UNITED STATES BANKRUPTCY COURT
FOR THE WESTERN DISTRICT OF LOUISIANA

IN RE:	§	**CASE NO. 15-50085**
	§	
EC OFFSHORE PROPERTIES, INC.,	§	**CHAPTER 11**
	§	
DEBTOR.	§	**Judge: Robert Summerhays**

CHAPTER 11 TRUSTEE'S DISCLOSURE STATEMENT FOR JOINTLY PROPOSED CHAPTER 11 PLAN OF REORGANIZATION OF EC OFFSHORE PROPERTIES, INC. BY MARTIN A. SCHOTT, CHAPTER 11 TRUSTEE AND EC MAKO ENERGY, LLC

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Dated: March 14, 2018

DISCLAIMERS

THIS DISCLOSURE STATEMENT, WHICH HAS BEEN FILED BY THE CHAPTER 11 TRUSTEE OF THE DEBTOR CONTAINS A SUMMARY OF MATERIAL PROVISIONS OF THE JOINTLY PROPOSED PLAN OF REORGANIZATION PURSUANT TO CHAPTER 11 OF THE BANKRUPTCY CODE, INCLUDING PROVISIONS RELATING TO THE TREATMENT OF CLAIMS AGAINST AND INTERESTS IN THE DEBTOR AND THE MEANS OF IMPLEMENTATION OF THE PLAN.

THIS DISCLOSURE STATEMENT ALSO SUMMARIZES CERTAIN FINANCIAL INFORMATION CONCERNING THE DEBTOR AND THE CLAIMS ASSERTED AGAINST THE DEBTOR IN THIS BANKRUPTCY CASE. WHILE THE DEBTOR BELIEVES THAT THIS DISCLOSURE STATEMENT CONTAINS ADEQUATE INFORMATION WITH RESPECT TO THE DOCUMENTS AND INFORMATION SUMMARIZED, HOLDERS OF CLAIMS AND INTERESTS SHOULD CAREFULLY REVIEW THE ENTIRE PLAN AND EACH OF THE DOCUMENTS REFERENCED IN THIS DISCLOSURE STATEMENT AND SHOULD SEEK THE ADVICE OF THEIR OWN LEGAL COUNSEL AND OTHER ADVISORS BEFORE CASTING THEIR BALLOTS ON THE PLAN.

EXCEPT FOR THE INFORMATION SET FORTH IN THIS DISCLOSURE STATEMENT, AND THE EXHIBITS ATTACHED HERETO, NO REPRESENTATIONS CONCERNING THE DEBTOR, THE DEBTOR'S ASSETS AND LIABILITIES, THE PAST OPERATIONS OF THE DEBTOR, THE PLAN AND ITS TERMS, OR ALTERNATIVES TO THE PLAN ARE AUTHORIZED, NOR ARE ANY SUCH REPRESENTATIONS TO BE RELIED UPON IN ARRIVING AT A DECISION WITH RESPECT TO THE PLAN. ANY INFORMATION WITH RESPECT TO SUCH TOPIC AREAS THAT IS PROVIDED TO SECURE ACCEPTANCE OR REJECTION OF THE PLAN, WHICH IS NOT CONTAINED IN THESE SOLICITATION MATERIALS, IS UNAUTHORIZED AND SHOULD BE REPORTED IMMEDIATELY TO THE DEBTOR'S LEGAL COUNSEL.

UNLESS INDICATED OTHERWISE, THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT ARE MADE AS OF THE DATE HEREOF OR THE DATE OTHERWISE INDICATED HEREIN, AND NEITHER DELIVERY OF THIS DISCLOSURE STATEMENT NOR ANY RECOVERY MADE IN CONNECTION WITH THE PLAN WILL, UNDER ANY CIRCUMSTANCES, CREATE AN IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE INFORMATION SET FORTH IN THIS DISCLOSURE STATEMENT SINCE THE DATE THIS DISCLOSURE STATEMENT AND THE MATERIALS RELIED UPON IN PREPARING THIS DISCLOSURE STATEMENT WERE COMPILED.

THE APPROVAL OF THIS DISCLOSURE STATEMENT BY THE BANKRUPTCY COURT DOES NOT CONSTITUTE AN ENDORSEMENT BY THE BANKRUPTCY COURT OF THE PLAN OR A GUARANTEE OF THE ACCURACY

AND COMPLETENESS OF THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT. THIS DISCLOSURE STATEMENT DOES NOT CONSTITUTE, AND MAY NOT BE CONSTRUED AS, AN ADMISSION OF FACT, LIABILITY, STIPULATION, OR WAIVER.

NOTHING CONTAINED IN THIS DISCLOSURE STATEMENT, EXPRESS OR IMPLIED, IS INTENDED TO GIVE RISE TO ANY COMMITMENT OR OBLIGATION OF THE PLAN PROPONENTS OR ANY OTHER PARTY, NOR WILL IT BE CONSTRUED AS CONFERRING UPON ANY PERSON ANY RIGHTS, BENEFITS, OR REMEDIES OF ANY NATURE WHATSOEVER. THIS DISCLOSURE STATEMENT IS INFORMATIONAL ONLY. ADDITIONALLY, HOLDERS OF CLAIMS AND INTERESTS SHOULD NOT CONSTRUE THE CONTENTS OF THIS DISCLOSURE STATEMENT AS PROVIDING ANY LEGAL, BUSINESS, FINANCIAL, OR TAX ADVICE. EACH CREDITOR AND INTEREST HOLDER SHOULD CONSULT WITH ITS OWN LEGAL, BUSINESS, FINANCIAL, AND TAX ADVISORS AS TO ANY MATTER CONCERNING THE PLAN, THE EFFECTS OF IMPLEMENTATION OF THE PLAN, AND THE VOTING PROCEDURES APPLICABLE TO THE PLAN.

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

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EXHIBITS

Martin A. Schott, the Chapter 11 Trustee of EC Offshore Properties, Inc., submits this disclosure statement (the "Disclosure Statement") pursuant to section 1125 of title 11 of the Bankruptcy Code in connection with the solicitation of votes on the *JOINTLY PROPOSED CHAPTER 11 PLAN OF REORGANIZATION OF EC OFFSHORE PROPERTIES, INC. BY MARTIN A. SCHOTT, CHAPTER 11 TRUSTEE, AND EC MAKO ENERGY, LLC DATED MARCH 14, 2018* (the "Plan," attached hereto as Exhibit A). To the extent any inconsistencies exist between this Disclosure Statement and the Plan, the Plan governs.

Capitalized terms used but not defined herein have the meanings assigned to them in Article I of the Plan.

ARTICLE I
INTRODUCTION

Under the Bankruptcy Code, only Holders of Claims or Equity Interests in "impaired" classes are entitled to vote on the Plan (unless, for reasons discussed in more detail below, such Holders are deemed to reject the Plan pursuant to section 1126(g) of the Bankruptcy Code). Under section 1124 of the Bankruptcy Code, a class of claims or interests is deemed to be "impaired" under the Plan unless (i) the Plan leaves unaltered the legal, equitable, and contractual rights to which such claim or interest entitles the holder thereof or (ii) notwithstanding any legal right to an accelerated payment of such claim or interest, the Plan, among other things, cures all existing defaults (other than defaults resulting from the occurrence of events of bankruptcy) and reinstates the maturity of such claim or interest as it existed before the default.

The following table summarizes: (i) the designation of Claims and Equity Interests under the Plan, (ii) which classes are Impaired and Unimpaired by the Plan, (iii) which classes are entitled to vote and not entitled to vote on the Plan, and (iv) the estimated recoveries for holders of Claims. The table is qualified in its entirety by reference to the full text of the Plan.

The Debtor and, as applicable, the Reorganized Debtor, retain all rights to object to any Claim under applicable non-bankruptcy law or bankruptcy law. This Disclosure Statement shall not be used as a basis for allowance of any Claim.

Class	Designation	Impaired Status	Voting Rights	Estimated Amount of Claims Immediately Prior to Plan Effective Date	Estimated Recovery
N/A	Administrative Expenses	N/A	None	Estimated amount: $0.00	One Hundred Percent (100%) of Allowed Claims
N/A	Professional Fee Claims	N/A	None	Estimated amount: $0.00	One Hundred Percent (100%) of Allowed Claims
N/A	Priority Tax Claims	N/A	None	Estimated amount: $0.00	(If applicable) One Hundred Percent (100%)

Class	Designation	Impaired Status	Voting Rights	Estimated Amount of Claims Immediately Prior to Plan Effective Date	Estimated Recovery
N/A	DIP Loan Claims	N/A	None	Balance: $2,625,488.04 as of 12/22/2017 Projected balance at Effective Date: $3,000,000.00 approximately	Entire amount of DIP Loan Claims shall be rolled into and included in the original principal amount of the Exit Facility Note
N/A	Priority Non-Tax Claims	N/A	None	Estimated. Amount: $0.00_	One Hundred Percent (100%) of Allowed Claims
Class 1	Allowed Secured Pre-Petition Lender Claims	Impaired	Entitled to Vote	Total Claim: $9,700,000 (plus interests & attorneys' fees) Allowed Secured Claim: $706,000.00 Deficiency Claim: $8,994,000	All but $10,000 of Allowed Secured Claim exchanged for 100% of Reorganized ECOP Equity Interests. $10,000 of Allowed Secured Claim rolled into Exit Financing Note. The Pre-Petition Lender Deficiency Claim is treated as a Class 5 Claim
Class 2	RLI Allowed Claim	Unimpaired	Deemed to accept	Estimated amount: $6,355,000, plus bond premiums which are claimed to be in the approximate amount of $106,943.63 and reasonable and necessary legal fees	Retains rights under RLI Bond Documents
Class 3	Allowed ORRI LLC Claims	Unimpaired	Deemed to accept	Estimated amount: $500,000.00	Retains rights under the PDMA, the ECP/LOH Contributed ORRI Assignment, the ECP/LOH Purchased ORRI Assignment and the LOH/ORRI LLC Assignment
Class 4	Allowed Other Secured Claims	Impaired	Entitled to Vote	Approx. Amount $0.00 Confirmation of Plan will result in these Claims being treated as	Any holder of Allowed Other Secured Claims whose Claims are secured by Collateral with value not subsumed by the

Class	Designation	Impaired Status	Voting Rights	Estimated Amount of Claims Immediately Prior to Plan Effective Date	Estimated Recovery
				General Unsecured Claims	Collateral value securing the Pre-Petition Lender Claims and the DIP Loan Claims, shall be issued new secured notes by the Reorganized Debtor in an amount equal to the net equity value of the underlying Collateral securing such Claim.
Class 5	Allowed General Unsecured Claims	Impaired	Entitled to Vote	$1,128,444.00 (exclusive of Pre-Petition Lender Deficiency Claim) $9,122,444 (inclusive of Pre-Petition Lender Deficiency Claim)	10% for Claims other than Pre-Petition Lender Deficiency Claims if the Class votes to accept the Plan. 1.35% if the Class votes to reject the Plan. .
Class 6	Equity Interests	Impaired	Not Entitled to Vote (Deemed to Reject)	N/A	Extinguished

All Holders of Claims are encouraged to read this Disclosure Statement, its exhibits, and the Plan carefully and in their entirety before, if applicable, deciding to vote either to accept or to reject the Plan. This Disclosure Statement contains important information about the Plan, considerations pertinent to acceptance or rejection of the Plan, and developments concerning the Bankruptcy Case.

A Ballot to be used for voting to accept or reject the Plan is enclosed with this Disclosure Statement and transmitted to all Holders of Allowed Claims entitled to vote on the Plan (the "Voting Classes"). The Holders of Allowed Claims entitled to vote on the Plan should carefully review the Ballot and the instructions thereon, and must execute the Ballot, and return it to the address indicated thereon by the deadline to enable the Ballot to be considered for voting purposes. The Ballot is for voting purposes only and does not constitute and shall not be deemed a Proof of Claim or an assertion of a Claim.

IN ORDER FOR YOUR VOTE TO BE COUNTED, YOUR VOTE MUST BE RECEIVED BY THE PLAN PROPONENTS AT THE ADDRESSES SET FORTH BELOW ON OR BEFORE THE **VOTING DEADLINE OF 6:00 P.M., PREVAILING CENTRAL TIME, ON _____, 2018**, UNLESS EXTENDED BY THE PLAN PROPONENT. **PLEASE NOTE**: A FULL EXPLANATION OF THE VOTING REQUIREMENTS AND VOTING PROCEDURES IS FOUND IN ARTICLE XI OF THIS DISCLOSURE

STATEMENT.

HELLER, DRAPER, PATRICK, HORN & MANTHEY, L.L.C.
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Attention: Douglas S. Draper

With a copy to:

SNOW SPENCE GREEN LLP
2929 Allen Parkway, Suite 2800
Houston, Texas 77019
Attention: Phil F. Snow

EACH BALLOT ADVISES THAT (A) EACH HOLDER OF A CLAIM WHO HAS AFFIRMATIVELY VOTED TO ACCEPT THE PLAN AND (B) EACH HOLDER OF A CLAIM WHO DOES NOT VOTE TO ACCEPT OR REJECT THE PLAN AND IS A HOLDER OF A CLAIM IN A CLASS THAT HAS VOTED TO ACCEPT THE PLAN SHALL BE DEEMED TO HAVE CONSENTED TO THE RELEASE, INJUNCTION, AND EXCULPATION PROVISIONS SET FORTH IN ARTICLE XI OF THE PLAN AND UNCONDITIONALLY, IRREVOCABLY, AND FOREVER RELEASED AND DISCHARGED THE RELEASED PARTIES IDENTIFIED IN ARTICLE XI OF THE PLAN FROM ANY AND ALL CAUSES OF ACTION.

ARTICLE IX OF THIS DISCLOSURE STATEMENT PROVIDES ADDITIONAL DETAILS AND IMPORTANT INFORMATION REGARDING VOTING PROCEDURES AND REQUIREMENTS. PLEASE READ ARTICLE IX OF THIS DISCLOSURE STATEMENT CAREFULLY BEFORE VOTING TO ACCEPT OR REJECT THE PLAN.

THE CHAPTER 11 TRUSTEE RECOMMENDS THAT YOU VOTE TO ACCEPT THE PLAN, WHICH HAS BEEN JOINTLY PROPOSED BY THE CHAPTER 11 TRUSTEE AND EC MAKO ENERGY, LLC. THE CHAPTER 11 TRUSTEE BELIEVES THAT THE PLAN MAXIMIZES THE VALUE OF THE DEBTOR'S ESTATE AND REPRESENTS THE BEST AVAILABLE ALTERNATIVE FOR COMPLETING THIS BANKRUPTCY CASE.

ARTICLE II
DEBTOR'S HISTORY, BUSINESS AND PRINCIPAL ASSETS

2.1 *Debtor's Predecessor in Title and the Sukuk Transaction.* As described further below, Debtor's principal oil and gas assets (East Cameron Block 71 Lease and the East Cameron Block 72 Lease) were acquired from East Cameron Partners, LP ("ECP").

(a) Sukuk Transaction. In July 2006, a complicated transaction intended to be Shariah compliant was consummated ("Sukuk Transaction"). As a part of the Sukuk Transaction, a special purpose entity, Louisiana Offshore Holding, LLC ("LOH"), purchased specified volumes

of hydrocarbons to be produced by ECP from the East Cameron Block 71 Lease and the East Cameron Block 72 Lease. Two (2) separate overriding royalty interest assignments were made by ECP to LOH on July 5, 2006. The assignments were recorded on July 5, 2006 in the Conveyance Records of Cameron Parish at Instr. Numbers 298839 and 298840 ("ECP/LOH ORRI Assignments"). After giving effect to the ECP/LOH ORRI Assignments, the net revenue interest ownership was as follows:

EC 71 Lease	LOH	72.20137%
	ECP	8.30863%
EC 72 Lease	LOH	71.62442%
	ECP	8.24226%

The assets of LOH and ECP were pledged as collateral to secure performance of the obligations of ECP and LOH under the Sukuk Transaction documents, including the Production, Delivery and Marketing Agreement, dated July 5, 2006 ("PDMA"). As a result of the Sukuk Transaction, ECP was obligated to satisfy 100% of the costs to develop and operate the East Cameron Block 71 Lease and the East Cameron Block 72 Lease, but was only entitled to net production revenue not dedicated pursuant to the ECP/LOH ORRI Assignments and other overriding royalty assignments.

(b) East Cameron Partners, LP Bankruptcy. On October 16, 2008, East Cameron Partners, LP ("ECP") filed for relief under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Western District of Louisiana, Lafayette/Opelousas Division under Case No., 08-51207, styled *In re East Cameron Partners, LP, Debtor* ("ECP Bankruptcy Case").

