

**UNITED STATES BANKRUPTCY COURT  
FOR THE WESTERN DISTRICT OF LOUISIANA**

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

**CHAPTER 11 TRUSTEE'S AMENDED DISCLOSURE  
STATEMENT FOR AMENDED 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: April 18, 2018

## **DISCLAIMERS**

**THIS AMENDED DISCLOSURE STATEMENT, WHICH HAS BEEN FILED BY THE CHAPTER 11 TRUSTEE OF THE DEBTOR CONTAINS A SUMMARY OF MATERIAL PROVISIONS OF THE AMENDED 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 AMENDED PLAN.**

**THIS AMENDED 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 AMENDED DISCLOSURE STATEMENT CONTAINS ADEQUATE INFORMATION WITH RESPECT TO THE DOCUMENTS AND INFORMATION SUMMARIZED, HOLDERS OF CLAIMS AND INTERESTS SHOULD CAREFULLY REVIEW THE ENTIRE AMENDED PLAN AND EACH OF THE DOCUMENTS REFERENCED IN THIS AMENDED DISCLOSURE STATEMENT AND SHOULD SEEK THE ADVICE OF THEIR OWN LEGAL COUNSEL AND OTHER ADVISORS BEFORE CASTING THEIR BALLOTS ON THE AMENDED PLAN.**

**EXCEPT FOR THE INFORMATION SET FORTH IN THIS AMENDED 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 AMENDED PLAN AND ITS TERMS, OR ALTERNATIVES TO THE AMENDED PLAN ARE AUTHORIZED, NOR ARE ANY SUCH REPRESENTATIONS TO BE RELIED UPON IN ARRIVING AT A DECISION WITH RESPECT TO THE AMENDED PLAN. ANY INFORMATION WITH RESPECT TO SUCH TOPIC AREAS THAT IS PROVIDED TO SECURE ACCEPTANCE OR REJECTION OF THE AMENDED 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 AMENDED DISCLOSURE STATEMENT ARE MADE AS OF THE DATE HEREOF OR THE DATE OTHERWISE INDICATED HEREIN, AND NEITHER DELIVERY OF THIS AMENDED DISCLOSURE STATEMENT NOR ANY RECOVERY MADE IN CONNECTION WITH THE AMENDED PLAN WILL, UNDER ANY CIRCUMSTANCES, CREATE AN IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE INFORMATION SET FORTH IN THIS AMENDED DISCLOSURE STATEMENT SINCE THE DATE THIS AMENDED DISCLOSURE STATEMENT AND THE MATERIALS RELIED UPON IN PREPARING THIS AMENDED DISCLOSURE STATEMENT WERE COMPILED.**

**THE APPROVAL OF THIS AMENDED DISCLOSURE STATEMENT BY THE BANKRUPTCY COURT DOES NOT CONSTITUTE AN ENDORSEMENT BY THE**

**BANKRUPTCY COURT OF THE AMENDED PLAN OR A GUARANTEE OF THE ACCURACY AND COMPLETENESS OF THE INFORMATION CONTAINED IN THIS AMENDED DISCLOSURE STATEMENT. THIS AMENDED DISCLOSURE STATEMENT DOES NOT CONSTITUTE, AND MAY NOT BE CONSTRUED AS, AN ADMISSION OF FACT, LIABILITY, STIPULATION, OR WAIVER.**

**NOTHING CONTAINED IN THIS AMENDED 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 AMENDED DISCLOSURE STATEMENT IS INFORMATIONAL ONLY. ADDITIONALLY, HOLDERS OF CLAIMS AND INTERESTS SHOULD NOT CONSTRUE THE CONTENTS OF THIS AMENDED 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 AMENDED PLAN, THE EFFECTS OF IMPLEMENTATION OF THE AMENDED PLAN, AND THE VOTING PROCEDURES APPLICABLE TO THE AMENDED PLAN.**

**IF THE AMENDED 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 AMENDED PLAN, OR WHO ARE NOT ENTITLED TO VOTE ON THE AMENDED PLAN) WILL BE BOUND BY THE TERMS OF THE AMENDED PLAN AND THE TRANSACTIONS CONTEMPLATED THEREBY.**

