pursuant to the provisions of Chapter 11 of the Bankruptcy Code to the fullest extent permitted by law, until the entry of a final decree closing the Chapter 11 Case, including with respect to the following matters:

(i) To enable the Reorganized Debtor to commence any and all proceedings and/or Causes of Action that it may bring whether before or after the Effective Date.

(ii) To hear and determine any and all applications for allowance of compensation for periods on or before the Effective Date.

(iii) To hear and determine all controversies concerning the Allowance of Claims and distributions to be made to Holders of Allowed Claims.

(iv) To enforce the payment of any amounts payable under the Plan.

(v) To hear and determine all Claims or controversies arising from the assumption or the rejection of any executory contracts or unexpired leases.

(vi) To liquidate or estimate damages in connection with any disputed, contingent or unliquidated Claim.

(vii) To hear and determine all disputes regarding the recovery of any assets of the Reorganized Debtor, wherever and however located.

(viii) To hear and determine any dispute arising under or in connection with the Plan, including any matter which, pursuant to the terms of the Plan, is to be determined by the Bankruptcy Court.

(ix) To hear all matters relating to the closing of the Chapter 11 Case and the entry of a Final Decree; and

(x) To hear such other matters and enter such other orders as are necessary or appropriate to enforce and carry out the provisions of the Plan.

ARTICLE XII
MISCELLANEOUS PROVISIONS

Section 12.1 Exemption from Transfer Taxes. Pursuant to Section 1146(a) of the Bankruptcy Code, the vesting of the Assets in the Reorganized Debtor and all of the respective Claims and Causes of Action arising therefrom and relating thereto; the issuance, transfer, or exchange of any security under the Plan, or the execution, delivery, or recording of an instrument of transfer pursuant to, in implementation of or as contemplated by the Plan, or the vesting,

transfer, or sale of any real property of the Debtor pursuant to, in implementation of or as contemplated by the Plan, shall not be taxed under any state or local law imposing a stamp tax, transfer tax, or similar tax or fee. Consistent with the foregoing, each recorder of deeds or similar official for any county, city or governmental unit in which any instrument hereunder is to be recorded shall, pursuant to the Confirmation Order, be ordered and directed to accept such instrument, without requiring the payment of any documentary stamp tax, deed stamps, stamp tax, transfer tax, intangible tax, or similar tax.

Section 12.2 Amendment or Modification of the Plan. The Reorganized Debtor may alter, amend or modify the Plan pursuant to Section 1127 of the Bankruptcy Code at any time prior to the Confirmation Date. After such time and prior to substantial consummation of the Plan, the Reorganized Debtor may, so long as the treatment of Holders of Claims against the Debtor or Interests under the Plan is not adversely affected, institute proceedings with the Bankruptcy Court to remedy any defect or omission or to reconcile any inconsistencies in the Plan or the Confirmation Order, and any other matters as may be necessary to carry out the purposes and effects of the Plan; *provided, however,* notice of such proceedings shall be served in accordance with Bankruptcy Rule 2002 or as the Bankruptcy Court shall otherwise order.

Section 12.3 Revocation or Withdrawal of the Plan. The Reorganized Debtor reserves the right to revoke or withdraw the Plan at any time prior to the Effective Date. If the Reorganized Debtor revokes or withdraws the Plan prior to the Effective Date, then the Plan shall be deemed null and void, and nothing contained in the Plan shall be deemed to constitute a waiver or release of any Claims by or against the Debtor or any other Person or to prejudice in any manner the rights of the Debtor or any Person in any further proceedings involving the Debtor.

Section 12.4 Severability. In the event that any provision of the Plan is determined to be unenforceable, such determination shall not limit or affect the enforceability and operative effect of any other provisions of the Plan. To the extent that any provision of the Plan would, by its inclusion in the Plan, prevent or preclude the Bankruptcy Court from entering the Confirmation Order, the Bankruptcy Court, on the request of the Reorganized Debtor, may modify or amend such provision, in whole or in part, as necessary to cure any defect or remove any impediment to the Confirmation of the Plan existing by reason of such provision; *provided, however,* that such modification shall comply with the requirements of the Bankruptcy Code.

Section 12.5 Substantial Consummation. Upon the Effective Date, the Plan will be deemed substantially consummated under sections 1101 and 1127(b) of the Bankruptcy Code.