(c) Conveyance by ECP to Debtor. On April 6, 2010, a settlement agreement by and between ECP, LOH, Global Securitization Services, LLC ("GSS"), East Cameron Gas Company ("ECGC"), Deutsche Bank Trust Company Americas ("Deutsche Bank") and Camulos Master Fund LP, Cheyne Capital Management (UK) LLP (on behalf of Cheyne Special Situations Fund LP and Cheyne Vista Fund LP), the DuPont Pension Trust, Merrill Lynch, Pierce, Fenner & Smith, Incorporated, and Plainfield Direct Inc. (the "Sukuk Certificateholders") was approved by the Bankruptcy Court in the ECP bankruptcy case ("Sukuk Settlement Agreement"). On March 31, 2010, an asset purchase and sale agreement by and between ECP and Cheyne Special Situations Fund LP, Cheyne Vista Fund LP, Dupont Pension Trust, Camulos Master Fund LP and Plainfield Direct Inc. was approved by the Bankruptcy Court in the ECP bankruptcy case ("Sukuk Purchase Agreement"). Pursuant to the Sukuk Settlement Agreement and the Sukuk Purchase Agreement, on May 11, 2010, ECP conveyed its interest in the East Cameron Block 71 Lease and the East Cameron Block 72 Lease to Debtor. The conveyance was subject to the Sukuk Transaction overriding royalty interests and liens.

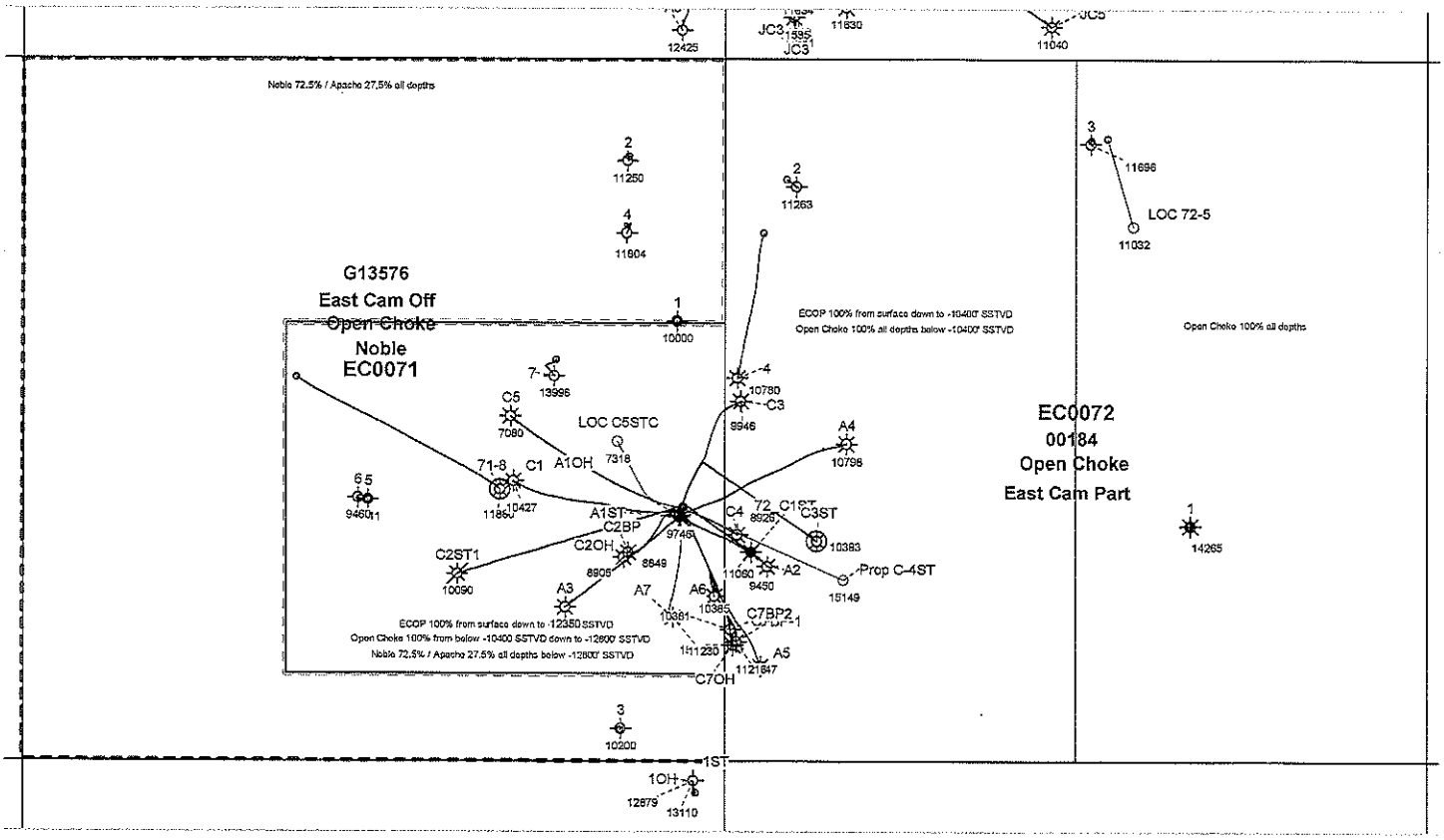
(d) ORRI, LLC. On March 26, 2010, ORRI, LLC a Delaware limited liability company was formed. Debtor is the sole owner and member of ORRI, LLC. Pursuant to an Assignment Bill of Sale and Conveyance dated April 1, 2010 ("LOH/ORRI Assignment") the overriding royalty interest in the EC 71 Lease and the EC 72 Lease which LOH acquired in 2006 from ECP were conveyed to ORRI LLC. In addition, the following additional rights, claims and liens were conveyed by LOH to ORRI LLC:

- all of LOH's right, title and interest in, to and under (including all mortgages, liens, security interests, hypothecations, pledges and other security rights granted, created or inuring to or for the benefit of LOH in or under) (i) the PDMA filed and/or recorded at the following locations: (a) with the MMS as a non-required filing with respect to the East Cameron Block 71 Lease and the East Cameron Block 72 Lease and (b) in the Conveyance Records of Cameron Parish, Louisiana,. on July 5, 2006, under File No. 298841; (ii) any and all other security .instruments or agreements securing the obligations under the Funding Agreement, dated July 5, 2006, between LOH and ECGC ("Funding Agreement") and (iii) all agreements or instruments pledged as security for the obligations under the Funding Agreement;

- all of LOH's right, title and interest in and to the "Mortgaged Properties", as defined in Mortgage, Security Agreement, Assignment of Production and Financing Statement by Assignor in favor of Deutsche Bank, filed in the Mortgage Conveyance Records of Cameron Parish on July 5, 2006, as File No. 298847, and in the records of the MMS on July 6, 2006, as a non-required filing with respect to the East Cameron Block 71 Lease and the East Cameron Block 72 Lease; and

- all of LOH's right, title and interest in, to and under all Intellectual Property owned, licensed or sublicensed by or to LOH and all of LOH's rights to income or royalties attributable to the Intellectual Property.

2.2 *The Debtor's Business.* Debtor is engaged in the exploration, development and production of offshore oil and gas properties located in offshore Gulf of Mexico. Debtor owns directly and indirectly through its wholly owned subsidiary, ORRI LLC, interests in two (2) federal offshore leases, the East Cameron Block 71 Lease and the East Cameron Block 72 Lease. The leases are approximately 20 miles off the Louisiana coast. The field was initially discovered in 1954. Since that time, a total of 31 wells were drilled, 20 of which were completed and produced approximately 295 Bcf of natural gas and 2.8 million barrels of oil. The location of the leases and wells thereon is reflected below.



2.3 *Farmout* Agreement. On November 28, 2007, ECP, in violation of covenants contained in the Sukuk Transaction documents, entered into a farmout agreement purporting to assign certain rights and interests in the East half of the East Cameron Block 72 Lease and the West half of the East Cameron Block 72 Lease below the depth of 10,400' to Open Choke Exploration, LLC ("Open Choke Transaction"). At the time of the Open Choke Transaction, ECP's interest in the West half of the East Cameron Block 72 Lease was subject to (i) the Sukuk Transaction overriding royalty interest burdens described above, and (ii) certain security interests and mortgages, including those arising under the PDMA.

2.4 *Development Potential.* There are significant oil and gas reserves within the East Cameron Block 71 Lease and the East Cameron Block 72 Lease. That being said, it is not economically feasible given Debtor's current net revenue interest, to pay 100% of the costs (i) curing existing INCs (as that term is defined below), (ii) posting additional security (as provided for in the BOEM/BSEE Settlement Agreement described below in Section 4.8(d)), (iii) operation of the property, and (iv) perform additional rework, recompletion and drilling operations required to develop the properties. As a consequence, Debtor will not be able to generate production from the East Cameron Block 71 Lease and the East Cameron Block 72 Lease unless (i) the Sukuk Transaction overriding royalty interests are reacquired, and (ii) significant additional funding is obtained. In addition, a significant portion of the East Cameron Block 72 Lease development potential is within the area and zones subject to the Open Choke Transaction.

2.5 *Bonds and Cash Collateral.* RLI Insurance Company ("RLI") has issued or caused to be issued various bonds listed on Exhibit F in the face amount of Six Million Three Hundred

Fifty-Five Thousand and 00/100 Dollars ($6,355,000.00) on behalf of the Debtor in favor of, *inter alia*, the United States Department of Interior, Bureau of Ocean Energy Management (formerly known as Mineral Management Service) and certain oil and gas regulatory authorities (the "RLI Bonds"). The RLI Bonds are necessary for the Debtor to operate its oil and gas properties. The RLI Bonds ensure the Debtor's compliance with, among other things, applicable law and cover various statutory and/or contractual obligations owed by the Debtor to the bond beneficiaries.

Pursuant to Indemnity Agreement(s) entered into on April 9, 1993, May 29, 2003, June 09, 2004, and October 25, 2012 (collectively, the "RLI Indemnity Agreements"), Debtor, among others, is jointly and severally liable for obligations owed to RLI arising from or related to (a) the indemnity agreements between RLI and the Debtor or certain predecessors of the Debtor on April 9, 1993, May 29, 2003, June 9, 2004, and October 25, 2012, (b) the escrow and security agreements (i) established for BT Operating Co. and East Cameron Partners, LP, and issued by Capital One Bank, N.A. (formerly Hibernia National Bank) on May 15, 2003, and (ii) established for the Debtor, and issued by Capital One Bank, N.A. on May 24, 2012., (c) the following Bonds: (i) UIB0004018, effective April 12, 1993, (ii) UIB00004827, effective August 31, 1994, (iii) RLB0005563, effective June 2, 2003, (iv) RLB0005564, effective June 2, 2003, (v) RLB0005565, effective June 2, 2003, (vi) RLB0005566, effective June 2, 2003, (vii) RLB0005567, effective June 2, 2003, (viii) RLB0006123, effective September 18, 2003, (ix) RLB0007260, effective May 21, 2004, and (x) RLB0014965, effective January 8, 2013, and (d) any other documents subsequently entered into between the Debtor and RLI, including any substitution, replacement, or renewal of any bond, indemnity agreement, escrow and security agreement, or other agreement included in the RLI Bond Documents (the "RLI Bond Documents"), including payment of premiums on the RLI Bonds, indemnification to RLI for any obligations RLI may have in connection with the RLI Bonds and/or in enforcing the Debtor's obligations under the RLI Indemnity Agreements and reasonable and necessary legal fees.

Pursuant to Escrow and Security Agreements dated May 15, 2003 and May 24, 2012 escrow accounts were established and are maintained at Capital One Bank, N.A. (individually each an "Escrow" and collectively the "Escrows"). As of December 31, 2017 the accounts established pursuant to the Escrows contain cash in the aggregate amount of Three Million Three Hundred Fifty-Three Thousand Four Hundred Forty-Five and 41/100 Dollars ($3,353,445.41) that, among other things, secures the obligations of the Debtor to RLI arising under the RLI Bond Documents for bonds issued on behalf of the Debtor.

ARTICLE III
EVENTS LEADING TO CHAPTER 11

3.1 *Credit Agreement Defaults.* On May 11, 2010, Debtor entered into a Credit Agreement with DuPont Pension Trust, Cheyne Special Situations Fund LP, Cheyne Vista Fund LP, Camulos Master Fund LP, and Plainfield Direct, Inc., as lenders (collectively, the "Lenders"). Subsequently, a First Amendment to Credit Agreement, dated May 11, 2011, Second Amendment to Credit Agreement, dated July 11, 2011, Third Amendment to Credit Agreement, dated October 11, 2011, and a Fourth Amendment to Credit Agreement, dated September 7, 2012, was entered into by Debtor ("Pre-Petition Credit Agreement"). Under the terms of the Pre-Petition Credit Agreement, Debtor executed and delivered to Lenders each of the following: (i) that certain

Promissory Note, dated May 11, 2010, in the principal amount of Eight Hundred Seventy-Seven Thousand Six Hundred Four and 00/100 Dollars ($877,604.00), made by Debtor payable to the order of Dupont Pension Trust; (ii) that certain Promissory Note, dated May 11, 2010, in the principal amount of Six Hundred Seventy-Five Thousand Seven Hundred Seventeen and 49/100 Dollars ($675,717.49), made by Debtor payable to the order of Cheyne Special Situations Fund LP; (iii) that certain Promissory Note, dated May 11, 2010, in the principal amount of Thirty Thousand Four Hundred Ninety-Four and 51/100 Dollars ($30,494.51), made by Debtor payable to the order of Cheyne Vista Fund LP; (iv) that certain Promissory Note, dated May 11, 2010, in the principal amount of Six Hundred Thirty-Five Thousand One Hundred Twenty-Eight and 00/100 Dollars ($635,128.00), made by Debtor payable to the order of Camulos Master Fund LP; and (v) that certain Promissory Note, dated May 11, 2010, in the principal amount of Three Hundred Eighty-One Thousand Fifty-Six and 00/100 Dollars ($381,056.00), made by Debtor payable to the order of Plainfield Direct, Inc. (collectively, the "Original Pre-Petition Notes"). Subsequently, Debtor executed and delivered to Lenders an Amended and Restated Promissory Note, dated September 7, 2012, in the original principal amount of Nine Million Seven Hundred Thousand and 00/100 Dollars ($9,700,000.00) ("Amended and Restated Pre-Petition Lender Note"). The Pre-Petition Lender Note was secured by all of Debtor's assets. Dupont Pension Trust acquired the interests of the other Lenders in the Pre-Petition Lender Claims and rights under the Pre-Petition Loan Documents. Debtor was unable to timely satisfy its obligations under the Pre-Petition Credit Agreement and the Amended and Restated Pre-Petition Lender Note. EC Mako Energy, LLC subsequently acquired the Pre-Petition Lender Claims and rights under the Pre-Petition Loan Documents.

As of the Petition Date, the outstanding balance owed by Debtor on the Amended and Restated Pre-Petition Lender Note was not less than Nine Million Seven Hundred Thousand and 00/100 Dollars ($9,700,000.00) plus interest and attorneys' fees.

3.2 *Insufficient Production Revenue.* The revenues generated by Debtor's net revenue interest in the East Cameron Block 71 Lease and the East Cameron Block 72 Lease became increasingly insufficient despite repeated expansion of the credit limit under the Pre-Petition Credit Agreement. Once the maximum amount available under the Pre-Petition Credit Agreement was borrowed and no other funding was obtained, Debtor was unable to satisfy operating costs, perform remedial and additional development operations and satisfy requirements imposed by regulatory authorities.

3.3 *Shut-In Order.* On August 20, 2014, the BSEE issued Incidents of Non-Compliance ("INCs") with respect to Debtor's interests in the East Cameron Block 71 Lease and the East Cameron Block 72 Lease and ordered that the wells be shut in until each of the INCs was remedied. Suspension of production as ordered by the BSEE exposed Debtor to the risk that the East Cameron Block 71 Lease and the East Cameron Block 72 Lease would terminate due to failure to maintain continuous production.

3.4 *Outer Continental Shelf Lands Act Related Liabilities.* The Outer Continental Shelf Lands Act 43 U.S.C. §§ 1331-56 and regulations promulgated pursuant thereto impose certain obligations upon the Debtor and certain third parties. Those obligations include upon Lease termination, plugging of wells, removal of platforms, decommissioning of pipeline and clearance

of sea floor obstructions ("P&A Operations"). On November 5, 2015, the BOEM ordered Debtor to furnish Eight Hundred Eighty-Five Thousand and 00/100 Dollars ($885,000.00) in additional security for the East Cameron Block 71 Lease. On September 2, 2016, the BOEM issued an Order to Provide Supplemental Bonding ("September 2 Order"), ordering Debtor to provide supplemental bonding for the East Cameron Block 71 Lease and the East Cameron Block 72 Lease in the amount of Fourteen Million Five Hundred Seventy-Seven Thousand Eight Hundred Fifty and 00/100 Dollars ($14,577,850.00). On October 20, 2016, the BOEM sent Debtor a Proposal Letter to Designated Operators proposing Thirteen Million Three Thousand Five Hundred Thirty-Six and 00/100 Dollars ($13,003,536.00) in additional security for the East Cameron Block 71 Lease and the East Cameron Block 72 Lease. On October 28, 2016, Debtor filed a notice of appeal of the BOEM's September 2 Order to provide additional security. Debtor estimates that the costs to satisfy existing P&A obligations could ultimately be approximately Seven Million Two Hundred Fourteen Thousand Six Hundred Thirty-Nine and 00/100 Dollars ($7,214,639.00). Additional obligations include monitoring and maintenance of the offshore Leases and provision of financial assurances to secure performance of decommissioning obligations.