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## **EXHIBITS**

<b>EXHIBIT A</b>	<b>Jointly Proposed Chapter 11 Amended Plan of Reorganization of EC Offshore Properties, Inc. by Martin A. Schott, Chapter 11 Trustee, and EC Mako Energy, LLC</b>
<b>EXHIBIT B</b>	<b>Monthly Operating Report for the Period Ending January 31, 2018</b>
<b>EXHIBIT C</b>	<b>INCs</b>
<b>EXHIBIT D</b>	<b>2 Year Projections of Operations and Proforma Consolidated Balance Sheet</b>
<b>EXHIBIT E</b>	<b>Liquidation Analysis</b>
<b>EXHIBIT F</b>	<b>RLI Bonds</b>

Martin A. Schott, the Chapter 11 Trustee of EC Offshore Properties, Inc., submits this amended disclosure statement (the “Amended 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 AMENDED 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 “Amended Plan,” attached hereto as Exhibit A). To the extent any inconsistencies exist between this Amended Disclosure Statement and the Amended Plan, the Amended Plan governs.

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

## ARTICLE I INTRODUCTION

Under the Bankruptcy Code, only Holders of Claims or Equity Interests in “impaired” classes are entitled to vote on the Amended Plan (unless, for reasons discussed in more detail below, such Holders are deemed to reject the Amended 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 Amended Plan unless (i) the Amended 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 Amended 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 Amended Plan, (ii) which classes are Impaired and Unimpaired by the Amended Plan, (iii) which classes are entitled to vote and not entitled to vote on the Amended 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 Amended 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 Amended Disclosure Statement shall not be used as a basis for allowance of any Claim.

<b>Class</b>	<b>Designation</b>	<b>Impaired Status</b>	<b>Voting Rights</b>	<b>Estimated Amount of Claims Immediately Prior to Plan Effective Date</b>	<b>Estimated Recovery</b>
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

<b>Class</b>	<b>Designation</b>	<b>Impaired Status</b>	<b>Voting Rights</b>	<b>Estimated Amount of Claims Immediately Prior to Plan Effective Date</b>	<b>Estimated Recovery</b>
N/A	Priority Tax Claims	N/A	None	Estimated amount: \$0.00	(If applicable) One Hundred Percent (100%)
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	Any holder of Allowed Other Secured Claims whose Claims are



Class	Designation	Impaired Status	Voting Rights	Estimated Amount of Claims Immediately Prior to Plan Effective Date	Estimated Recovery
				Plan will result in these Claims being treated as General Unsecured Claims	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.
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 Amended Disclosure Statement, its exhibits, and the Amended Plan carefully and in their entirety before, if applicable, deciding to vote either to accept or to reject the Amended Plan. This Amended Disclosure Statement contains important information about the Amended Plan, considerations pertinent to acceptance or rejection of the Amended Plan, and developments concerning the Bankruptcy Case.

A Ballot to be used for voting to accept or reject the Amended Plan is enclosed with this Amended Disclosure Statement and transmitted to all Holders of Allowed Claims entitled to vote on the Amended Plan (the “Voting Classes”). The Holders of Allowed Claims entitled to vote on the Amended 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 AMENDED DISCLOSURE STATEMENT.

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

**EACH BALLOT ADVISES THAT (A) EACH HOLDER OF A CLAIM WHO HAS AFFIRMATIVELY VOTED TO ACCEPT THE AMENDED PLAN AND (B) EACH HOLDER OF A CLAIM WHO DOES NOT VOTE TO ACCEPT OR REJECT THE AMENDED PLAN AND IS A HOLDER OF A CLAIM IN A CLASS THAT HAS VOTED TO ACCEPT THE AMENDED PLAN SHALL BE DEEMED TO HAVE CONSENTED TO THE RELEASE, INJUNCTION, AND EXCULPATION PROVISIONS SET FORTH IN ARTICLE XI OF THE AMENDED 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 AMENDED DISCLOSURE STATEMENT PROVIDES ADDITIONAL DETAILS AND IMPORTANT INFORMATION REGARDING VOTING PROCEDURES AND REQUIREMENTS. PLEASE READ ARTICLE IX OF THIS AMENDED DISCLOSURE STATEMENT CAREFULLY BEFORE VOTING TO ACCEPT OR REJECT THE AMENDED PLAN.

**THE CHAPTER 11 TRUSTEE RECOMMENDS THAT YOU VOTE TO ACCEPT THE AMENDED PLAN, WHICH HAS BEEN JOINTLY PROPOSED BY THE CHAPTER 11 TRUSTEE AND EC MAKO ENERGY, LLC. THE CHAPTER 11 TRUSTEE BELIEVES THAT THE AMENDED 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 (“Subject Leases”). 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.