Section 12.6 Governing Law. Except to the extent the Bankruptcy Code, the Bankruptcy Rules, or other federal laws are applicable, the laws of the State of Delaware will govern the construction and implementation of the Plan and all rights and obligations arising under the Plan.

Section 12.7 Binding Effect. The provisions of the Plan will bind all Holders of Claims against and Equity Interests in the Debtor, whether or not any such Holder has accepted the Plan.

ARTICLE XIII
REQUIREMENTS FOR CONFIRMATION OF A PLAN

Section 13.1 In General. In order for a plan to be confirmed, the Bankruptcy Code requires, among other things, that the plan be proposed in good faith, that the proponent disclose specified information concerning payments made or promised to insiders, and that the plan comply with the applicable provisions of Chapter 11 of the Bankruptcy Code. Section 1129(a) of the Bankruptcy Code requires, among other things, that (i) each impaired Class of Claims has accepted the Plan ("Minimum Voting Threshold"), (ii) confirmation of the plan is not likely to be followed by the need for further financial reorganization (the "Feasibility Test") and (iii) the Plan be fair and equitable with respect to each Class of Claims or Interests which is impaired under the Plan (the "Best Interests of Creditors Test"). The Bankruptcy Court can confirm a Plan if it finds that all of the requirements of section 1129(a) have been met. The Debtor believes the Plan meets all of these required elements other than the Minimum Voting Threshold.

Section 13.2 Nonconsensual Confirmation and Cramdown. In the event that a plan does not satisfy the Minimum Voting Threshold, the Bankruptcy Court nevertheless may confirm the plan under the "cramdown" provisions of Section 1129(b) of the Bankruptcy Code if all of the other provisions of Section 1129(a) of the Bankruptcy Code are met.

In order to confirm the Plan over a dissenting impaired Class under Section 1129(b) of the Bankruptcy Code, the Bankruptcy Court, must find that 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. For purposes of Section 1129(b) of the Bankruptcy Code, a plan is "fair and equitable" with respect to a Class of unsecured creditors if, at a minimum, it satisfies the "Absolute Priority Rule."

To satisfy the Absolute Priority Rule, a plan must provide that the Holder of any Claim or Interest that is junior to the Claims of the dissenting Class will not receive or retain under the plan on account of such junior Claim or Interest any property unless the Claims of the dissenting Class are paid in full.

The Debtor believes that the Plan will satisfy the Absolute Priority Rule because any non-accepting impaired Class will receive or retain payments or distributions, as the case may be, on account of their Claims or Interests, sufficient to permit full satisfaction of such Claims before junior Classes receive or retain any property on account of such junior Claims. The Plan satisfies the absolute priority rule specifically with respect to Class 6 because no Classes junior to Class 6 will receive or retain any property under the Plan. Moreover, Class 6 is deemed to accept the Plan.

Section 13.3 The Best Interests of Creditors Test. In order to satisfy this test, each Holder of a Claim or Interest in an impaired Class must either (i) accept the plan or (ii) receive or retain under the plan cash or property of value, as of the effective date of the plan, that is not less than the value such Holder would receive or retain if the debtor was liquidated under chapter 7 of the Bankruptcy Code. The Debtor believe that Holders of Claims against and Interests in the Debtor

will receive an equal or greater recovery under the Plan than they would in a Chapter 7 liquidation for the following reasons.

The Debtor is liquidating and therefore is not seeking to require Creditors to accept non-cash consideration. Accordingly, the only question is whether Creditors will recover more (or at least as much) under the Plan as they would recover through an asset liquidation and distribution by a Chapter 7 trustee.

To determine the value that a Holder of a Claim or Interest in an impaired Class would receive if the Debtor was liquidated under Chapter 7, the Bankruptcy Court must determine the aggregate dollar amount that would be generated from the liquidation of the Debtor's assets if the Debtor's Chapter 11 Case had been converted to a Chapter 7 liquidation case and the Debtor's assets were liquidated by a Chapter 7 trustee (the "Liquidation Value"). The Liquidation Value would consist of the net proceeds from the disposition of the Debtor's Assets, augmented by Cash held by the Debtor and reduced by certain increased costs and Claims that arise in a Chapter 7 liquidation case that do not arise in a Chapter 11 cases.