3.5 *Other Liabilities.* As of the Petition Date, Debtor owed approximately One Million One Hundred Twenty-Eight Thousand Four Hundred Forty-Four and 15/100 Dollars ($1,128,444.15) to other creditors in addition to the amount required to cure existing INCs and satisfy property remediation obligations that would become due upon lease termination.

3.6 *Involuntary Petition.* On January 26, 2015 ("Petition Date"), Campbell Evans, Open Choke Exploration, LLC and OCXO, LLC filed an involuntary petition for relief under Chapter 11 of Title 11 of the United States Code, 11 U.S.C. § 101, *et seq.* On April 1, 2015, an Order for Relief [ECF Doc. 27] adjudicating Debtor as a debtor was entered in this Bankruptcy Case.

ARTICLE IV
SIGNIFICANT EVENTS DURING BANKRUPTCY CASE

4.1 *Chapter 11 Trustee.* On the Petition Date, the Petitioning Creditors filed an *Emergency Motion for Appointment of a Chapter 11 Interim Trustee.* On January 30, 2015, a hearing was conducted and the motion was approved by the Bankruptcy Court. On February 2, 2015, the U.S. Trustee filed an *Application for Order Approving Appointment of Interim Trustee* and *Notice of Appointment of Interim Chapter 11 Trustee* appointing Martin A. Schott as the interim chapter 11 trustee. On February 6, 2015, the Bankruptcy Court entered an order approving the appointment of Martin A. Schott, as Chapter 11 Trustee. Mr. Schott has served as the Chapter 11 Trustee of Debtor since appointment.

4.2 *Post-Petition Financing.* On June 30, 2015, the Bankruptcy Court entered the *Interim Order (i) Authorizing Trustee to Obtain Post-Petition Financing (ii) Granting Liens and Superpriority Claim Status, and (iii) setting and prescribing the Form and Manner of Notice for a Final Hearing* (ECF Doc. 77). On August 24, 2015, the Bankruptcy Court entered the *Final Order (i) Authorizing Trustee to Obtain Post-Petition Financing, and (ii) Granting Liens and Superpriority Claim Status* (ECF Doc. 111). EC Mako Energy, LLC is the lender that provided the post-petition financing. As of December 22, 2017, the outstanding balance owed EC Mako

Energy, LLC with respect to post-petition loan advances totaled approximately Two Million Six Hundred Twenty-Five Thousand Four Hundred Eighty-Eight and 04/100 Dollars ($2,625,488.04), exclusive of interest and Lender fees and expenses. On _____, 2018, an order amending the August 24, 2015 debtor-in-possession financing order was entered by the Bankruptcy Court (ECF Doc. ___) ("Amended DIP Order"). Additional advances of up to Three Million and 00/100 Dollars ($3,000,000.00) are provided for under the Amended DIP Order. It is projected that the total dollar amount of the DIP Loan Claims obligation will be approximately Three Million and 00/100 Dollars ($3,000,000.00) as of the projected Plan Confirmation Date.

4.3 *Retention of Professionals.* The Debtor also filed several applications and obtained authority to retain various professionals to assist the Debtor in carrying out their duties under the Bankruptcy Code as debtor-in-possession in this Bankruptcy Case. The Bankruptcy Court approved the retention and employment of the following advisors:

- Heller, Draper, Patrick, Horn & Manthey, L.L.C. ("Heller Draper") as counsel for the Chapter 11 Trustee [ECF No. 46]

- Van Ness Feldman LLP ("Van Ness") as special regulatory counsel for the Chapter 11 Trustee [ECF No. 148]

- Gordon, Arata, McCollam, Duplantis & Egan, LLC ("Gordon Arata") as special oil and gas counsel to the Chapter 11 Trustee [ECF No. 142].

- Postlethwaite & Netterville, CPA ("P&N") as tax accountants to the Chapter 11 Trustee [ECF No. 184]

4.4 *Bankruptcy Schedules and Statement of Financial Affairs.* On June 8, 2015, the Chapter 11 Trustee filed on Debtor's behalf Schedules of Assets (A and B), Creditors Holding Secured Claims (D), Creditors Holding Unsecured Priority Claims (E), Creditors Holding Unsecured Nonpriority Claims (F), Executory Contracts and Unexpired Leases (G), and Codebtors (H) (the "Schedules") [ECF No. 53]. Schedule D was amended on March 17, 2016 [ECF No. 160].

On June 8, 2015, the Chapter 11 Trustee filed on Debtor's behalf its Statement of Financial Affairs [ECF No. 54].

4.5 *Executory Contracts.* With respect to the Leasehold Interests, and subject to (i) the reservation by all Entities of all rights regarding whether or not the Leasehold Interests are or are not Executory Contracts or Unexpired Leases and (ii) the occurrence of the Effective Date, the vesting of the Leasehold Interests and maintenance thereof by the Reorganized Debtor under the Plan shall be effective with consent of the United States, which may be granted or denied in accordance with the agency's authority under existing regulations and applicable non-bankruptcy law, if and as necessary. To obtain approval from the United States Department of Interior if and as necessary for the vesting of the Leasehold Interests and maintenance thereof by the Reorganized Debtor, the Reorganized Debtor shall, among other things, comply with all financial assurance requirements in accordance with existing regulations and applicable non-bankruptcy law, with full reservation of all rights. Any reference to the Debtor in bonds maintained in connection with the Leasehold Interests ("Lease Bonds") shall, if and as necessary, be modified to mean the

Reorganized Debtor upon the United States Department of Interior's approval of the vesting and Bankruptcy Court approved assumption of the Leasehold Interests to the Reorganized Debtor. The Debtor and Reorganized Debtor shall execute any document(s), at the United States Department of Interior's request, if and as necessary, to amend the Lease Bonds in a manner consistent with this paragraph.

4.6 *Claims Bar Date.* On January 30, 2018, the Chapter 11 Trustee filed a motion to establish a Claims Bar Date. On February 8, 2018, an order was entered in the Bankruptcy Case establishing bar dates for filing proofs of claim.

4.7 *Monthly Operating Reports.* The Chapter 11 Trustee has filed monthly operating reports. The monthly operating report for the month of January 31, 2018 is attached as Exhibit B.

4.8 *Regulatory Issues.*

(a) INCs. Attached as Exhibit C is a schedule of INCs (i) issued by the BSEE with respect to the East Cameron Block 71 Lease and East Cameron Block 72 Lease as of or subsequent to the Petition Date, and (ii) the status of Debtor's corrective actions. During the period from the Petition Date through December 31, 2017, in excess of One Million Eight Hundred Thousand and 00/10 Dollars ($1,800,000.00) was expended by Debtor to address various issues related to regulatory compliance.

(b) Efforts to Extend Lease Terms by Issuance of a Suspension of Operations. On February 11, 2015, Debtor timely filed requests with the BSEE for Suspensions of Production ("SOPs") for the East Cameron Block 71 Lease and the East Cameron Block 72 Lease. On June 25, 2015, the BSEE denied Debtor's requests for SOPs for the East Cameron Block 71 Lease and the East Cameron Block 72 Lease ("June 25 Decision"). On August 21, 2015, Debtor filed a notice of appeal of the June 25 Decision with the Interior Board of Land Appeals ("IBLA"), which was docketed as IBLA 2015-240. On January 12, 2016, the Office of the Solicitor, U.S. Department of the Interior, on behalf of the BSEE, filed with the IBLA a consent motion to remand the matter back to the BSEE for withdrawal of the June 25 Decision and consideration of a new decision based on all pertinent information, including any supplemental documents provided by Debtor ("January 12 Motion"). On February 4, 2016, the IBLA issued an order granting the January 12 Motion. On April 13, 2016, Debtor submitted revised requests for SOPs for the East Cameron Block 71 Lease and the East Cameron Block 72 Lease. On October 19, 2016, the BSEE again denied Debtor's requests for SOPs ("October 19 Decision"). On December 6, 2016, Debtor appealed the BSEE's October 19 Decision to the IBLA.

(c) BOEM/BSEE Settlement. On December 11, 2017, a settlement agreement was entered into between Debtor and the U.S. Department of the Interior, the BOEM and the BSEE ("BOEM/BSEE Settlement Agreement"). The BOEM/BSEE Settlement Agreement is premised upon the Debtor confirming a plan of reorganization. The BOEM/BSEE Settlement Agreement requires the Reorganized Debtor to post One Million Two Hundred Ninety-Four Thousand Six Hundred Eighty Six and 00/100 Dollars ($1,294,686.00) in additional supplemental security in three (3) installments. The initial installment of Seven Hundred Forty-Four Thousand Six Hundred Eighty-Six and 00/100 Dollars ($744,686.00) is to be posted on the Plan Effective Date. Upon

Reorganized Debtor posting the initial supplemental security, the BSEE is to execute a Suspension of Production for the East Cameron Block 71 Lease and a Suspension of Production for the East Cameron Block 72 Lease ("Post-Confirmation SOPs"). The Post-Confirmation SOPs will not prohibit Reorganized Debtor from commencing production from the East Cameron Block 71 Lease and the East Cameron Block 72 Lease during the term of the Post-Confirmation SOPs. Each Post-Confirmation SOP will extend through the earlier of the commencement of production from the subject lease into the sales pipeline or 180 days from the date the Post-Confirmation SOP is issued. The settlement agreement provides that prior to the second anniversary of the effective date, the BOEM shall not issue any additional supplemental bonding orders with respect to obligations currently in existence on the East Cameron Block 71 Lease and the Each Cameron Block 72 Lease.

ARTICLE V
TREATMENT OF UNCLASSIFIED CLAIMS

As provided in section 1123(a) of the Bankruptcy Code, Administrative Claims (including Professional Fee Claims) under section 507(a)(2) of the Bankruptcy Code, Gap Claims under 507(a)(3) of the Bankruptcy Code, Priority Tax Claims under section 507(a)(8) of the Bankruptcy Code and Priority Non-Tax Claims under sections 507(a)(4) and (a)(5) of the Bankruptcy Code are not classified for purposes of voting on, or receiving Distributions under the Plan. Holders of Administrative Claims (including Professional Fee Claims), Gap Claims, Priority Tax Claims and Priority Non-Tax Claims under sections 507(a)(4) and (a)(5) of the Bankruptcy Code are not entitled to vote on the Plan but, rather, are treated separately in accordance with Article II of the Plan and under sections 1129(a)(9)(A) and (C) of the Bankruptcy Code.

5.1 *Treatment of Administrative Claims and Professional Fees.* Each Administrative Claim that is an Allowed Claim shall be paid in full in Cash on or as soon as practicable after the latest of (i) the Effective Date; (ii) thirty (30) days after the date that an Administrative Claim becomes an Allowed Administrative Claim; and (iii) such other date as is agreed to between the Debtor and the Holder of such Allowed Administrative Claim. Notwithstanding the foregoing, Ordinary Course Administrative Claims shall be paid either (i) in the ordinary course of business in accordance with the terms and conditions of any agreements related thereto, or (ii) as otherwise agreed among the Debtor and the Holder of such Ordinary Course Administrative Claim. Additionally, any fees due to the U.S. Trustee pursuant to section 1930 of title 28 of the United States Code will be paid as they become due.

All Professionals seeking payment of a Professional Fee Claim shall file their respective final applications for allowances of compensation for services rendered and reimbursement of expenses incurred through the Effective Date within thirty (30) days after the occurrence of the Effective Date. If Allowed, such Professional Fee Claim shall be paid in full in such amounts as are Allowed by the Bankruptcy Court (i) on the date such Professional Fee Claim becomes Allowed, or as soon thereafter as is practicable or (ii) upon such other terms as may be mutually agreed upon between the Holder of such Professional Fee Claim and the Debtor or, on and after the Effective Date, the Reorganized Debtor.

An Administrative Claim with respect to which notice has been properly filed and served shall become an Allowed Administrative Claim only to the extent Allowed by Final Order not

made the subject of appeal, or as such Claim is settled, compromised, or otherwise resolved.

HOLDERS OF ADMINISTRATIVE CLAIMS AND PROFESSIONAL FEE CLAIMS THAT ARE REQUIRED TO FILE AND SERVE A REQUEST FOR PAYMENT OF SUCH ADMINISTRATIVE CLAIMS AND PROFESSIONAL FEE CLAIMS BY THE ADMINISTRATIVE EXPENSE BAR DATE THAT FAIL TO DO SO SHALL BE FOREVER BARRED, ESTOPPED, AND ENJOINED FROM ASSERTING SUCH ADMINISTRATIVE CLAIMS AND PROFESSIONAL FEE CLAIMS AGAINST THE DEBTOR OR ITS RESPECTIVE PROPERTY OR THE REORGANIZED DEBTOR.

5.2 *Treatment and Payment of Allowed Priority Non-Tax Claims.* Except to the extent that a Holder of an Allowed Priority Non-Tax Claim agrees to a less favorable treatment, (i) Allowed Gap Claims shall be paid in cash and in full on the later of (a) the Effective Date, and (b) the date on which each such Gap Claim becomes an Allowed Gap Claim by Final Order, and (ii) remaining Priority Non-Tax Claims, if any, shall be paid in cash and in full on the later of (a) the Effective Date, and (b) the date on which each such Priority Non-Tax Claim becomes an Allowed Priority Non-Tax Claim by Final Order. Such payment(s) shall be in full and final satisfaction, settlement, and release of and in exchange for each such Claim(s). To the extent that any such Priority Non-Tax Claim exceeds the maximum amount allowed as a Priority Non-Tax Claim pursuant to sections 507(a)(4) or (5), the excess amount of the Claim shall be treated as an Allowed General Unsecured Claim.

5.3 *Treatment of Allowed Priority Tax Claims.* Except to the extent that a Holder of an Allowed Priority Tax Claim agrees to a less favorable treatment, in full and final satisfaction, settlement, and release of and in exchange for each Allowed Priority Tax Claim, each Holder of such Allowed Priority Tax Claim shall be treated in accordance with the terms set forth in section 1129(a)(9)(C) of the Bankruptcy Code, and shall be paid in equal monthly payments of principal plus simple interest, with such interest calculated as required under applicable law for such Priority Tax Claims, for a term of forty- eight (48) months after the later of (i) the Effective Date and (ii) the date on which such Priority Tax Claim is Allowed ("Payment Trigger Date"), with the maturity date by which all payments due to be no later than the last day of the forty-eighth month after the Payment Trigger Date. At the discretion of the Reorganized Debtor payment in full of the total balance due on any such Claim can be made without penalty.

5.4 *UST Fees.* All fees payable under 28 U.S.C. § 1930 shall be paid in Cash in full by the Debtor as they come due pending the Effective Date and thereafter shall be paid by the Reorganized Debtor as they come due until the issuance of the Final Decree. The Confirmation Order may provide that the Reorganized Debtor reserves the right to request the Bankruptcy Case be administratively closed after the Effective Date, pending the Final Decree. The Debtor has been paying its ongoing expenses in the ordinary course of business and is current on its payment obligations to the UST.

5.5 Treatment of DIP Loan Claims. On the Effective Date, the total dollar amount of the DIP Loan Claims shall be rolled into and included in the original principal amount of the Exit Financing Note in accordance with the Exit Facility Loan Documents. EC Mako Energy, LLC shall not be required to File a Proof of Claim or any application seeking recognition of its Claim

or any part of its DIP Loan Claims. The DIP Loan Claims are Allowed Claims.

ARTICLE VI
CLASSIFICATION AND TREATMENT OF CLAIMS AND INTERESTS

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

6.1 *CLASS 1 –Allowed Pre-Petition Lender Claims.*

(a) Classification: Class 1 consists of the Allowed Secured Pre-Petition Lender Claims which consist of the Pre-Petition Lender Claims other than the Allowed Pre-Petition Lender Deficiency Claim and the Pre-Petition Lender Adequate Protection Claim. The Pre-Petition Lender Claims are held by EC Mako Energy, LLC. Based upon the fair market value of Debtor's assets, the DIP Loan balance and regulatory obligations, the Pre-Petition Lender is substantially undersecured. The Pre-Petition Lender's Nine Million Seven Hundred Thousand and 00/100 ($9,700,000.00) (plus interest and attorneys' fees) Claims are deemed to be Allowed Secured Claims in the amount of One Million and 00/100 Dollars ($1,000,000.00) and an unsecured deficiency claim for the balance.

(b) Treatment: On the Effective Date, or as soon as reasonably practicable thereafter, the Holder of the Class 1 Claim shall receive one hundred percent (100%) of Reorganized ECOP Equity Interests in satisfaction of all but Ten Thousand and 00/100 Dollars ($10,000.00) of its Class 1 Claim. The residual Ten Thousand and 00/100 Dollars ($10,000.00) Class 1 Claim shall be rolled into the original principal amount of the Exit Facility Note. The Pre-Petition Loan Documents shall be amended and restated as provided in the Exit Facility Documents.