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 (“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 Obligations”). Additional obligations include monitoring and maintenance of the offshore Leases and provision of financial assurances to secure performance of decommissioning obligations. 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 to the Interior Board of Land Appeals (“IBLA”) of the BOEM’s September 2 Order to provide additional security. Debtor estimated 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). Interior disagreed with this estimate and instead estimated that these P&A Obligations would cost Debtor Fourteen Million Five Hundred Seventy-Eight Thousand Five Hundred Thirty-Six and 00/100 Dollars (\$14,578,536.00).

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 P&A 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 April 16, 2018, an order amending the August 24, 2015 debtor-in-possession financing order was entered by the Bankruptcy Court (ECF Doc. 342) (“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 Doc. 46]
- Van Ness Feldman LLP (“Van Ness”) as special regulatory counsel for the Chapter 11 Trustee [ECF Doc. 148]
- Gordon, Arata, Montgomery, Barnett, McCollam, Duplantis & Eagan, LLC (“Gordon Arata”) as special oil and gas counsel to the Chapter 11 Trustee [ECF Doc. 142].
- Postlethwaite & Netterville, CPA (“P&N”) as tax accountants to the Chapter 11 Trustee [ECF Doc. 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 Doc. 53]. Schedule D was amended on March 17, 2016 [ECF Doc. 160].

On June 8, 2015, the Chapter 11 Trustee filed on Debtor’s behalf its Statement of Financial Affairs [ECF Doc. 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 Amended 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 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 and other regulatory requirements in accordance with existing regulations, applicable non-bankruptcy laws and the terms of the East Cameron Block 71 Lease and the East Cameron Block 72 Lease, 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 vesting and Bankruptcy Court approved assumption of the Leasehold Interests by the Debtor and the Reorganized Debtor. The Debtor and Reorganized Debtor shall execute any document(s), at the 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 BOEM/BSEE, agencies of the Interior, (“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 Leases into the sales pipeline or 180 days from the date the Post-Confirmation SOP is issued. The settlement agreement provides that the Debtor will post a second and third additional supplemental security installment of Two Hundred Seventy-Five Thousand Dollars and 00/100 (\$275,000.00) on the first annual anniversary of the Plan Effective Date, and Two Hundred Seventy-Five Thousand and 00/100 Dollars (\$275,000.00) on the second anniversary of the Plan Effective Date. 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 Amended 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 Amended Plan but, rather, are treated separately in accordance with Article II of the Amended 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 Amended Plan. The Holder of the Allowed Claim in Class 1 is entitled to vote to accept or reject the Amended Plan.

6.2 *CLASS 2 – Allowed RLI Claims.*

(a) Classification: Class 2 consists of the Allowed RLI Claims. The RLI Claims are the Claims of RLI as may exist against the Debtor pursuant 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 RLI Claims shall be deemed Allowed Claims (other than the amount of such claims for reasonable and necessary legal fees and expenses incurred by RLI between the Petition Date and the Effective Date as provided under the RLI Bond Documents which amount shall be determined and paid as provided for in Section 3.2(b)(ii) of the Amended Plan) and 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 Amended Plan. The holder of the Class 2 RLI Claim is deemed to have accepted the Amended Plan pursuant to section 1126(f) of the Bankruptcy Code and are not entitled to vote to accept or reject the Amended 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 Amended Plan. The holder of the Class 3 ORRI LLC Claims is deemed to have accepted the Amended Plan pursuant to section 1126(f) of the Bankruptcy Code and is not entitled to vote to accept or reject the Amended Plan.

6.4 *CLASS 4 - Allowed Other Secured Claims.*

(a) 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.

(b) 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.

(c) Voting: Class 4 is Impaired under the Amended Plan. Holders of Allowed Claims in Class 4 are entitled to vote to accept or reject the Amended 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 Amended Plan: If, and only if, Class 5 votes to accept the Amended 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 Amended Plan: If Class 5 votes to reject the Amended 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 Amended Plan. Holders of Allowed General Unsecured Claims in Class 5 are entitled to vote to accept or reject the Amended 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 Amended Plan. Holders of Equity Interests in Class 6 are deemed to have rejected the Amended Plan pursuant to section 1126(g) of the Bankruptcy Code and are not entitled to vote to accept or reject the Amended Plan.