Under the Plan, the Debtor will avoid the increased costs and expenses of a Chapter 7 liquidation, including the fees payable to a Chapter 7 trustee and his or her professionals. The Cash to be distributed to Creditors would be reduced by the Chapter 7 trustee's statutory fee, which is calculated on a sliding scale from which the maximum compensation is determined based on the total amount of moneys disbursed or turned over by the Chapter 7 trustee. Bankruptcy Code § 326(a) permits reasonable compensation not to exceed 3% of the proceeds in excess of $1 million distributable to creditors.[6] Moreover, the Debtor believes that the Chapter 7 trustee's professionals, including legal counsel and accountants, would add substantial administrative expenses that would be entitled to be paid ahead of Allowed Claims against the Debtor.[7] If the Plan is confirmed, the Plan Administrator will also be compensated and will be entitled to retain professionals. However, the Debtor believes that (i) the compensation that would be paid to a Chapter 7 trustee pursuant to Bankruptcy Code § 326(a) would exceed the compensation to be paid to the Plan Administrator and (ii) because the Plan Administrator may retain professionals familiar with this bankruptcy case, the fees of professionals employed by a Chapter 7 trustee would likely exceed the fees to be paid to professionals retained by the Plan Administrator.

Additionally, the Debtor believes that a Chapter 7 liquidation could result in a significant delay in distributions. Pursuant to Bankruptcy Rule 3002(c), conversion of a Chapter 11 case to Chapter 7 will trigger a new bar date for filing claims against the estate, and that the new bar date will be more than 90 days after the Chapter 11 case converts to Chapter 7. Not only would a

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[6] Bankruptcy Code § 326(a) permits a chapter 7 trustee to receive 25% of the first $5,000 distributed to creditors, 10% of additional amounts up to $50,000, 5% of additional distributions up to $1 million and reasonable compensation up to 3% of the distributions in excess of $1 million.

[7] A Chapter 7 Trustee's employment and payment of professionals would require approval by the Bankruptcy Court. The Plan Administrator, on behalf of the Reorganized Debtor, may retain and pay professionals without Bankruptcy Court approval. However, in accordance with the Plan Administrator Agreement, the payment of the Reorganized Debtor's professionals will be subject to review and possible objection by the Office of the United States Trustee.

Chapter 7 liquidation delay distribution to Creditors, but it is possible that additional claims that were not asserted in the Chapter 11 case, or were late-filed, could be filed against the Estate. In contrast, under the Plan, the Reorganized Debtor will be able to begin making Distributions on the Effective Date or shortly thereafter.

Pursuant to the Plan, the Holder of the Class 5 AREI Unsecured Claim has agreed to subordinate its claim to Holders of Allowed Claims in Class 3 and Class 4, up to $750,000 less the amount of Debtor's Defense Costs. In a Chapter 7, the Holders of Allowed Claims in Classes 3, 4 and 5 would be treated equally and, accordingly, the Holder of the AREI Allowed Claim would be entitled to share *Pro Rata* with Holders of Allowed Claims in Classes 3 and 4. This would result in a significantly lower distribution to Holders of Allowed Claims in Classes 3 and 4 in a Chapter 7.[8]

Moreover, pursuant to the Texas Brine Order, Texas Brine will waive its right to any distribution or any other payment under the Plan upon the Effective Date. In a Chapter 7, Texas Brine would be entitled to a distribution if the Texas Brine Claim is Allowed, which could significantly reduce the percentage distribution to Holders of Allowed Claims in Classes 3, 4 and 5.

A liquidation analysis showing the anticipated distributions to Holders of Claims under the Plan and the anticipated distributions that would be made to Holders of Claims if the Chapter 11 Case was converted to cases under Chapter 7 of the Bankruptcy Code is attached to this Plan as **Exhibit B**.

For the reasons set forth above and in the Liquidation Analysis, the Debtor believes that the Plan will provide superior recovery for Holders of Claims that vote to reject the Plan, if any, and the Plan meets the requirements of the Best Interest of Creditors Test.[9]

Section 13.4 The Feasibility Test. In order to satisfy the Feasibility Test, a debtor must demonstrate that confirmation of the plan is not likely to be followed by the need for further financial reorganization. The Plan satisfies that test because the Debtor is liquidating rather than reorganizing and, accordingly no further financial reorganization will be necessary.