(c) Voting: Class 1 is Impaired under the Plan. The Holder of the Allowed Claim in Class 1 is entitled to vote to accept or reject the Plan.

6.2 *CLASS 2 – Allowed RLI Claims.*

(a) Classification: Class 2 consists of the Allowed RLI Claims. The RLI Claims are, except with respect to bond premiums, the contingent and unliquidated indemnity Claims of RLI as may exist against the Debtor pursuant to the RLI Bond Documents related to the RLI Bond Documents. The RLI Claim is secured by the RLI Collateral which consists of approximately Three Million Three Hundred Fifty-Three Thousand Four Hundred Forty-Five and 41/100 Dollars ($3,353,445.41) in cash on deposit in the RLI Escrow.

(b) Treatment: On the Effective Date, the rights of RLI in respect of the RLI Claim, regardless of the extent to which the RLI Claim is an Allowed Secured Claim because of section 502(e)(1), will be Unimpaired under section 1124(1).

(c) Voting: Class 2 is Unimpaired under the Plan. The holder of the Class 2 RLI Claim is deemed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code and are not entitled to vote to accept or reject the Plan.

6.3 *CLASS 3 – Allowed ORRI LLC Claims.*

(a) Classification: Class 3 consists of the Allowed ORRI LLC Claims. The ORRI LLC Claims are the Claims of ORRI LLC, including those arising under the PDMA, the ECP/LOH Contributed ORRI Assignment, the ECP/LOH Purchased ORRI Assignment and the LOH/ORRI LLC Assignment. The Allowed ORRI LLC Claims are approximately Five Hundred Thousand and 00/100 Dollars ($500,000.00).

(b) Treatment. On the Effective Date, the obligations of Debtor with respect to the Allowed ORRI LLC Claims will be assumed and the ORRI LLC Claims will be Unimpaired.

(c) Voting: Class 3 is Unimpaired under the Plan. The holder of the Class 3 ORRI LLC Claims is deemed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code and is not entitled to vote to accept or reject the Plan.

6.4 *CLASS 4 - Allowed Other Secured Claims.*

(d) Classification: Class 4 consists of Allowed Other Secured Claims. Other Secured Claims are Secured Claims other than the Pre-Petition Lender Claims and the DIP Loan Claims, to the extent the Bankruptcy Court issues a Final Order determining that such Claim is a Secured Claim. Certain Creditors have asserted Louisiana Oil Well Lien Act Claims against the Debtor pursuant to La. Rev. Stat. 9:4861, et seq. for goods and services provided to the Debtor in connection with the Debtor's oil and gas operations. As discussed herein, the liquidation value of the Debtor's Leasehold Interests, which would be the only collateral Securing these Lien Claims is estimated to be far less than the amounts owed to the Holders of the Pre-Petition Lender Claims plus the DIP Loan Claims. Therefore, there is no underlying collateral value supporting these Lien Claims and therefore these Claims shall be classified for voting, allowance and treatment as Class 5 General Unsecured Claims. Confirmation shall constitute a finding and conclusion that such Lien Claims are General Unsecured Claims and the Effective Date is conditioned upon such a finding and conclusion by the Bankruptcy Court.

(e) Treatment: Except to the extent that any entity entitled to payment of any Allowed Other Secured Claim agrees to less favorable treatment, the Holder of an Allowed Other Secured Claim whose Claims are secured by Collateral with value not subsumed by the Collateral value securing the Pre-Petition Lender Claims and the DIP Loan Claims, shall be issued new secured notes by the Reorganized Debtor in an amount equal to the net equity value of the underlying Collateral securing such Claim, with payment to be made at an interest rate of Six and a Half Percent (6.5%) per annum, simple interest, with an amortization of ten (10) years and a

maturity date of four (4) years after the Effective Date.

(f) Voting: Class 4 is Impaired under the Plan. Holders of Allowed Claims in Class 4 are entitled to vote to accept or reject the Plan. To the extent that the Collateral securing any Allowed Other Secured Claim is not of a value sufficient to provide equity value over the amount of the Pre-Petition Lender Claims plus the DIP Loan Claims, such Claim(s) shall be classified for voting, allowance and treatment as General Unsecured Claims.

6.5 *CLASS 5 – General Unsecured Claims.*

(a) Classification: Class 5 consists of all General Unsecured Claims, including the Pre-Petition Lender Deficiency Claim. While the Chapter 11 Trustee has not yet conducted a thorough claim-by-claim analysis, General Unsecured Claims (exclusive of the Pre-Petition Lender Deficiency Claim) are estimated to be One Million One Hundred Twenty-Eight Thousand Four Hundred Forty-Four and 15/100 Dollars ($1,128,444.15).

(b) Treatment if Class 5 Accepts Plan: If, and only if, Class 5 votes to accept the Plan, on the Distribution Date each Holder of an Allowed General Unsecured Claim shall receive a the lesser of (i) ten percent (10%) of its Allowed General Unsecured Claim, and (ii) a Pro Rata Share of the Class 5 Fund (One Hundred Thirty-Nine Thousand and 00/100 Dollars ($139,000.00)) with only Ten Thousand and 00/100 Dollars ($10,000.00) of said fund shall be paid to the Holder of the Pre-Petition Lender Deficiency Claim.

(c) Treatment if Class 5 Rejects Plan: If Class 5 votes to reject the Plan, on the Distribution Date, each Holder of an Allowed Class 5 Claim, including the Holder of the Pre-Petition Lender Deficiency Claim shall receive a Pro Rata Share of the Class 5 Fund.

(d) Voting: Class 5 is Impaired under the Plan. Holders of Allowed General Unsecured Claims in Class 5 are entitled to vote to accept or reject the Plan.

6.6 *CLASS 6 – Equity Interests.*

(a) Classification: Class 6 consists of all Equity Interests.

(b) Treatment: On the Effective Date, all Equity Interests shall be deemed cancelled, and shall be of no further force and effect, whether surrendered for cancellation or otherwise, and there shall be no distribution on account of such Interests.

(c) Voting: Class 6 is Impaired under the Plan. Holders of Equity Interests in Class 6 are deemed to have rejected the Plan pursuant to section 1126(g) of the Bankruptcy Code and are not entitled to vote to accept or reject the Plan.

ARTICLE VII
MEANS FOR IMPLEMENTATION OF THE PLAN

7.1 *Sources of Cash to Fund Plan Obligations.* The Reorganized Debtor shall satisfy obligations under the Plan through a combination of cash on hand, advances under the Exit Facility and Cash generated from operations.

7.2 *Exit Facility.* On the Effective Date, the Exit Facility Loan Documents shall be executed. On the Effective Date, advances shall be made under the Exit Facility to satisfy the then due obligations under the BOEM/BSEE Settlement Agreement and obligations of Reorganized Debtor due as of the Effective Date. Thereafter, advances would be made in accordance with the terms of the Exit Facility Loan Documents.

7.3 *East Cameron Block 72 Lease Conveyance.* Prior to the Effective Date, the Debtor and EC Mako Energy, LLC will attempt to negotiate an agreement with the current holder of whatever interest or right that was transferred pursuant to the Open Choke Transaction and Operating Rights Assignment to void the Open Choke Transaction and Operating Rights Assignment. The Reorganized Debtor will contend that the Open Choke Transaction could not and did not convey the interests in the West half of the East Cameron Block 72 Lease below the depth of 10,400' which had previously been conveyed pursuant to the ECP/LOH Contributed ORRI Assignment and the ECP/LOH Purchased ORRI Assignment. The Reorganized Debtor will also contend that the Open Choke Transaction and the Operating Rights Assignment were subject to preexisting security interests and mortgages, including the PDMA. If the Open Choke Transaction and Operating Rights Assignment are not voided by agreement on or before the Effective Date, Reorganized Debtor shall, to the extent necessary (in view of the rejection of the underlying executory contracts) seek to recover any interest purportedly conveyed pursuant to the Open Choke Transaction and Operating Rights Assignment through enforcement of lien rights and/or other legal action, including obtaining a judicial determination that the Open Choke Transaction and Operating Rights Assignment are rejected, void and terminated.

7.4 *Restructuring Transaction.* On the Effective Date, the New Organizational Documents shall be executed and take effect. The Debtor or the Reorganized Debtor, as applicable, and all parties in interest shall take any actions as may be necessary or appropriate to effectuate the terms of the Plan. The actions taken by the Debtor or the Reorganized Debtor, as applicable, to implement the Plan may include: (i) the execution, delivery, adoption, and/or amendment of appropriate agreements or other documents of restructuring, disposition, or transfer containing terms that are consistent with the terms of the Plan, this Disclosure Statement, and any Plan Documents and that satisfy the applicable requirements of applicable state law and any other terms to which the applicable parties may agree; (ii) the execution, delivery, adoption, and/or amendment of appropriate instruments of transfer, assignment, assumption or delegation of any asset, property, right, liability, debt, or obligation on terms consistent with the terms of the Plan, this Disclosure Statement, and any ancillary documents and having other terms for which the applicable parties may agree; (iii) the cancellation of the Equity Interests; and (iv) all other actions that the Debtor or the Reorganized Debtor, as applicable, determine to be necessary, desirable, or appropriate to implement, effectuate, and consummate the Plan or the restructuring transactions

contemplated by the Plan, including making filings or recordings that may be required by applicable state law in connection with the restructuring transactions.

7.5 *Authorization and Issuance of Reorganized ECOP Equity Interests.* On the Effective Date, the Reorganized Debtor shall authorize and issue the Reorganized ECOP Equity Interests to EC Mako Energy, LLC, in accordance with the Plan and the New Organization Documents without the need for any further corporate action or without any further action by the Debtor or the Reorganized Debtor, as applicable. The offering, issuance, and distribution of the Reorganized ECOP Equity Interests and any Securities pursuant to this Plan and any and all settlement agreements incorporated therein will be exempt from the registration requirements of Section 5 of the Securities Act pursuant to section 1145 of the Bankruptcy Code, section 4(a)(2) of the Securities Act, or any other available exemption from registration under the Securities Act, as applicable.

7.6 *Corporate Action.* As of the Effective Date, the Reorganized Debtor may operate its businesses free of any restrictions of the Bankruptcy Code or Bankruptcy Rules, other than those restrictions expressly imposed by the Plan and Confirmation Order. In conformity with applicable bankruptcy and non-bankruptcy law, the Reorganized Debtor shall cause to be filed with all appropriate governmental agencies appropriate restated articles of incorporation, restated by-laws, as the case may be, to the extent necessary under the Bankruptcy Code and as permitted by applicable non-bankruptcy law. The New Organization Documents will include a provision prohibiting the issuance of non-voting equity securities. On the Effective Date, all matters provided for under the Plan that would otherwise require approval of the Debtor, the Chapter 11 Trustee, officers, or directors, including, without limitation, the adoption and effectiveness of the New Organizational Documents, and the election or appointment of officers, and directors, as the case may be, of the Reorganized Debtor as provided for under the Plan, shall be deemed to have occurred and shall be in effect from and after the Effective Date without any requirement of further action by the Reorganized Debtor or its respective officers, or directors.

The Reorganized Debtor in its sole discretion, shall be (i) responsible for preparing or causing to be prepared and filing all tax returns required to be filed by the Debtor following the Effective Date, (ii) entitled to participate in all tax proceedings with respect to the tax returns of the Debtor following the Effective Date to the extent such proceedings could adversely affect the Reorganized Debtor; and (iii) responsible for and shall bear all costs and expenses incurred in connection with preparing and filing of such tax returns and for the conduct of any such tax proceeding.

7.7 *Dissolution of Board of Directors of the Debtor.* As of the Effective Date, the existing Board of Directors of the Debtor shall be dissolved without any further action required on the part of the Debtor, the Chapter 11 Trustee or the Debtor's officers, directors, and shareholders, and any remaining officers or directors of any Debtor shall be dismissed without any further action required on the part of Debtor, officers, directors, Chapter 11 Trustee, or the Holders of Equity Interest of the Debtor.

7.8 *Reorganized Debtor Officers and Directors.* The board of directors of the Reorganized Debtor shall initially consist of three (3) members, selected by EC Mako Energy,

LLC. EC Mako Energy, LLC will, through the Plan Supplement provide notice to parties in interest of: (i) the identity and affiliations of any individual proposed to serve as an officer or director of the Reorganized Debtor as of the Effective Date; and (ii) the identity of any Insider that will be employed by the Reorganized Debtor and the nature of such Insider's compensation as of the Effective Date.

7.9 *Employment, Retirement, and Other Agreements and Employee Compensation Plans.* All employees and employee compensation plans will terminate on the Plan Effective Date if not terminated earlier.

7.10 *Exemption from Certain Taxes and Fees.* Pursuant to section 1146(a) of the Bankruptcy Code, any transfers of property pursuant hereto shall not be subject to any document recording tax, stamp tax, conveyance fee, intangibles or similar tax, mortgage tax, real estate transfer tax, mortgage recording tax, Uniform Commercial Code filing or recording fee, filing or recording fee, or other similar tax or governmental assessment, and the appropriate state or local governmental officials or agents shall forego the collection of any such tax or governmental assessment and to accept for filing and recordation any of the foregoing instruments or other documents without the payment of any such tax or governmental assessment. Such exemption specifically applies to: (1) the creation of any mortgage, deed of trust, Lien, or other security interest; (2) the making or assignment of any lease or sublease; (3) any restructuring transaction; and/or (4) the making or delivery of any deed or other instrument of transfer under, in furtherance of or in connection with the Plan.

7.11 *Overriding Royalty Interests.* The Confirmation Order shall constitute a judicial determination that the (i) property interests created by the ECP/LOH Contributed ORRI Assignment and the ECP/LOH Purchased ORRI Assignment remain in full force and effect, (ii) the ECP/LOH Contributed ORRI Assignment and the ECP/LOH Purchased ORRI Assignment were transferred to LOH and by LOH to ORRI LLC pursuant to the LOH/ORRI LLC Assignment, (iii) property interests created by the ECP/LOH Contributed ORRI Assignment and the ECP/LOH Purchased ORRI Assignment are now held by ORRI LLC and remain in full force and effect, (iv) none of the property interests assigned pursuant to the ECP/LOH Contributed ORRI Assignment, the ECP/LOH Purchased ORRI Assignment or the LOH/ORRI LLC Assignment have at any time been released and all such interests remain in full force and effect, and (v) pursuant to the LOH/ORRI LLC Assignment, ORRI LLC is the current owner and holder of all of the property interests created by the ECP/LOH Contributed ORRI Assignment and the ECP/LOH Purchased ORRI Assignment.

7.12 *Vesting of Assets and Causes of Action.* On and after the Effective Date, all of the property and assets of the Debtor and of the Estate under section 541(a) of the Bankruptcy Code, including, but not limited to (i) one hundred percent (100%) of the membership interest in ORRI LLC, and (ii) all Causes of Action, shall vest in the Reorganized Debtor, unless any of the Causes of Action against an Entity are expressly waived, relinquished, exculpated, released, compromised, or settled in the Plan or a Bankruptcy Court Final Order. For the avoidance of doubt, all Claims and Causes of Action against the Evans Parties, including those related to the Open Choke Transaction and the Operating Rights Assignment are preserved. All Claims, rights, Liens and

Security Interests under the PDMA, ECP/LOH Contributed ORRI Assignment, ECP/LOH Purchased ORRI Assignment and the LOH/ORRI LLC Assignment are preserved and shall not be impaired by Confirmation of the Plan. Entry of the Confirmation Order shall constitute a judicial determination that (i) all Liens, mortgages and Security Interests arising under the PDMA are valid, were properly perfected by recordation on July 5, 2006 and remain enforceable and in full force and effect against all parties and as to all property originally pledged as Collateral pursuant to the PDMA, and (ii) at no time have the Liens and Security Interests arising under the PDMA been released as to any property which was originally pledged as Collateral pursuant to the PDMA, including the West half of the East Cameron Block 72 Lease below 10,400'. **No Entity may rely on the absence of a specific reference in the Plan, the Plan Supplement, or this Disclosure Statement to any Cause of Action against it as any indication that the Reorganized Debtor will not pursue any and all available Causes of Action against it. The Reorganized Debtor expressly reserves all rights to prosecute any and all Causes of Action against any Entity that constitutes Property of the Estate, except as otherwise provided in the Plan. THE FAILURE TO LIST, DISCLOSE, DESCRIBE, IDENTIFY, OR REFER TO A RIGHT, CLAIM, CAUSE OF ACTION, DEFENSE, OR COUNTERCLAIM, IN THE PLAN, THE SCHEDULES, OR ANY OTHER DOCUMENT FILED WITH THE BANKRUPTCY COURT SHALL IN NO MANNER WAIVE, ELIMINATE, MODIFY, RELEASE, OR ALTER ANY RIGHT OF THE REORGANIZED DEBTOR TO COMMENCE, PROSECUTE, DEFEND AGAINST, SETTLE, AND REALIZE UPON ANY RIGHTS, CLAIMS, CAUSES OF ACTION, DEFENSES, OR COUNTERCLAIMS THAT THE DEBTOR HAS, OR MAY HAVE, AS OF THE EFFECTIVE DATE.**

Except as otherwise specifically provided in the Plan, all property vested in the Reorganized Debtor shall as of the Effective Date be free and clear of all Liens, Claims and interests of any type or nature, except such as are provided for in the Plan. Specifically, only the following pre-Effective Date Liens, Claims, interests, rights, covenants, agreements, terms and conditions as are provided for herein shall be retained and be binding upon the Reorganized Debtor after the Effective Date: (i) the Liens securing the Exit Facility (which includes the Pre-Petition Loan Documents and Liens pursuant to the DIP Loan Documents); (ii) Liens pursuant to the PDMA; and (iii) Liens as otherwise provided for in the Plan, if any.