## **ARTICLE VII**

### **MEANS FOR IMPLEMENTATION OF THE AMENDED PLAN**

7.1 *Sources of Cash to Fund Amended Plan Obligations.* The Reorganized Debtor shall satisfy obligations under the Amended 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 Amended Plan. The actions taken by the Debtor or the Reorganized



Debtor, as applicable, to implement the Amended 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 Amended Plan, this Amended 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 Amended Plan, this Amended 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 Amended Plan or the restructuring transactions contemplated by the Amended 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 Amended 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 the Amended 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 Amended 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 Amended 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 Amended 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 Amended Plan.

7.11 *Overriding Royalty Interests.* Subject to the reservation by all Entities regarding whether or not the East Cameron Block 71 Lease and East Cameron Block 72 Lease are or are not Executory Contracts or Unexpired Leases, 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 Amended 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 Amended 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 Amended Plan, the Plan Supplement, or this Amended 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 Amended Plan. THE FAILURE TO LIST, DISCLOSE, DESCRIBE, IDENTIFY, OR REFER TO A RIGHT, CLAIM, CAUSE OF ACTION, DEFENSE, OR COUNTERCLAIM, IN THE AMENDED 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 Amended 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 the Debtor and/or Reorganized Debtor's accrued joint and several decommissioning obligations, which shall survive the Debtor's bankruptcy, and any other Liens, Claims and interests which are provided for in the Amended 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; (iii) Liens as otherwise provided for in the Amended Plan, if any; and (iv) any accrued joint and several decommissioning obligations owed under the Subject Leases.

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 Amended Plan. Any payment in Cash to be made pursuant to the Amended 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 contrary. Notwithstanding any provision in the Amended 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 Amended 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 the Amended 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 the Amended 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 the Amended 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. To the extent they are Executory Contracts or Unexpired Leases as set forth in Section 365 of the Bankruptcy Code, federal leases OCS-G13576 and 00184 shall be assumed subject to the conditions set forth in the BOEM/BSEE Settlement Agreement, the payment of the ONRR Inspection Fee Amount (defined below) and subject to The Office of Natural Resources Revenue's ("ONRR") rights to perform audits and compliance reviews pursuant to 30 U.S.C. § 1711(c)(1), 30 C.F.R. § 1217.50 and 30 C.F.R. § 1218.702(a) and collect any pre-petition amounts owing from the Reorganized Debtor as if no bankruptcy had been filed (payment of ONRR's Inspection Fee Amount and preservation of ONRR's audit rights, including the collection of any amounts owing to ONRR after an audit or compliance review as if no bankruptcy had been filed shall be referred to as the "ONRR Obligations"). Notwithstanding anything in this paragraph, the Amended Disclosure Statement or the Amended Plan to the contrary including, without limitation, any classification of the Federal leases OCS-G13576 and 00184 as being subject to Section 365 of the Bankruptcy Code or otherwise, the Debtor shall not reject or abandon any of its interests in federal leases OCS-G13576 and 00184 and shall pay the ONRR Inspection Fee Amount to ONRR and be subject to all ONRR Obligations. Notwithstanding anything herein to the contrary, if: (i) the Debtor does not reject, or otherwise abandon, its interests in federal leases OCS-G13576 and

00184; (ii) the Reorganized Debtor succeeds to all obligations arising under, or required by, federal leases OCS-G13576 and 00184 pursuant to applicable non-bankruptcy laws, regulations and the terms of those federal OCS leases; and (iii) BSEE directs the SOPs for the Subject Leases as required pursuant to the terms of the BOEM/BSEE Settlement Agreement, then ONRR will not hold the Debtor or the Reorganized Debtor liable for the payment of minimum royalties for the period of February 17, 2015 through and including the date in which the directed suspension ends as contemplated in Exhibits 1 and 2 to the BOEM/BSEE Settlement Agreement.

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 Amended 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 Amended 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 Amended 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 Amended 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 Amended 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 Amended 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 within the Schedule of Assumed Executory Contracts and Unexpired Leases in the Plan Supplement or within the Cure Notice, the Cure with respect to the Executory Contracts or Unexpired Leases to be assumed 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 Amended 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 the Amended 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 Amended 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.