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[8] This assumes that a Chapter 7 Trustee would not be successful in subordinating the Allowed AREI Claim, in which case Holders of Allowed Claims in Classes 3 and 4 would receive payment in full before the Holder of the Class 5 AREI Unsecured Claim would receive any distribution. The Debtor is not aware of any basis for the subordination of the AREI Allowed Claims and, accordingly, the Debtor believes that it is highly unlikely that a Chapter 7 trustee would even attempt to, let alone succeed, in subordinating the Class 5 AREI Unsecured Claim.

[9] The Debtor expects AREI to vote to accept the Plan. Accordingly, the Plan will satisfy the best interests of creditors test with respect to AREI even if it does not receive or retain as much under the Plan as it would if the Debtor was liquidated under Chapter 7.

ARTICLE XIV
CERTAIN FACTORS TO BE CONSIDERED

Section 14.1 Certain Bankruptcy Considerations.

Although the Debtor believes 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 of the Plan will not be required for confirmation or that such modifications would not necessitate the re-solicitation of votes. The Debtor believes that the Plan satisfies all requirements for confirmation and that the Bankruptcy Court should confirm the Plan without modification.

Section 14.2 Risks Relating to Recoveries Under the Plan

There are various risk factors that may affect recoveries under the Plan. Among such factors are a risk that the Plan might not be consummated, risk associated with an unfavorable outcome of legal matters and risk of recovery dilution by Disputed Claims becoming Allowed Claims.

ARTICLE XV
ALTERNATIVES TO CONFIRMATION AND CONSUMMATION OF THIS PLAN

Section 15.1 Liquidation under Chapter 7

If no Chapter 11 plan can be confirmed, the Chapter 11 Case may be converted to a case under Chapter 7 of the Bankruptcy Code. If converted, a trustee would be elected or appointed to liquidate any remaining assets of the Debtor for distribution in accordance with the priorities established by the Bankruptcy Code. A discussion of the effect that a Chapter 7 liquidation would have on the recoveries of holders of Claims is set forth in Section12.3 herein. The Reorganized Debtor believes that liquidation under Chapter 7 would result in smaller distributions being made to holders of Allowed Claims and no distributions to equity holders because of (a) additional administrative expenses attendant to the appointment of a trustee, the trustee's employment of attorneys and other professionals and the trustee's distribution of funds to creditors, and (b) additional expenses and claims, some of which would be entitled to priority, which would be generated during the liquidation.

Section 15.2 Alternative Plan of Reorganization

If the Plan is not confirmed, the Reorganized Debtor or any other party in interest could attempt to formulate a different plan under Chapter 11 of the Bankruptcy Code. The Reorganized Debtor believes that the Plan enables Holders of Claims to realize the most value under the circumstances. If the Plan is rejected, it is possible that an alternative Chapter 11 plan could be proposed; it is likely, however, that such a plan would involve increasing administrative expenses and reducing distributions. In the event the Plan is not confirmed, the statements contained herein shall not be deemed to have been admissions by the Reorganized Debtor that may be introduced into evidence.

ARTICLE XVI
CERTAIN FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN

Section 16.1 Generally.

The following discussion summarizes certain federal income tax consequences of the Plan to the Debtor, and to Holders of Claims and Interests. This summary does not address the federal income tax consequences to Holders whose Claims are paid in full, in Cash, or which are otherwise not impaired under the Plan (i.e., Allowed Administrative Claims, Priority Claims, Priority Tax Claims, and Miscellaneous Secured Claims).

THE TAX CONSEQUENCES TO HOLDERS OF CLAIMS OR INTERESTS MAY VARY BASED UPON THE INDIVIDUAL CIRCUMSTANCES OF EACH SUCH HOLDER. THIS DISCUSSION DOES NOT CONSTITUTE TAX ADVICE OR A TAX OPINION CONCERNING THE MATTERS DESCRIBED. THERE CAN BE NO ASSURANCE THAT THE INTERNAL REVENUE SERVICE WILL NOT CHALLENGE ANY OR ALL OF THE TAX CONSEQUENCES DESCRIBED HEREIN, OR THAT SUCH A CHALLENGE, IF ASSERTED, WOULD NOT BE SUSTAINED. ACCORDINGLY, EACH HOLDER OF A CLAIM OR INTEREST IS STRONGLY URGED TO CONSULT WITH HIS, HER OR ITS OWN TAX ADVISOR REGARDING THE FEDERAL, STATE, LOCAL, FOREIGN OR OTHER TAX CONSEQUENCES OF THE PLAN.

Section 16.2 Federal Income Tax Consequences to the Debtor.