7.13 *Delivery of Distributions and Undeliverable or Unclaimed Distributions.*

(a) Delivery of Distributions in General. Except as otherwise provided herein, the Debtor or Reorganized Debtor, as applicable, shall make Distributions to Holders of Allowed Claims on the applicable Distribution Date, at the address for each such Holder as indicated on the Debtor's and/or Reorganized Debtor's records as of the date of any such Distribution, or, if the Holder has an Allowed Claim and has submitted a Proof of Claim, to the address on such Proof of Claim. If a Holder holds more than one Claim in any one Class, all Claims of the Holder will be aggregated into one Claim and one Distribution will be made with respect to the aggregated Claim amount.

(b) Undeliverable Distributions and Unclaimed Property. In the event that any Distribution to any Holder is returned as undeliverable, no Distribution to such Holder shall be made unless and until the Reorganized Debtor has determined the then current address of such

Holder, at which time such Distribution shall be made to such Holder without interest; *provided,* that such Distributions shall be deemed unclaimed property under section 347(b) of the Bankruptcy Code at the expiration of six months from the date the Distribution is made, if not delivered. After such date, all unclaimed property or interests in property shall revert (notwithstanding any applicable federal or state escheat, abandoned, or unclaimed property laws to the contrary) to the Reorganized Debtor automatically and without need for a further order by the Bankruptcy Court and the Claim of any Holder to such property or interest in property, to the extent of such undeliverable Distribution shall be released, settled, compromised, and forever barred.

(c) Manner of Payment Pursuant to the Plan. Any payment in Cash to be made pursuant to the Plan shall be made at the election of the Reorganized Debtor by check or by wire transfer, at the sole and exclusive discretion of the Reorganized Debtor.

(d) Compliance with Tax Requirements/Allocations. The Reorganized Debtor shall request and shall comply with all tax withholding and reporting requirements imposed on it by any Governmental Unit, and all Distributions pursuant hereto shall be subject to such withholding and reporting requirements unless an exception applies. Each Holder of a Class 5 Claim shall be required to execute and deliver a W-9 to the Reorganized Debtor as a condition to any Distribution. Any Distribution attributable to a Holder of a Class 5 Claim that fails to execute and deliver an IRS Form W-9 to the Reorganized Debtor on or before the first anniversary of the Effective Date shall be treated as a forfeited distribution, including interest thereon, and shall be property of the Reorganized Debtor, notwithstanding any federal or state escheat laws to the company. Notwithstanding any provision in the Plan to the contrary, the Reorganized Debtor shall be authorized to take all actions necessary or appropriate to comply with such withholding and reporting requirements, including liquidating a portion of the Distribution to be made under the Plan to generate sufficient funds to pay applicable withholding taxes, withholding Distributions pending receipt of information necessary to facilitate such Distributions, or establishing any other mechanisms it believes is reasonable and appropriate. The Reorganized Debtor shall with respect to Distributions to be made by each, reserves the right to allocate Distributions in compliance with all applicable wage garnishments, alimony, child support, and other spousal awards, liens, and encumbrances. Distributions by the Reorganized Debtor shall, except as otherwise provided for in this Plan, be allocated first to the principal amount of such Claims (as determined for federal income tax purposes) and then, to the extent interest shall be owed on such Claims, for accrued but unpaid interest thereupon.

(e) Setoffs. Reorganized Debtor may, but shall not be required to, setoff against any Claim, and the payments or other Distributions to be made pursuant to this Plan in respect of such Claim, claims of any nature whatsoever that the Debtor or Reorganized Debtor may have against the Holder of such Claim; provided, however, that neither the failure to do so nor the allowance of any Claim hereunder shall constitute a waiver or release by the Reorganized Debtor of any claim that the Debtor or Reorganized Debtor may have against such Holder. Nothing in this Plan shall be deemed to expand rights to setoff under applicable non-bankruptcy law.

7.14 *Treatment of Executory Contracts and Unexpired Leases.*

(a) Assumption and Rejection. On the Effective Date, except as otherwise

provided herein, all Executory Contracts or Unexpired Leases, including those identified in the Schedule of Assumed Executory Contracts and Unexpired Leases contained in the Plan Supplement, will be deemed assumed in accordance with the provisions and requirements of sections 365 and 1123 of the Bankruptcy Code, other than: (i) those that are identified on the Schedule of Rejected Executory Contracts and Unexpired Leases contained in the Plan Supplement; (ii) those that have been previously rejected by a Final Order; (iii) those that are the subject of a motion to reject Executory Contracts or Unexpired Leases that is pending on the Confirmation Date; or (iv) those that are otherwise rejected pursuant to the terms herein. The Open Choke Transaction and the Operating Rights Assignment described above shall be deemed Executory Contracts or Unexpired Leases and shall be rejected as of the Confirmation Date.

Entry of the Confirmation Order shall constitute a Bankruptcy Court order approving the assumptions or rejections of such Executory Contracts or Unexpired Leases as provided under the Plan, the Schedule of Rejected Executory Contracts and Unexpired Leases contained in the Plan Supplement or the Schedule of Assumed Executory Contracts and Unexpired Leases contained in the Plan Supplement, pursuant to sections 365(a) and 1123 of the Bankruptcy Code. Unless otherwise indicated, assumptions or rejections of Executory Contracts and Unexpired Leases pursuant to the Plan are effective as of the Effective Date. Any motions to assume Executory Contracts or Unexpired Leases pending on the Effective Date shall be subject to approval by a Final Order of the Bankruptcy Court on or after the Effective Date. Unless otherwise provided in the Plan, each Executory Contract or Unexpired Lease that is assumed shall include all modifications, amendments, supplements, restatements, or other agreements that in any manner affect such Executory Contract or Unexpired Lease, and all rights related thereto, if any, including all easements, licenses, permits, rights, privileges, immunities, options, rights of first refusal, and any other interests, unless any of the foregoing agreements has been previously rejected or repudiated or is rejected or repudiated pursuant hereunder. Modifications, amendments, supplements, and restatements to prepetition Executory Contracts and Unexpired Leases that have been executed by the Debtor during the Bankruptcy Case shall not be deemed to alter the prepetition nature of the Executory Contract or Unexpired Lease, or the validity, priority, or amount of any Claims that may arise in connection therewith.

(b) Rejection Claims. Rejection Claims, if any, must be Filed or submitted in accordance with the order of the Bankruptcy Court approving such rejection or within thirty (30) days after the date of entry of such order, whichever occurs first. Any Rejection Claims not timely submitted within such time shall be automatically disallowed, forever barred from assertion, and shall not be enforceable against, as applicable, the Debtor, the Reorganized Debtor, or the Estate or property of the foregoing, without the need for any objection by the Debtor or the Reorganized Debtor and without the need for any further notice to, or action, order, or approval of the Bankruptcy Court. Claims arising from the rejection of the Debtor's Executory Contracts or Unexpired Leases shall be classified as General Unsecured Claims and shall be treated in accordance with Article III of the Plan. Notwithstanding anything to the contrary herein, prior to the Effective Date, the Debtor may amend its decision with respect to the rejection of any Executory Contract or Unexpired Lease.

Rejection of any Executory Contract or Unexpired Lease pursuant to the Plan or otherwise shall not constitute a termination of pre-existing obligations owed to the Debtor under such

contracts or leases. In particular, notwithstanding any nonbankruptcy law to the contrary, the Reorganized Debtor expressly reserves and does not waive any right to receive, or any continuing obligation of a counterparty to provide, warranties or continued maintenance obligations on goods previously purchased by the contracting Debtor or the Reorganized Debtor, as applicable, from counterparties to rejected or repudiated Executory Contracts or Unexpired Leases.

(c) Cure of Assumed Executory Contracts and Unexpired Leases. Any Cure and/or Cure Claims, including any monetary defaults under an Executory Contract and Unexpired Lease, shall be satisfied, pursuant to section 365(b)(1) of the Bankruptcy Code, by payment of the Cure in Cash on the Effective Date, within a reasonable period of time following the Effective Date, such other date on which the assumption of such Executory Contract or Unexpired Lease by the Debtor or Reorganized Debtor is approved by Final Order, or, subject to the limitations described below, on such other terms as the parties to such Executory Contracts or Unexpired Leases may otherwise agree. In the event of a dispute regarding (1) the Cure or (2) any other matter pertaining to assumption, any Cure payments required by section 365(b)(1) of the Bankruptcy Code shall be made following the entry of a Final Order or orders resolving the dispute and approving the assumption.

With respect to each of the Executory Contracts or Unexpired Leases assumed under the Plan, the Debtor shall designate through the Cure Notice, which shall be served on all affected counterparties to such Executory Contracts or Unexpired Leases assumed or to be assumed, a proposed Cure, and the assumption of such Executory Contract or Unexpired Lease shall be conditioned upon the disposition of all issues with respect to the Cure. **If there is no amount proposed as a Cure Amount within the Schedule of Assumed Executory Contracts and Unexpired Leases in the Plan Supplement or within the Cure Notice, the Cure with respect the Executory Contracts or Unexpired Leases to be assumed the Cure for such Executory Contracts or Unexpired Leases shall be Zero Dollars ($0), subject to the determination of a different Cure pursuant to the procedures set forth herein and in the Cure Notice.** Except with respect to Executory Contracts and Unexpired Leases for which the Cure is Zero Dollars ($0), the Cure shall be satisfied by the Reorganized Debtor by payment of the Cure amount in Cash on the later of (i) thirty (30) days following the occurrence of the Effective Date or as soon as reasonably practicable thereafter; or (ii) for any Cures subject to dispute, thirty (30) days after the underlying Cure dispute is resolved, or on such other terms as may be ordered by the Bankruptcy Court or agreed upon by the parties to the applicable Executory Contract or Unexpired Lease without any further notice to or action, order, or approval of the Bankruptcy Court.

Assumption of any Executory Contract or Unexpired Lease pursuant to the Plan or otherwise shall result in the full release and satisfaction of any Claims or defaults, whether monetary or nonmonetary, including defaults of provisions restricting the change in control or ownership interest composition or other bankruptcy-related defaults, arising under any assumed Executory Contract or Unexpired Lease at any time before the date that the Debtor assumes such Executory Contract or Unexpired Lease. Any Proofs of Claim Filed with respect to an Executory Contract or Unexpired Lease that has been assumed shall be deemed Disallowed and expunged, without further notice to or action, order, or approval of the Bankruptcy Court.

No later than three (3) days after the Debtor files the Schedule of Assumed Executory

Contracts and Unexpired Leases (or any amendments thereof) and the Cure Notice, the Debtor shall serve upon counterparties to such Executory Contracts and Unexpired Leases a Cure Notice that will (i) notify the counterparty of the proposed assumption, (ii) list the applicable Cure, if any, set forth on the Schedule of Assumed Executory Contracts and Unexpired Leases, (iii) describe the procedures for filing objections to the proposed assumption or assumption and assignment of the applicable Executory Contract or Unexpired Lease, (iv) describe the procedures for filing objections to the proposed Cure of default in the applicable Executory Contract or Unexpired Lease, and (v) explain the process by which related disputes will be resolved by the Bankruptcy Court. If no objection is timely received, (a) the non-Debtor party to the Executory Contract or Unexpired Lease to be assumed shall be deemed to have consented to the assumption of the applicable Executory Contract or Unexpired Lease and shall be forever barred from asserting any objection with regard to such assumption, and (b) the proposed Cure shall be controlling, notwithstanding anything to the contrary in any applicable Executory Contract or Unexpired Lease or other document as of the date of the filing of this Plan, and the non-Debtor party to an applicable Executory Contract or Unexpired Lease shall be deemed to have consented to the Cure Amount and shall be forever barred from asserting, collecting, or seeking to collect any additional amounts relating thereto against the Debtor or the Reorganized Debtor, or their property.

Notwithstanding anything to the contrary in the Plan, prior to the Effective Date, the Debtor, with approval of EC Mako Energy, LLC, may amend its decision with respect to the assumption of any Executory Contract or Unexpired Lease and provide a new notice amending the information provided in the applicable notice. In the case of an Executory Contract or Unexpired Lease designated for assumption that is the subject of a Cure Objection which has not been resolved prior to the Effective Date, the Debtor or the Reorganized Debtor, as applicable, may designate such Executory Contract or Unexpired Lease for rejection at any time prior to the payment of the Cure.

(d) Insurance Policies. All of the Debtor's insurance policies and any agreements, documents, or instruments relating thereto, are treated as and deemed to be Executory Contracts under the Plan. On the Effective Date, and not withstanding anything in the Plan that could be to the contrary the Debtor and Reorganized Debtor shall be deemed to have assumed all insurance policies and any agreements, documents, and instruments related thereto, whether or not such policies, agreements, documents and instruments related thereto are listed on the Schedule of Assumed Executory Contracts and Unexpired Leases.

(e) East Cameron Block 71 Lease and East Cameron Block 72 Lease. To the extent that the East Cameron Block 71 Lease, the East Cameron Block 72 Lease and the BOEM/BSEE Settlement Agreement are Executory Contracts or Unexpired Leases, they shall be assumed on the Effective Date. The only Cure costs with respect to assumption of the East Cameron Block 71 Lease and the East Cameron Block 72 Lease shall be the obligation of Reorganized Debtor expressly set forth in the BOEM/BSEE Settlement Agreement. The BOEM/BSEE Settlement Agreement shall be binding upon the Reorganized Debtor, the BOEM and the BSEE.

(f) Reservation of Rights. Neither the exclusion nor inclusion of any Executory Contract or Unexpired Lease on the Schedule of Assumed Executory Contracts and Unexpired

Leases, nor anything contained in the Plan or Plan Supplement, shall constitute an admission by the Debtor or Reorganized Debtor that any such contract or lease is in fact an Executory Contract or Unexpired Lease or that the Debtor or Reorganized has any liability thereunder.

7.15 *Claims Objection.*

(a) Prosecution of Objections to Claims. Except as otherwise provided in the Plan, the Debtor, up to the Effective Date and the Reorganized Debtor on and after the Effective Date, shall have the exclusive authority to file objections, settle, compromise, withdraw or litigate to judgment objections to Administrative Claims, Gap Claims, other Non-Tax Priority Claims, Priority Tax Claims, Professional Fee Claims, Class 5 General Unsecured Claims and Class 4 Other Secured Claims.

Hearings on objections to Claims shall be fixed at least twenty-eight (28) days after the filing of the objections or at such other time as may be fixed by the Bankruptcy Court or agreed to by the parties (subject to the authority of the Bankruptcy Court). From and after the Effective Date, the Reorganized Debtor may settle or compromise any Disputed Claim without approval of the Bankruptcy Court, but as provided in the Plan, subject to the approval of EC Mako Energy, LLC, as applicable. Except as to Claims Allowed by the Plan or any Final Order entered by the Bankruptcy Court prior to the Effective Date (including the Confirmation Order), the Debtor, up to the Effective Date, and the Reorganized Debtor on and after the Effective Date, shall with respect to their respective authority regarding Claims allowance have and retain any and all rights and defenses the Debtor and/or the Estate has or had as of the Petition Date or thereafter with respect to any Claim or Interest.

(b) Disallowance of Claims. Any Claims held by Entities from which property is recoverable under sections 542, 543, 550, or 553 of the Bankruptcy Code or that is a transferee of a transfer avoidable under sections 522(f), 522(h), 544, 545, 547, 548, 549, or 724(a) of the Bankruptcy Code, shall be deemed Disallowed pursuant to section 502(d) of the Bankruptcy Code, and Holders of such Claims may not receive any distributions on account of such Claims until such time as such Causes of Action against that Entity have been settled or a Bankruptcy Court order with respect thereto has been entered and all sums due, if any, to the Debtor by that Entity have been turned over or paid to the Debtor (if prior to the Effective Date) or the Reorganized Debtor, as applicable, on and after the Effective Date.

Except as provided herein or otherwise agreed, any and all Proofs of Claim submitted after the Claims Bar Date shall be deemed Disallowed and expunged as of the Effective Date without any further notice to or action, order, or approval of the Bankruptcy Court, and Holders of such Claims may not receive any Distributions on account of such Claims, unless on or before the Confirmation Hearing such late Claim has been deemed timely filed by a Final Order.