Notwithstanding anything herein to the contrary the United States asserts that \$271,626.37 (the “ONRR Inspection Fee Amount”) is owing by the Debtor to ONRR for unpaid inspection fees which are due and owing under federal leases, OCS-G13576 and 00184 and that the ONRR Inspection Fee Amount must be paid to ONRR within 10 business days following the Effective Date of the Amended Plan. The United States further asserts that payment of the ONRR Inspection Fee Amount shall not preclude ONRR’s enforcement of any additional, currently unknown, obligations owing to ONRR under OCS-G13576 and 00184 that may be uncovered by a later compliance review and/or audit. The United States also asserts that the Debtor or Reorganized Debtor, as applicable, must post any supplemental security as required by the BOEM/BSEE Settlement Agreement. With respect to the United States, the assumption of federal leases, OCS-G13576 and 00184 shall *not* release and satisfy any Claims or defaults, whether monetary or non-monetary, arising under federal leases, OCS-G13576 and 00184 or applicable laws and regulations except with respect to the specific monetary obligation being satisfied. *For the avoidance of any doubt*, the assumption of federal leases, OCS-G13576 and 00184 shall not release and/or satisfy, among other things, any joint and several decommissioning obligations that have accrued to the Debtor or Reorganized Debtor.

(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 Amended Plan. On the Effective Date, and notwithstanding anything in the Amended 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 Cure with respect to assumption of the East Cameron Block 71 Lease and the East Cameron Block 72 Lease shall be: (i) the obligation of Reorganized Debtor expressly set forth in the BOEM/BSEE Settlement Agreement, (ii) any amounts owing to ONRR as of the date of assumption including, without limitation, the ONRR Inspection Fee Amount (defined *supra*); and (iii) any other obligations that may be uncovered by an ONRR audit or compliance review process, as if no bankruptcy had been filed, but subject to any defenses that may apply in such administrative proceeding for the benefit of the Debtor and/or the Reorganized Debtor. 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 Amended 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; provided, however, that: (i) the Debtor shall not reject, or otherwise abandon, its interests in, or obligations under, federal leases OCS-G13576 and 00184, (ii) the Debtor shall pay the ONRR Inspection Fee Amount and (iii) the Debtor shall be subject to the ONRR Obligations.

#### 7.15 *Claims Objection.*

(a) Prosecution of Objections to Claims. Except as otherwise provided in the Amended 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 Amended Plan, subject to the approval of EC Mako Energy, LLC, as applicable. Except as to Claims Allowed by the Amended 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 Amended Plan. Distributions to which any such Holder is entitled under the Amended 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 AMENDED PLAN AND THE TREATMENT OF ALL CLAIMS AND EQUITY INTERESTS UNDER THE AMENDED 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 AMENDED 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.**

The United States asserts that the Debtor's accrued joint and several decommissioning obligations, and any other applicable regulatory compliance obligations, are performance obligations and not Claims dischargeable in bankruptcy.

(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 AMENDED PLAN. THE FOREGOING INJUNCTION SHALL NOT APPLY TO THE UNITED STATES (INCLUSIVE OF ANY AND ALL OF ITS AGENCIES TO LIMIT, PRECLUDE OR ENJOIN ANY DEBT, OBLIGATION, LIABILITY, CLAIM, ACTION, PROCEEDING, DEFENSE OR CAUSE OF ACTION IN CONNECTION WITH ANY CLAIM, ACTION, PROCEEDING, DEFENSE OR CAUSE OF ACTION, BROUGHT OR THAT MAY BE BROUGHT, BY THE UNITED STATES OR ENJOINS THE UNITED STATES FROM ASSERTING ANY OF THE FOREGOING AGAINST ANY NON-DEBTOR ENTITY OR AGAINST THE DEBTOR OR REORGANIZED DEBTOR TO THE EXTENT PERMITTED BY 11 U.S.C. §§ 1141(d) and 1144.

(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 Amended 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. This section shall not

be applicable to the United States, including any and all of its agencies and the United States expressly does not consent to, and objects to, any non-debtor releases. Except as otherwise provided in the Amended 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 Amended 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 to the maximum extent permissible under applicable Law, 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 Amended Disclosure Statement and the Amended Plan, the solicitation of votes for and the pursuit of Confirmation of the Amended Plan, the consummation of the Amended Plan, or the administration of the Amended Plan or the property to be distributed under the Amended Plan, except for Criminal acts, gross negligence or willful misconduct as determined by a Final Order of the Bankruptcy Court or another applicable court with jurisdiction and, in all respects, shall be entitled to rely upon the advice of counsel with respect to their duties and responsibilities under the Amended Plan. The United States (including any and all of its agencies) does not consent to, and expressly objects to, any non-debtor exculpation except to the extent provided for in 11 U.S.C. § 1125(e) or as explicitly provided for elsewhere in the Bankruptcy Code.