(a) Overview of Current Year Tax Position. In general, the Debtor expects to have substantial current year losses and net operating loss carryforwards ("NOLs") and, thus, does not expect to incur any substantial tax liability as a result of implementation of the Plan.

(b) Cancellation of Indebtedness. The IRC provides that a debtor in a chapter 11 bankruptcy case must reduce certain of its tax attributes by the amount of any cancellation of debt ("COD") income that is realized as a result of the bankruptcy plan, instead of recognizing the income. COD income is the excess of the amount of a taxpayer's indebtedness that is discharged over the amount or value of the consideration exchanged therefore.

Tax attributes that are subject to reduction include net operating losses, capital losses, loss carryovers, certain tax credits and, subject to certain limitations, the tax basis of property. The reduction of tax attributes occurs after the determination of the Debtor's tax for a taxable year in which the COD income is realized. It is expected that the Debtor's NOLs will absorb all or substantially all of the COD income realized as a result of the implementation of the Plan.

(c) Alternative Minimum Tax. The Debtor believes that current year losses will be sufficient to eliminate all or substantially all alternative minimum taxable income of the Debtor. As a result, the Debtor does not anticipate having any alternative minimum tax liability for 2017 as a result of the transactions that occur upon confirmation of the Plan.

Section 16.3 Federal Income Tax Consequences to Holders of Unsecured Claims. Each Holder of an Allowed Claim will recognize gain or loss upon receipt of such Holders' distribution equal to the difference between the "amount realized" by such Holder and such Holder's adjusted tax basis in the Claim.

The tax consequences to Holders will differ and will depend on factors specific to each such Creditor, including but not limited to: (i) whether the Holder's Claim (or a portion thereof) constitutes a Claim for principal or interest, (ii) the origin of the Holder's Claim, (iii) the type of consideration received by the Holder in exchange for the Claim, (iv) whether the Holder is a United States person or a foreign person for tax purposes, (v) whether the Holder reports income on the accrual or cash basis method, and (vi) whether the Holder has taken a bad debt deduction or otherwise recognized a loss with respect to the Claim.

Section 16.4 Withholding and Reporting. Payments of interest, dividends, and certain other payments are generally subject to backup withholding at the rate of 28% unless the payee of such payment furnishes such payee's correct taxpayer identification number (social security number or employer identification number) to the payor. The Reorganized Debtor may be required to withhold the applicable percentage of any payments made to a Holder who does not provide his, her or its taxpayer identification number. Backup withholding is not an additional tax, but an advance payment that may be refunded to the extent it results in an overpayment of tax.

Section 16.5 Circular 230 Disclaimer. To ensure compliance with requirements imposed by the Internal Revenue Service (the "IRS"), we inform you that any U.S. federal tax information contained in this communication (including any attachments) is not intended or written to be used, and cannot be used, for the purpose of (i) avoiding tax related penalties under the Internal Revenue Code of 1986, as amended or (ii) promoting, marketing or recommending to another party any transaction or tax matter(s) addressed herein.

THE FOREGOING IS INTENDED TO BE ONLY A SUMMARY OF CERTAIN UNITED STATES FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN, AND IS NOT A SUBSTITUTE FOR CAREFUL TAX PLANNING WITH A TAX PROFESSIONAL. THE FEDERAL, STATE AND LOCAL INCOME AND OTHER TAX CONSEQUENCES OF THE PLAN ARE COMPLEX AND, IN SOME CASES, UNCERTAIN. SUCH CONSEQUENCES MAY ALSO VARY BASED ON THE INDIVIDUAL CIRCUMSTANCES OF EACH HOLDER OF A CLAIM OR INTEREST. ACCORDINGLY, EACH HOLDER OF A CLAIM OR INTEREST IS STRONGLY URGED TO CONSULT WITH HIS, HER OR ITS OWN TAX ADVISOR REGARDING THE FEDERAL, STATE AND LOCAL INCOME AND OTHER TAX CONSEQUENCES UNDER THE PLAN.

ARTICLE XVII
CONCLUSION

The Debtor believes that the Plan is in the best interests of all Holders of Claims and Interests and urges Holders of Claims entitled to vote to accept the Plan and to evidence such acceptance by returning their Ballots accepting the Plan.

Dated: December 13, 2017

Adams Resources Exploration Corporation

By: _____
John Riney
Its: President

Dated: December 13, 2017

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