(c) Distributions after Allowance. To the extent that a Disputed Claim ultimately becomes an Allowed Claim, Distributions (if any) shall be made to the Holder of such Allowed Claim in accordance with the provisions of the Plan. Distributions to which any such Holder is entitled under the Plan as of the Effective Date, less any previous Distribution (if any)

that was made on account of the undisputed portion of such Claim shall be made by the Distribution Date, by the Debtor prior to the Effective Date and, on and after the Effective Date, by the Reorganized Debtor.

7.16 *Releases, Indemnification, Injunction; Exculpation; Discharge.*

(a) **DISCHARGE OF DEBTOR. THE RIGHTS AFFORDED UNDER THE PLAN AND THE TREATMENT OF ALL CLAIMS AND EQUITY INTERESTS UNDER THE PLAN SHALL BE IN EXCHANGE FOR AND IN COMPLETE SATISFACTION, DISCHARGE, AND RELEASE OF CLAIMS AND EQUITY INTERESTS OF ANY NATURE WHATSOEVER, INCLUDING ANY INTEREST ACCRUED ON SUCH CLAIMS FROM AND AFTER THE PETITION DATE, AGAINST THE DEBTOR AND THE REORGANIZED DEBTOR, OR ANY OF THEIR ASSETS OR PROPERTIES. EXCEPT AS OTHERWISE PROVIDED HEREIN, ON THE EFFECTIVE DATE, ALL SUCH CLAIMS AGAINST AND EQUITY INTERESTS IN THE DEBTOR AND THE REORGANIZED DEBTOR SHALL BE SATISFIED, DISCHARGED, AND RELEASED IN FULL, AND ALL PERSONS SHALL BE PRECLUDED FROM ASSERTING AGAINST THE DEBTOR OR THE REORGANIZED DEBTOR, AND/OR ANY PARTY RELEASED UNDER THE PLAN, THEIR SUCCESSORS AND/OR ASSIGNS, THEIR ASSETS, OR THEIR PROPERTIES ANY OTHER OR FURTHER CLAIMS OR EQUITY INTERESTS BASED UPON ANY ACT OR OMISSION, TRANSACTION OR OTHER ACTIVITY OF ANY KIND OR NATURE THAT OCCURRED PRIOR TO THE CONFIRMATION DATE. NO OBLIGATION OF DEBTOR TO ORRI LLC UNDER OR SECURED BY THE PDMA IS RELEASED OR DISCHARGED.**

(b) **INJUNCTION. THERE SHALL BE, ON AND AFTER THE EFFECTIVE DATE, AN INJUNCTION TO THE FULLEST EXTENT ALLOWED UNDER SECTIONS 1141 AND 524 OF THE BANKRUPTCY CODE, AND ALL HOLDERS OF CLAIMS SHALL BE ENJOINED FROM PURSUING ANY ACTION ON ACCOUNT OF OR RELATED TO ANY CLAIM THROUGH ANY CONDUCT OR PROCEEDING WHATSOEVER, WITH RESPECT TO DISCHARGED, RELEASED, ENJOINED OR EXCULPATED CLAIMS, AND AS AGAINST ANY PERSON SUBJECT TO OR DERIVING RIGHTS FROM THE DISCHARGE AND/OR ANY RELEASE OR EXCULPATION ARISING UNDER THE PLAN.**

(c) Releases by the Debtor.

1. Pursuant to section 1123(b) of the Bankruptcy Code and to the fullest extent authorized by applicable law, and except as otherwise specifically provided in the Plan, for good and valuable consideration, on and after the Effective Date, the Debtor and Reorganized Debtor shall release (i) the Chapter 11 Trustee; and (ii) each of the Chapter 11 Trustee's, the Debtor's and their respective advisors, agents, and representatives (including the Chapter 11 Trustee's attorneys, accountants, financial advisors, investment bankers, restructuring consultants and professionals and other professionals retained by such persons or entities), excluding any Evans Party.

2. The Debtor, the Estate and the Reorganized Debtor, as of the Effective Date, to the fullest extent afforded by law and agreement, without any further action on the part of any Entity or Person, shall on and after the Effective Date have released the Pre-Petition Lenders and DIP Lender and their respective current and former direct and indirect equity holders, members, partners, subsidiaries, Affiliates, funds, managers, managing members, officers, directors, employees, advisors, principals, attorneys, professionals, accountants, consultants, agents, and other representatives, of any claim or Cause of Action held by the Debtor as of the Petition Date or arising thereafter, and/or assertable by any party as a derivative claim of the Debtor or the Estate.

(d) Releases by Holders of Claims and Equity Interests. Except as otherwise provided in the Plan, and to the fullest extent authorized by applicable law, on and after the Effective Date, each Consenting Party shall be deemed to have unconditionally released (i) the Debtor, (ii) the Reorganized Debtor (iii) the Chapter 11 Trustee, (iv) the Chapter 11 Trustee's Professionals (excluding any Evans Party), (v) persons who are employed by the Debtor as of the Effective Date (excluding any Evans Party), and (vi) the DIP Lender and the Pre-Petition Lender, and each of their respective advisors, agents, Affiliates, and representatives (including any attorneys, accountants, financial advisors, investment bankers and other professionals retained by such persons or entities), from any and all Claims, claims, obligations, rights, suits, damages, Causes of Action, remedies and liabilities whatsoever, including any derivative claims, whether known or unknown, foreseen or unforeseen, existing or hereafter arising, in law, equity or otherwise, that such Consenting Party would have been legally entitled to assert (whether individually, collectively or derivatively) on behalf of the Debtor either before or after commencement of the Bankruptcy Case, based in whole or in part upon any act or omission, transaction, agreement, event or other occurrence taking place on or before the Effective Date in any way relating or pertaining to (a) the Debtor, (b) Claims against or Equity Interests in the Debtor, (c) the circumstances giving rise to the occurrence of the Bankruptcy Case, and (d) the negotiation, formulation and preparation of the Plan, or any related agreements, instruments or other documents.

(e) Exculpation. The Chapter 11 Trustee, the Debtor, the Reorganized Debtor, the Pre-Petition Lender, the DIP Lender and each of their respective representatives (including any attorneys and restructuring professionals), shall have no liability to any Holder of any Claim or Equity Interest, for any act or omission occurring during the course of this Bankruptcy Case occurring up to the Effective Date, including acts or omissions in connection with, or arising out of, the filing of the petition, the preparation of motions, memoranda, or other documents, preparation and/or negotiation of the Disclosure Statement and the Plan, the solicitation of votes for and the pursuit of Confirmation of the Plan, the consummation of the Plan, or the administration of the Plan or the property to be distributed under the Plan, except for gross negligence or willful misconduct as determined by a Final Order of the Bankruptcy Court, which shall possess exclusive jurisdiction over all such determinations, and, in all respects, shall be entitled to rely upon the advice of counsel with respect to their duties and responsibilities under the Plan.

(f) Recoupment. In no event shall any Holder of Claims or Equity Interests be entitled to recoup any Claim against any claim, right, or Cause of Action of the Debtor, unless

such Holder actually has timely submitted a Proof of Claim in accordance with this Plan or the applicable Bar Date preserving such right of recoupment.

(g) Reimbursement or Contribution. If the Bankruptcy Court disallows a Claim for reimbursement or contribution of an Entity pursuant to section 502(e)(1)(B) of the Bankruptcy Code, then to the extent that such Claim is contingent as of the time of allowance or disallowance, such Claim shall be forever disallowed and expunged notwithstanding section 502(j) of the Bankruptcy Code, unless before the Confirmation Date: (1) such Claim has been adjudicated as non-contingent or (2) the relevant Holder of a Claim has submitted a non-contingent Proof of Claim on account of such Claim and a Final Order has been entered before the Confirmation Date determining such Claim as no longer contingent.

7.17 *Modification of the Plan; Revocation.* The Plan Proponents reserve the right to alter, amend, or modify this Plan or any exhibits hereto under section 1127(a) of the Bankruptcy Code at any time prior to the Confirmation Date, but only by unanimous agreement among them. After the Confirmation Date and prior to substantial consummation of the Plan, as defined in section 1101(2) of the Bankruptcy Code, the Plan Proponents, but only by unanimous agreement among them, may, under section 1127(b) of the Bankruptcy Code, institute proceedings in the Bankruptcy Court to remedy any defect or omission or reconcile any inconsistencies in the Plan, and related documents and agreements, the Disclosure Statement, or the Confirmation Order, and such matters as may be necessary to carry out the purposes and effects of the Plan so long as such proceedings do not materially adversely affect the treatment of Holders of Claims or Equity Interests under the Plan; provided, however, that prior notice of such proceedings shall be served in accordance with the Bankruptcy Rules or order of the Bankruptcy Court.

Entry of a Confirmation Order shall mean that all modifications or amendments to the Plan occurring after the solicitation thereof and before the Confirmation Date are approved pursuant to section 1127(a) of the Bankruptcy Code and do not require additional disclosure or re-solicitation under Bankruptcy Rule 3019.

The Plan Proponents reserve the right to revoke or withdraw the Plan before the Confirmation Date or the Effective Date and to file subsequent plans under chapter 11 of the Bankruptcy Code, but only by unanimous agreement among them. If the Plan Proponents revoke or withdraw the Plan, then: (i) the Plan shall be null and void in all respects; (ii) any settlement or compromise embodied in the Plan (including the fixing or limiting to an amount certain of any Claim or Equity Interest or Class of Claims or Equity Interests), assumption and assignment or rejection of Executory Contracts or Unexpired Leases effected by the Plan, and any document or agreement executed pursuant to the Plan, shall be deemed null and void; and (iii) nothing contained in the Plan shall: (a) constitute a waiver or release of any Claims or Equity Interests; (b) prejudice in any manner the rights of the Debtor or any other Entity; or (c) constitute an admission, acknowledgement, offer, or undertaking of any sort by the Debtor or any other Entity; *provided*, that such revocation or withdrawal shall not in any way limit, prejudice or affect the ability of the Debtor to consummate a sale transaction pursuant to section 363 of the Bankruptcy Code after revocation or withdrawal of the Plan, or the rights of any Entity to object to any such sale transaction.

7.18 *Conditions Precedent to the Occurrence of the Effective Date; Waiver.*

(a) Conditions Precedent to Confirmation.

The following shall constitute conditions precedent to Confirmation of the Plan:

1. The Bankruptcy Court shall have Entered an Order in form and substance reasonably acceptable to the Debtor and the DIP Lender, approving this Disclosure Statement related to the Plan; and

2. The Confirmation Order shall be reasonably acceptable to the Debtor and the DIP Lender, and otherwise be consistent with the terms and conditions described in the Plan and shall have been Entered by the Bankruptcy Court.

(b) Conditions Precedent to the Effective Date. The occurrence of the Effective Date is subject to satisfaction of the following conditions precedent (or conditions contemporaneous or subsequent with respect to actions which are to be taken contemporaneously with or immediately after the occurrence of the Effective Date), any of which may be waived by prior written consent of the DIP Lender, which consent shall not be unreasonably withheld:

1. The Bankruptcy Court shall have entered the Confirmation Order and it shall have become a Final Order; provided, that in accordance with Bankruptcy Rules 3020(e), 6004(h), and 6006(d) (and notwithstanding any other provision of the Bankruptcy Code or the Bankruptcy Rules), the Confirmation Order shall not be stayed and shall be effective immediately upon its entry;

2. All documents and agreements necessary to implement the Plan, including all documents related to the Exit Facility, shall have (a) all conditions precedent to the effectiveness of such documents and agreements satisfied or waived pursuant to the terms of such documents or agreements, (b) been tendered for delivery, and (c) been effected or executed;

3. All governmental and material third party approvals and consents, including Bankruptcy Court approval, necessary in connection with the transactions contemplated by the Plan shall have been obtained, not be subject to unfulfilled conditions and be in full force and effect, and all applicable waiting periods shall have expired without any action being taken or threatened by any competent authority that would restrain, prevent, or otherwise impose materially adverse conditions on such transactions;

4. The timing of the Effective Date shall have been agreed to by the Debtor and the DIP Lender;

5. The Bankruptcy Court shall have made all findings and the Confirmation Order shall have all of the effects listed in Articles VI and XII of the Plan;

6. Execution of the BOEM/BSEE Settlement Agreement by all parties;

7. Filing by Debtor and BSEE of a joint motion to dismiss Debtor's outstanding appeal to the Interior Board of Land Appeals, Docket No. IBLA 2017-50, and a request to remand the matter to BSEE;

8. Filing by Debtor and BOEM of a joint motion to dismiss Debtor's outstanding Interior Board of Land Appeals, Docket No. IBLA 2017-0021, and a request to remand the matter to BOEM;

9. Issuance by BOEM of a letter to Debtor (i) rescinding the September 2, 2016 Order, as well as any and all other outstanding orders or demands from BOEM to Debtor regarding financial security for the East Cameron Block 71 Lease and East Cameron Block 72 Lease; and (ii) accepting the total of One Million Two Hundred Ninety-Four Thousand Six Hundred Eighty-Six and 00/100 Dollars ($1,294,686.00) in additional supplemental financial assurance, as provided under the BOEM/BSEE Settlement Agreement, as sufficient supplemental security (together with any pre-existing bonds) to satisfy the September 2, 2016 Order, as well as any and all other outstanding orders or demands from BOEM to Debtor regarding financial security for the East Cameron Block 71 Lease and East Cameron Block 72 Lease;

10. Execution by BSEE of SOPs for the East Cameron Block 71 Lease and the East Cameron Block 72 Lease as provided for in the BOEM/BSEE Settlement Agreement; and

11. Approval by the United States Department of the Interior of the vesting of the East Cameron Block 71 Lease and the East Cameron Block 72 Lease in Reorganized Debtor.

(c) Waiver of Conditions. The conditions to Confirmation and Consummation set forth in Article XIII of the Plan may be waived only by prior written consent of the DIP Lender, which consent shall not be unreasonably withheld, without notice, leave, or order of the Bankruptcy Court or any formal action other than proceedings to confirm or consummate the Plan.

(d) Filing Notice of the Effective Date. Within two (2) Business Days after the occurrence of the Effective Date, counsel for the Debtor and the DIP Lender shall file a joint notice of occurrence of the Effective Date in the record of the Bankruptcy Court reflecting (i) that the foregoing conditions to the occurrence of the Effective Date have been satisfied or waived by the DIP Lender (and any other person who is required by the Plan to approve such waiver), (ii) specifying the date of the Effective Date, and (iii) acknowledging that the Effective Date has occurred on and as of said date.

7.19 *Findings by the Bankruptcy Court and Effects of Confirmation.* In addition to the findings set forth in section 1129(a) of the Bankruptcy Code, and such others as may be separately issued by the Bankruptcy Court, Confirmation of the Plan shall be based upon such findings by the Bankruptcy Court as are reasonably proper in the premises and the Confirmation Order shall contain such orders upon such findings as appropriate. Without limitation, such findings and the effects of the Confirmation Order shall include, in addition to the effects otherwise described in the Plan:

1. That the aggregate value of the Assets of the Estate is no greater than the aggregate

amount of the Pre-Petition Lender Claims, plus the DIP Loan Claims, such that under section 506(a) of the Bankruptcy Code and Rule 3012 of the Bankruptcy Rules, (a) any Claims submitted or Filed as Secured Claims with the Collateral for such Claims alleged to be DIP Collateral and/or Pre-Petition Lender Collateral shall, if such Claims are Allowed Claims, be Allowed General Unsecured Claims, and (b) no Holder of such a Claim shall be entitled to make an election under section 1111(b) of the Bankruptcy Code to have such Claim treated as a Secured in rem Claim;

2. That Confirmation shall be deemed approval of the Exit Facility, the Exit Facility Loan Documents and the transactions contemplated thereby, and all actions to be taken, undertakings to be made, and obligations to be incurred by the Reorganized Debtor in connection therewith, including the payment of all fees, indemnities, and expenses provided for therein, authorization for the Reorganized Debtor to enter into and execute the Exit Facility and such other documents as the Exit Facility Lender may reasonably require to effectuate the treatment afforded to the Exit Facility Lender pursuant to the Exit Facility, subject to such modifications as the Reorganized Debtor (with the consent of Exit Facility Lender) may deem to be reasonably necessary to consummate such Exit Facility, and the granting and ratification of the Security Interests and priority thereof Securing the payment of the Exit Facility;

3. That the Reorganized ECOP Equity Interest, the Exit Facility, any other notes, if any, to be issued under the Plan, are exempt from registration under the Securities Act of 1933 and the Trust Indenture Act of 1939 pursuant to section 1145 of the Bankruptcy Code and that the Exit Facility, any other notes, if any, to be issued under the Plan, are not otherwise subject to the Trust Indenture Act of 1939;

4. The matters set forth in Plan §§ 6.10, 6.11 and 6.12.

5. That the Chapter 11 Trustee, Debtor and Reorganized Debtor are authorized and directed to take all actions necessary or appropriate to enter into, implement and consummate the contracts, instruments, releases, transfers and other agreements or documents created in connection with the Plan, subject to all approvals as may be required by applicable non-bankruptcy law to effectuate the Effective Date;

6. That the classification, Distributions, releases, settlements, compromises and other benefits and transactions provided for by and under the Plan and under the authority of section 1123 of the Bankruptcy Code and Bankruptcy Rule 9019, are conclusively determined and found to be made in good faith and for equivalent consideration;

7. All employment/service agreements are rejected and have either terminated by their terms or have been terminated prior to Confirmation; and

8. That cause exists to abrogate the stay of the effect of the Confirmation Order in accordance with Bankruptcy Rule 3020(e).

ARTICLE VIII
CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN AND SECURITIES LAW CONSIDERATIONS

8.1. *Generally.* THE FOLLOWING DISCUSSION IS A SUMMARY OF CERTAIN SIGNIFICANT FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN TO THE DEBTOR, AND TO HOLDERS OF CLAIMS AND EQUITY INTERESTS AND IS BASED ON TITLE 26 OF THE UNITED STATES CODE (THE "TAX CODE"), TREASURY REGULATIONS PROMULGATED AND PROPOSED THEREUNDER (THE 'TREASURY REGULATIONS"), JUDICIAL DECISIONS AND PUBLISHED ADMINISTRATIVE RULES AND PRONOUNCEMENTS OF THE IRS AS IN EFFECT ON THE DATE HEREOF. CHANGES IN SUCH RULES OR NEW INTERPRETATIONS THEREOF COULD SIGNIFICANTLY AFFECT THE TAX CONSEQUENCES DESCRIBED BELOW. NO RULINGS HAVE BEEN REQUESTED FROM THE IRS. MOREOVER, NO LEGAL OPINIONS HAVE BEEN REQUESTED FROM COUNSEL WITH RESPECT TO ANY OF THE TAX ASPECTS OF THE PLAN.

THE FEDERAL, STATE, LOCAL AND OTHER TAX CONSEQUENCES OF THE PLAN TO THE HOLDERS OF CLAIMS AND EQUITY INTERESTS MAY VARY BASED UPON THE INDIVIDUAL CIRCUMSTANCES OF EACH HOLDER. IN ADDITION, THIS DISCUSSION DOES NOT COVER ALL ASPECTS OF FEDERAL INCOME TAXATION THAT MAY BE RELEVANT TO THE DEBTOR OR THE HOLDERS OF ALLOWED CLAIMS OR EQUITY INTERESTS (SUCH AS HOLDERS WHO DO NOT ACQUIRE THEIR CLAIM ON ORIGINAL ISSUE), NOR DOES THE DISCUSSION DEAL WITH TAX ISSUES PECULIAR TO CERTAIN TYPES OF TAXPAYERS (SUCH AS DEALERS IN SECURITIES, S CORPORATIONS, LIFE INSURANCE COMPANIES, FINANCIAL INSTITUTIONS, TAX-EXEMPT ORGANIZATIONS AND FOREIGN TAXPAYERS). NO ASPECT OF FOREIGN, STATE, LOCAL OR ESTATE AND GIFT TAXATION IS ADDRESSED.

THE FOLLOWING SUMMARY IS, THEREFORE, NOT A SUBSTITUTE FOR CAREFUL TAX PLANNING AND ADVICE BASED UPON THE INDIVIDUAL CIRCUMSTANCES OF EACH HOLDER OF A CLAIM OR EQUITY INTEREST. HOLDERS OF CLAIMS OR EQUITY INTERESTS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS FOR THE FEDERAL, STATE, LOCAL AND OTHER TAX CONSEQUENCES PECULIAR TO THEM UNDER THE PLAN. THE DEBTOR ASSUMES NO RESPONSIBILITY FOR THE TAX EFFECT THAT CONFIRMATION AND RECEIPT OF ANY DISTRIBUTION UNDER THE PLAN MAY HAVE ON ANY GIVEN CREDITOR OR OTHER PARTY IN INTEREST.

8.2. *IRS Circular 230 Disclosure.* THIS DISCLOSURE STATEMENT IS WRITTEN TO SUPPORT THE PROMOTION OR THE MARKETING OF TRANSACTIONS DISCUSSED HEREIN. TO ENSURE COMPLIANCE WITH REQUIREMENTS IMPOSED BY THE IRS, THE DEBTOR IS INFORMING YOU THAT THIS DISCLOSURE STATEMENT IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED, BY ANY TAXPAYER FOR THE PURPOSE OF AVOIDING TAX-RELATED PENALTIES THAT MAY BE IMPOSED ON SUCH TAXPAYER UNDER THE TAX CODE. TAXPAYERS SHOULD SEEK

ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

8.3. *Tax Consequences to Holders of Claims.*

(a) Realization and Recognition of Gain or Loss in General. The federal income tax consequences of the implementation of the Plan to a Holder of a Claim will depend, among other things, upon the origin of the Holder's Claim, when the Holder's Claim becomes an Allowed Claim, when the Holder receives payment in respect of such Claim, whether the Holder reports income using the accrual or cash method of accounting, whether the Holder has taken a bad debt deduction or worthless security deduction with respect to such Claim, and whether the Holder's Claim constitutes a "security" for federal income tax purposes.

Generally, a Holder of an Allowed Claim will realize gain or loss on the exchange under the Plan of its Allowed Claim for stock and other property (such as Cash and new debt instruments), in an amount equal to the difference between (i) the sum of the amount of any Cash and the issue price of any debt instrument, (other than any consideration attributable to a Claim for accrued but unpaid interest), and (ii) the adjusted basis of the Allowed Claim exchanged therefor (other than basis attributable to accrued but unpaid interest previously included in the Holder's taxable income). The treatment of accrued but unpaid interest and amounts allocable thereto varies depending on the nature of the Holder's Claim and is discussed below.

Whether or not such realized gain or loss will be recognized (*i.e.*, taken into account) for federal income tax purposes will depend in part upon whether such exchange qualifies as a recapitalization or other "reorganization" as defined in the Tax Code, which may in turn depend upon whether the Claim exchanged is classified as a "security" for federal income tax purposes. The term "security" is not defined in the Tax Code or in the Treasury Regulations. One of the most significant factors considered in determining whether a particular debt instrument is a security is the original term thereof. In general, the longer the term of an instrument, the greater the likelihood that it will be considered a security. As a general rule, a debt instrument having an original term of 10 years or more will be classified as a security, and a debt instrument having an original term of fewer than five years will not. Debt instruments having a term of at least five years but less than 10 years are likely to be treated as securities, but may not be, depending upon their resemblance to ordinary promissory notes, whether they are publicly traded, whether the instruments are secured, the financial condition of the Debtor at the time the debt instruments are issued, and other factors. Each Holder of an Allowed Claim should consult his or her own tax advisor to determine whether his or her Allowed Claim constitutes a security for federal income tax purposes.

(b) Accrued Interest. Each Holder of an Allowed Claim is urged to consult its tax advisor regarding the allocation of consideration and deductibility of unpaid interest for tax purposes. The Plan does not provide that interest on any Claim will accrue from the Petition Date until the Effective Date.

(c) Withholding. All distributions to Holders of Claims under the Plan are subject to any applicable withholding. Under federal income tax law, interest, dividends, and other reportable payments may, under certain circumstances, be subject to "backup withholding"

at a Twenty-Eight Percent (28%) rate. Backup withholding generally applies if the Holder (a) fails to furnish its social security number or other taxpayer identification number ("TIN"), (b) furnishes an incorrect TIN, fails properly to report interest or dividends, or (d) under certain circumstances, fails to provide a certified statement, signed under penalty of perjury, that the TIN provided is its correct number and that it is not subject to backup withholding. Backup withholding is not an additional tax but merely an advance payment, which may be refunded to the extent it results in an overpayment of tax. Certain persons are exempt from backup withholding, including, in certain circumstances, corporations and financial institutions.

8.4. *Tax Consequences to Holders of Equity Interests.* The treatment afforded the Holders of Equity Interest does not account for any tax consequences to these Holders that may result from the cancellation of the Equity Interests or the possible effects, if any, of debt forgiveness as will or might occur as a result of Confirmation and the Effective Date, nor does this Disclosure Statement offer any advice or recommendations on the tax consequences that may or may not result from such Confirmation and the occurrence of the Effective Date. Holders of Equity Interest may incur tax consequences resulting from their treatment under the Plan and are strongly urged to consult their tax advisors to determine any tax consequences that may result from this Plan.

ARTICLE IX
VOTING; CONFIRMATION; ALTERNATIVE TO PLAN

9.1 *Confirmation Standards.* Pursuant to section 1128 of the Bankruptcy Code and Bankruptcy Rule 3017(c), the Bankruptcy Court has scheduled a Confirmation Hearing for [_____ *], 2018, at [*] _.m. Central Time. The Confirmation Hearing may be adjourned from time to time by the Bankruptcy Court without further notice except for the announcement of the adjournment date made at the Confirmation Hearing or at any subsequently adjourned Confirmation Hearing. Objections to Confirmation of the Plan must be made in writing and must specify in detail the name and address of the objector, all grounds for the objection, and the amount and Class of the Claim. Any such objection must be filed with the Bankruptcy Court on or before [_____ *], 2018, at [*] Central Time. Objections to Confirmation of the Plan are governed by Bankruptcy Rule 9014.

To confirm the Plan, the Bankruptcy Code requires that the Bankruptcy Court make a series of findings concerning the Plan and the Debtor, including that:

- the Plan has classified Claims and Equity Interests in a permissible manner;
- the Plan complies with the applicable provisions of the Bankruptcy Code;
- the Debtor has complied with the applicable provisions of the Bankruptcy Code;
- the Debtor and EC Mako Energy, LLC, as proponents of the Plan, have proposed the Plan in good faith and not by any means forbidden by law;
- the disclosure required by section 1125 of the Bankruptcy Code has been made;

- the Plan has been accepted by the requisite votes of Creditors and Equity Interest Holders;

- the Plan is feasible and Confirmation will not likely be followed by the liquidation or the need for further financial reorganization of the Debtor or the Reorganized Debtor;

- the Plan is in the "best interests" of all Holders of Claims or Equity Interests in an impaired Class by providing to Creditors or Equity Interest Holders on account of such Claims or Equity Interests property of a value, as of the Effective Date, that is not less than the amount that such Holder would receive or retain in a chapter 7 liquidation, unless each Holder of a Claim or Equity Interest in such Class has accepted the Plan;

- all fees and expenses payable under 28 U.S.C. § 1930, as determined by the Bankruptcy Court at the Confirmation Hearing, have been paid or the Plan provides for the payment of such fees on the Effective Date; and

- the disclosures required under section 1129(a)(5) of the Bankruptcy Code concerning the identity and affiliations of persons who will serve as officers, directors and voting trustees of the Reorganized Debtor have been made.

(a) "Best Interests" Test. The Bankruptcy Code requires that the Bankruptcy Court find that the Plan is in the best interest of all holders of Claims and Equity Interests that are Impaired by the Plan and that have not accepted the Plan as a requirement to confirm the Plan. The "best interests" test, as set forth in section 1129(a)(11) of the Bankruptcy Code, requires the Bankruptcy Court to find either that all members of an Impaired Class of Claims or Equity Interests have accepted the Plan or that the Plan will provide a member who has not accepted the Plan with a recovery of property of a value, as of the effective date of the Plan, that is not less than the amount that such holder would receive or retain if the Debtor were liquidated under chapter 7 of the Bankruptcy Code on such date.

In chapter 7 liquidation, no junior class of Claims or Equity Interests may be paid unless all classes of Claims or Equity Interests senior to such junior class are paid in full. Section 510(a) of the Bankruptcy Code provides that subordination agreements are enforceable in a bankruptcy case to the same extent that such subordination is enforceable under applicable nonbankruptcy law. Therefore, no class of Claims or Equity Interests that is contractually subordinated to another class would receive any payment on account of its Claims or Equity Interests, unless and until such senior classes were paid in full. Once the Bankruptcy Court ascertains the recoveries in liquidation of the Debtor's secured and priority creditors, it would then determine the probable distribution to unsecured creditors from the remaining available proceeds of the liquidation. If this probable distribution has a value greater than the value of distributions to be received by the unsecured creditors under the Plan, then the Plan is not in the best interests of creditors and cannot be confirmed by the Bankruptcy Court.

The Debtor believes that the Plan affords Holders of Claims the potential for the greatest realization on the Debtor's assets and, therefore, is in the best interests of such Holders. For further discussion, see the Liquidation Value discussion below in Section 9.3.

(b) Feasibility. The Bankruptcy Code requires that Confirmation of the Plan is not likely to be followed by the liquidation or the need for further financial reorganization of a debtor. The Debtor and the other Plan Proponents have evaluated alternatives to the Plan, including alternative structures and terms of the Plan. While the Debtor and the other Plan Proponents have concluded that the Plan is the best alternative and will maximize recoveries by holders of Claims, if the Plan is not confirmed, the Debtor or (subject to the Debtor's exclusive periods under the Bankruptcy Code to File and solicit acceptances of a plan) any other party in interest in the Bankruptcy Case could attempt to formulate and propose a different plan, which the Debtor sees as a costly and non- fruitful prospect. The Plan is jointly proposed by the representatives of the major constituencies in the Bankruptcy Case—the Debtor, the Chapter 11 Trustee and EC Mako Energy, LLC.

Further, if no plan under chapter 11 of the Bankruptcy Code can be confirmed, the Bankruptcy Case may be converted to a chapter 7 case. In a liquidation case under chapter 7 of the Bankruptcy Code, a trustee would be appointed to liquidate the remaining assets of the Debtor and distribute proceeds to creditors. The proceeds of the liquidation would be distributed to the respective creditors of the Debtor in accordance with the priorities established by the Bankruptcy Code. For further discussion of the potential impact on the Debtor of the conversion of the Bankruptcy Case to a chapter 7 liquidation, see Article 9.3. The Debtor believes that Confirmation and consummation of the Plan and the occurrence of the Effective Date is preferable to the available alternatives.

Attached to this Disclosure Statement as Exhibit D are the Debtor's projections for the next two year's operations and a proforma consolidated balance sheet assuming May 15, 2018 as the Plan Effective Date. This is a base case, but it shows that the Reorganized Debtor's operations will provide sufficient cash flow to sustain both operations and the payment of burdens upon the Leasehold Interests.

(c) Cram Down. If all of the applicable requirements for Confirmation of the Plan are met as set forth in section 1129(a) of the Bankruptcy Code except for subsection (8) thereof, the Debtor may request the Bankruptcy Court to confirm the Plan pursuant to section 1129(b) of the Bankruptcy Code, notwithstanding the requirements of section 1129(a)(8) of the Bankruptcy Code, on the basis that the Plan is fair and equitable and does not discriminate unfairly with respect to any Impaired Class that does not vote to accept this Plan as described in the Disclosure Statement.

To obtain confirmation, it must be demonstrated to a bankruptcy court that a plan "does not discriminate unfairly" and is "fair and equitable" with respect to each dissenting impaired class. A plan does not discriminate unfairly if the legal rights of a dissenting impaired class are treated in a manner consistent with the treatment of other classes whose legal rights are substantially similar to those of the dissenting impaired class and if no class receives more than it is entitled to for its claims. The Debtors believe the Plan satisfies this requirement.

The Bankruptcy Code establishes different "fair and equitable" tests for secured claims, unsecured claims, and holders of equity interests.

1. Secured Claims. with respect to treatment of a secured claim under a plan, "fair and equitable" means either (i) the impaired secured creditor retains its liens to the extent of its allowed claim and receives deferred cash payments at least equal to the allowed amount of its claims with a present value as of the effective date of a plan at least equal to the value of such creditor's interest in the property securing its liens, (ii) property subject to the lien of the impaired secured creditor is sold free and clear of that lien, with that lien attaching to the proceeds of sale, and such lien proceeds are treated in accordance with clauses (i) and (iii) hereof, or (iii) the impaired secured creditor realizes the "indubitable equivalent" of its claim under a plan.

2. Unsecured Claims. with respect to treatment of an unsecured claim under a plan, "fair and equitable" means either, (i) each impaired unsecured creditor receives or retains property of a value equal to the amount of its allowed claim, or (ii) the holders of claims and interests that are junior to the claims of the dissenting class will not receive any property under a plan.

3. Equity Interests. With respect to the treatment of equity interests under a plan, "fair and equitable" means either (i) each equity interest holder will receive or retain under a plan property of a value equal to the greatest of the allowed amount of any fixed liquidation preference or redemption price, if any, of such equity interest or the value of the equity interest, or the holders of equity interests that are junior to the dissenting class of equity interests will not receive or retain any property under a plan on account of such junior equity interest.

The Debtor believes that the Plan can be confirmed on a non-consensual basis if the Holders of any Class of Claims entitled to vote on the Plan vote to reject the Plan (provided at least one Impaired Class of Claims entitled to vote votes to accept the Plan). If appropriate, the Debtor will demonstrate at the Confirmation Hearing that the Plan satisfies the requirements of section 1129(b) of the Bankruptcy Code as to any non-accepting Class.

9.2 *Vote Required for Acceptance by a Class.* The Bankruptcy Code defines acceptance of a plan by a class of Claims as acceptance by holders of at least two-thirds (2/3) in dollar amount and more than one-half (1/2) in number of the allowed Claims of that class held by creditors, other than any entity designated under Bankruptcy Code § 1129(e), who cast ballots for acceptance or rejection of the Plan.

(a) Acceptance by Impaired Classes. Each Impaired Class of Claims that will (or may) receive or retain property or any interest in property under the Plan shall be entitled to vote to accept or reject the Plan. An Impaired Class of Claims shall have accepted the Plan if (i) the holders (other than any holder designated under section 1126(e) of the Bankruptcy Code) of at least two-thirds in amount of the Allowed Claims actually voting in such Class have voted to accept the Plan and (ii) the holders (other than any holder designated under section 1126(e) of the Bankruptcy Code) of more than one-half (1/2) in number of the Allowed Claims actually voting in such Class have voted to accept the Plan.

(b) Voting Presumptions. Claims in Unimpaired Classes are conclusively deemed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code and, therefore, are not entitled to vote to accept or reject the Plan. This applies to Class 2, Allowed RLI Claim, who is deemed Unimpaired and therefore conclusively presumed to accept the Plan. Claims and Equity Interests in Classes that do not entitle the holders thereof to receive or retain any property under the Plan are conclusively deemed to have rejected the Plan pursuant to section 1126(g) of the Bankruptcy Code and, therefore, are not entitled to vote to accept or reject the Plan. This is applicable to the Holders of Equity Interests in Class 6 are conclusively presumed to reject the Plan.

(c) Voting Rights. Pursuant to the provisions of the Bankruptcy Code, only Holders of Claims and Equity Interests in Classes that are (a) treated as "impaired" by a plan of reorganization and (b) entitled to receive a distribution under such plan are entitled to vote on the Plan. Under the Plan, only Holders of Claims in Classes 1, 4 and 5 are entitled to vote on the Plan. The Holder of the Class 2, RLI Claim, is Unimpaired and deemed to accept the Plan pursuant to section 1126(f) of the Bankruptcy Code and therefore is not entitled to vote to accept or reject the Plan. The Holder of the Class 3, ORRI LLC Claim, is Unimpaired and deemed to accept the Plan pursuant to section 1126(f) of the Bankruptcy Code and therefore is not entitled to vote to accept or reject the Plan. Holders of Allowed Equity Interests in Class 6 are Impaired but are deemed to reject the Plan pursuant to section 1126(g) of the Bankruptcy Code and are not entitled to vote to accept or reject the Plan.

Notwithstanding the foregoing, only holders of Allowed Claims in the voting Classes are entitled to vote on the Plan. A Claim which is unliquidated, contingent, or disputed is not an Allowed Claim and is, therefore, not entitled to vote, unless and until the amount is estimated or determined, or the dispute is determined, resolved, or adjudicated in the Bankruptcy Court or another court of competent jurisdiction, or pursuant to agreement as may be permitted. However, the Bankruptcy Court may deem a contingent, unliquidated, or disputed Claim to be allowed on a provisional basis, for purposes only of voting on the Plan. If your Claim is contingent, unliquidated, or disputed, you will receive instructions for seeking temporary allowance of your Claim for voting purposes and it will be your responsibility to obtain an order provisionally allowing your Claim.

9.3 *Alternatives to Confirmation Is Chapter 7 Liquidation.* If the Debtor fails to obtain enough acceptances from Classes 1, 4 and/or 5 to confirm the Plan, or the Plan is not subsequently confirmed and consummated, the alternative is liquidation of the Debtor under chapter 7 of the Bankruptcy Code.

Proceeding under chapter 7 would impose significant additional monetary and time costs on the Debtor's Estate. Under chapter 7, a trustee would be elected or appointed to administer the Estate, to resolve pending controversies, including Disputed Claims against the Debtor and Claims of the Estate against other parties, and to make distributions to holders of Claims. A chapter 7 trustee would be entitled to compensation in accordance with the scale set forth in section 326 of the Bankruptcy Code, and the trustee would also incur significant administrative expenses. The chapter 7 administrative expenses also take priority over any chapter 11 administrative expenses.

There is a strong probability that a chapter 7 trustee in these cases would not possess any particular knowledge about the Debtor. Additionally, a trustee would probably seek the assistance of professionals who may not have any significant background or familiarity with this Bankruptcy Case. The trustee and any professionals retained by the trustee likely would expend significant time familiarizing themselves with this Bankruptcy Case. This would result in duplication of effort, increased expenses, and delay in payments to creditors, time and money are inevitable. In addition to these time and monetary costs, there are other problems in a chapter 7 liquidation that would result in a substantially smaller recovery for holders of Claims than under the Plan.

Further, Distributions under the Plan probably would be made earlier than would distributions in a chapter 7 case. Distributions of the proceeds in a chapter 7 liquidation might not occur until one or more years after the completion of the liquidation in order to afford the trustee the opportunity to resolve claims and prepare for distributions.

The Bankruptcy Court must also find that the Holders of Claims and Equity Interests who do not accept the Plan and/or who object to the Plan will receive at least as much under the Plan as such Holders of Claims and Equity Interests would receive in a chapter 7 liquidation. This requirement, called the best interests of creditors test, applies in connection with the Plan to those Creditors and Equity Interest Holders in Classes 1, 4 and 5, which are the only Classes Impaired by the Plan. The best interests of creditors test discussion in disclosure statements is accompanied by a "liquidation analysis" or discussion of what Creditors and Equity Interest Holders would receive upon liquidation of the bankruptcy estate through chapter 7 of the Bankruptcy Code. In effect, the Bankruptcy Code recognizes that the chapter 7 liquidation process is the bankruptcy process that most likely provides the greatest chance of the least amount of recovery; hence the right of the dissenting creditor, regardless of the Vote of the Class, retains this basic right.

The Debtor offers this liquidation analysis for review by those Holders whose Claims and/or Equity Interests are Impaired by the Plan. The Debtor believes that liquidation under chapter 7 would result in substantial diminution of the value of the Estate because, among other reasons: (i) of the loss of current management and a chapter 7 trustee likely being unable to run Debtor's business; (ii) of the additional administrative expenses involved in the appointment of a trustee and additional attorneys, accountants, and other professionals to assist such trustee (section 726(b) of the Bankruptcy Code elevates the priority of the trustee and his professionals above the administrative expenses of the chapter 11 case); (iii) of the fact that upon the appointment of a trustee the Estate's right to use cash collateral and obtain post-petition financing would terminate and ECM would have no obligation to continue to allow the trustee or Estate (a) to use ECM's cash collateral or (b) have access to post-petition financing, and conceivably ECM could commence immediately the charging of default interest under the Pre-Petition Loan Documents ; (iv) the Estate would likely be unable to perform necessary contracts given the absence of line of credit financing and could likely be unable to obtain value and suffer default of those contracts; (v) the assets of the Debtor could, by losing ongoing operational value, be valued only as standalone assets to be sold at auction, which would drastically diminish their value given the current state of the oil and gas industry and the probability of reduced maintenance subsequent to the appointment of a chapter 7 trustee and pending auction; and (vi) of the overall diminution in value of Debtor's assets resulting from the disruption and delay caused by the conversion to chapter 7, institution of a trustee and resignation of current management. A breakdown of the

estimated liquidation value of the Debtor is attached as Exhibit E.

Also, unlike the case with the Plan if Confirmed, a chapter 7 liquidation case would see the Pre-Petition Lender Deficiency Claim would be in the approximate amount of $9,700,000. Also, the addition of chapter 7 administrative expenses and the priority chapter 11 Claims, and the probability of no further operations given the absence of interest and inability to perform the obligations set forth in the BOEM/BSEE Settlement Agreement, leads to the conclusion that recovery to Holders of General Unsecured Claims in a chapter 7 liquidation would be non-existent, and even the Administrative and Priority Claims would receive no distributions. Such an outcome is certainly less than as may be obtained by these Creditors under the Plan. The Holders of Equity Interests would receive nothing on account of their interests, so the Plan makes the Equity Interest Holders no worse off.

THE PLAN PROPONENTS BELIEVE THAT THE PLAN AFFORDS SUBSTANTIALLY GREATER RECOVERY TO HOLDERS OF CLAIMS AND NO WORSE TREATMENT OF EQUITY INTERESTS THAN SUCH HOLDERS WOULD RECEIVE IF THE DEBTOR WERE LIQUIDATED UNDER CHAPTER 7 OF THE BANKRUPTCY CODE.

ARTICLE X
CERTAIN FACTORS TO BE CONSIDERED

Prior to voting to accept or reject the plan, all holders of Claims should read and carefully consider the risk factors set forth below, as well as all other information set forth or otherwise referenced in this disclosure statement. These risk factors should not, however, be regarded as constituting the only risks involved in connection with the Plan and its implementation. Additional risks and uncertainties not presently known to the Debtor or that it currently deems immaterial may also harm its Estate.

10.1 *Objections to Plan and Confirmation.* Section 1129 of the Bankruptcy Code provides certain requirements for a chapter 11 plan to be confirmed. Parties-in-interest may object to confirmation of the Plan based on an alleged failure to fulfill these requirements or other reasons.

10.2 *Objections to Classification of Claims and Equity Interests.* Section 1122 of the Bankruptcy Code provides that a plan of reorganization may place a claim or an interest in a particular class only if such claim or interest is substantially similar to the other claims or interests in such class. The Debtor believes that the classification of Claims and Equity Interests under the Plan complies with the requirements set forth in the Bankruptcy Code because each class of Claims and Equity Interests encompass Claims or Equity Interests that are substantially similar to the other Claims or Equity Interests in each such class.

10.3 *Failure to Obtain Confirmation of the Plan.* The Debtor cannot ensure it will receive enough acceptances to confirm the Plan. But, even if the Debtor does receive enough acceptances, there can be no assurance that the Bankruptcy Court will confirm the Plan. Even if enough acceptances are received and, with respect to those Classes deemed to have rejected the Plan, the requirements for "cramdown" are met, the Bankruptcy Court, which as a court of equity may exercise substantial discretion, may choose not to confirm the Plan or may require additional

solicitations or consents prior to confirming the Plan. Section 1129 of the Bankruptcy Code requires, among other things, that the value of distributions to dissenting holders of Claims and Interests may not be less than the value such holders would receive if the Debtor were liquidated under chapter 7 of the Bankruptcy Code. Although the Debtor believes that the Plan will meet such tests, there can be no assurance that the Bankruptcy Court will reach the same conclusion.

The Debtor's ability to propose and confirm an alternative plan is uncertain. Confirmation of any alternative plan under chapter 11 of the Bankruptcy Code would likely take significantly more time and result in delays in the ultimate distributions to the holders of Claims. If confirmation of an alternative plan is not possible, the Debtor would likely be liquidated under chapter 7. Based upon the Debtor's analysis, liquidation under chapter 7 would result in distributions of reduced value, if any, to holders of Claims.

10.4 *Failure to Consummate or Effectuate a Plan.* Consummation of the Plan is conditioned upon, among other things, entry of the Confirmation Order approving any transactions contemplated thereunder. As of the date of this Disclosure Statement, there can be no assurance that any or all of the foregoing conditions will be met or that the other conditions to consummation, if any, will be satisfied. Accordingly, even if the Plan is confirmed by the Bankruptcy Court, there can be no assurance that the Plan will be consummated and effectuated and the liquidation completed.

10.5 *Risk of Non-Occurrence of the Effective Date of the Plan.* Although the Debtor believes that the Effective Date may occur within a reasonable time following the Confirmation Date, there can be no assurance as to such timing.

10.6 *Claims Estimation.* There can be no assurance that the estimated amount of Claims is correct, and the actual Allowed amounts of Claims may differ from estimates. The estimated amounts are subject to certain risks, uncertainties and assumptions. Should one or more of these risks or uncertainties materialize or should underlying assumptions prove incorrect, the actual Allowed amounts of Claims may vary from those estimated therein.

10.7 *Risks Associated with the Debtor's Business and Industry.* The risks associated with the Debtor's business and industry include, but are not limited to, the following: (i) domestic and foreign supplies of oil and natural gas; (ii) price and quantity of foreign imports of oil and natural gas; (iii) level of global oil and natural gas exploration and production activity; (iv) the effects of government regulation and permitting and other legal requirements; (v) competition in the oil and gas industry; (vi) uncertainties in estimating our oil and gas reserves and net present values of those reserves; (vii) uncertainties in exploring for and producing oil and gas, including exploitation, development, drilling and operating risks; (viii) weather conditions; (ix) technological advances affecting oil and natural gas production and consumption; and (x) overall U.S. and global economic conditions.

10.8 *Certain Tax Considerations, Risks and Uncertainties.* THERE ARE A NUMBER OF MATERIAL INCOME TAX CONSIDERATIONS, RISKS AND UNCERTAINTIES ASSOCIATED WITH CONSUMMATION OF THE PLAN. INTERESTED PARTIES SHOULD READ CAREFULLY THE DISCUSSION SET FORTH IN THIS DISCLOSURE STATEMENT

FOR A DISCUSSION OF CERTAIN FEDERAL INCOME TAX CONSEQUENCES BOTH TO THE DEBTOR AND TO HOLDERS OF CLAIMS THAT ARE IMPAIRED UNDER THE PLAN.

ARTICLE XI
VOTING PROCEDURES AND REQUIREMENTS

11.1 *Introduction.* Detailed instructions for voting on the Plan are provided with the Ballots accompanying this Disclosure Statement. For purposes of the Plan, only holders of record in the following Classes, as of the Voting Record Date, are entitled to vote: Classes 1, 4 and 5.

If your Claim is **not** in Classes 1, 4 and 5, you are not entitled to vote on the Plan.

All Equity Interests are not entitled to vote.

If your Claim is in Class 1, 4 and 5, you should read your ballot and follow the listed instructions carefully. Please use only the ballot that accompanies this Disclosure Statement.

11.2 *Voting.* In order for your vote to be counted, your signed ballot must be actually received at the following address before the Voting Deadline of _____, 2018, at __:___ __.m. (prevailing Central time):

By Hand Delivery, Certified, Registered, or Regular Mail, or Overnight Carrier:

HELLER, DRAPER, PATRICK, HORN & MANTHEY, L.L.C.
650 Poydras Street, Suite 2500
New Orleans, Louisiana 70130-6103
Attention: Douglas S. Draper

With a copy to:

SNOW SPENCE GREEN LLP
2929 Allen Parkway, Suite 2800
Houston, Texas 77019
Attention: Phil F. Snow

UNLESS THE BALLOT IS ACTUALLY RECEIVED ON OR PRIOR TO THE VOTING DEADLINE, SUCH BALLOT WILL BE REJECTED AS INVALID AND WILL NOT BE COUNTED AS AN ACCEPTANCE OR REJECTION OF THE PLAN.

11.3 *Reservation of Rights.* THE DEBTOR RESERVES THE RIGHT, WITH THE PRIOR WRITTEN APPROVAL OF THE OTHER PLAN PROPONENT, AND WITHOUT NOTICE EXCEPT AS MAY BE REQUIRED UNDER APPLICABLE LAW, TO EXTEND THE SOLICITATION PERIOD OR TERMINATE THE SOLICITATION OF VOTES ON THE PLAN.

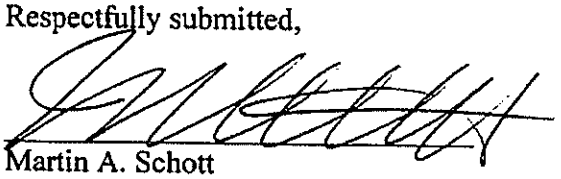
11.4 *Waivers of Defects, Irregularities, etc.* Unless otherwise directed by the Bankruptcy Court, all questions as to the validity, form, eligibility (including time of receipt), acceptance, and revocation or withdrawals of ballots will be determined by the Debtor in its sole discretion, which determination will be final and binding. The Debtor reserves the right to reject any and all ballots submitted by any creditors not in proper form, the acceptance of which would, in the opinion of the Debtor or its counsel, be unlawful. The Debtor further reserves its rights to waive any defects or irregularities or conditions of delivery as to any particular ballot by its creditors. The interpretation (including the ballot and the respective instructions thereto) by the Debtor, unless otherwise directed by the Bankruptcy Court, will be final and binding on all parties. Unless waived, any defects or irregularities in connection with deliveries of ballots must be cured within such time as the Debtor (or the Bankruptcy Court) determine. Neither the Debtor nor any other person will be under any duty to provide notification of defects or irregularities with respect to deliveries of ballots nor will any of them incur any liabilities for failure to provide such notification. Unless otherwise directed by the Bankruptcy Court, delivery of such ballots will not be deemed to have been made until such irregularities have been cured or waived. Ballots previously furnished (and as to which any irregularities have not theretofore been cured or waived) will be invalidated.

ARTICLE XII
CONCLUSION

The Chapter 11 Trustee recommends that holders of Claims in Classes 1, 4 and 5 vote to accept the Plan and to evidence such acceptance by returning their signed ballots so that they will be received before the Voting Deadline of _____, 2018, at _:___ __.m. (prevailing Central time).

March 14, 2017

Respectfully submitted,



Martin A. Schott
Chapter 11 Trustee for EC Offshore Properties, Inc.