(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 the Amended Plan or the applicable Bar Date preserving such right of recoupment. The United States asserts that it is not required to file a Proof of Claim during the bankruptcy case in order to exercise its rights to 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 Amended 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 Amended 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 Amended Plan, and related documents and agreements, the Amended Disclosure Statement, or the Confirmation Order, and such matters as may be necessary to carry out the purposes and effects of the Amended Plan so long as such proceedings do not materially adversely affect the treatment of Holders of Claims or Equity Interests under the Amended 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 Amended 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 Amended 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 Amended Plan, then: (i) the Amended Plan shall be null and void in all respects; (ii) any settlement or compromise embodied in the Amended 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 Amended Plan, and any document or agreement executed pursuant to the Amended Plan, shall be deemed null and void; and (iii) nothing contained in the Amended 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 Amended 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 Amended 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 Amended Disclosure Statement related to the Amended 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 Amended 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 Amended 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 Amended 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 Amended 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 IBLA, 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 IBLA 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; and

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.

(a) Waiver of Conditions. The conditions to Confirmation and Consummation set forth in Article XIII of the Amended 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 Amended Plan.

(b) 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 Amended 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 Amended 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 Amended 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 Amended 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 Amended Plan, are not otherwise subject to the Trust Indenture Act of 1939;

4. The matters set forth in Amended 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 Amended 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 Amended 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**  
**AMENDED PLAN AND SECURITIES LAW CONSIDERATIONS**

8.1. *Generally.* THE FOLLOWING DISCUSSION IS A SUMMARY OF CERTAIN SIGNIFICANT FEDERAL INCOME TAX CONSEQUENCES OF THE AMENDED 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 AMENDED PLAN.

THE FEDERAL, STATE, LOCAL AND OTHER TAX CONSEQUENCES OF THE AMENDED 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 AMENDED PLAN. THE DEBTOR ASSUMES NO RESPONSIBILITY FOR THE TAX EFFECT THAT CONFIRMATION AND RECEIPT OF ANY DISTRIBUTION UNDER THE AMENDED PLAN MAY HAVE ON ANY GIVEN CREDITOR OR OTHER PARTY IN INTEREST.

8.2. *IRS Circular 230 Disclosure.* THIS AMENDED 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 AMENDED 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 Amended 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 Amended 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 Amended 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 Amended 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 Amended 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 Amended Plan and are strongly urged to consult their tax advisors to determine any tax consequences that may result from the Amended Plan.

## **ARTICLE IX VOTING; CONFIRMATION; ALTERNATIVE TO AMENDED 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 Amended 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 Amended Plan are governed by Bankruptcy Rule 9014.

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

- the Amended Plan has classified Claims and Equity Interests in a permissible manner;
- the Amended 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 Amended Plan, have proposed the Amended 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 Amended Plan has been accepted by the requisite votes of Creditors and Equity Interest Holders;
- the Amended 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 Amended 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 Amended 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 Amended 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 Amended Plan is in the best interest of all holders of Claims and Equity Interests that are Impaired by the Amended Plan and that have not accepted the Amended Plan as a requirement to confirm the Amended 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 Amended Plan or that the Amended Plan will provide a member who has not accepted the Amended Plan with a recovery of property of a value, as of the effective date of the Amended 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 Amended Plan, then the Amended Plan is not in the best interests of creditors

and cannot be confirmed by the Bankruptcy Court.

The Debtor believes that the Amended 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 Amended 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 Amended Plan, including alternative structures and terms of the Amended Plan. While the Debtor and the other Plan Proponents have concluded that the Amended Plan is the best alternative and will maximize recoveries by holders of Claims, if the Amended 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 Amended 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 Section 9.3. The Debtor believes that Confirmation and consummation of the Amended Plan and the occurrence of the Effective Date is preferable to the available alternatives.

Attached to this Amended 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 Amended Plan are met as set forth in section 1129(a) of the Bankruptcy Code except for subsection (8) thereof, the Plan Proponents may request the Bankruptcy Court to confirm the Amended 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 Amended Plan is fair and equitable and does not discriminate unfairly with respect to any Impaired Class that does not vote to accept the Amended Plan as described in this Amended 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 Debtor believe the Amended 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 Amended Plan can be confirmed on a non-consensual basis if the Holders of any Class of Claims entitled to vote on the Amended Plan vote to reject the Amended Plan (provided at least one Impaired Class of Claims entitled to vote votes to accept the Amended Plan). If appropriate, the Debtor will demonstrate at the Confirmation Hearing that the Amended 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 Amended 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 Amended Plan shall be entitled to vote to accept or reject the Amended Plan. An Impaired Class of Claims shall have accepted the Amended 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 Amended 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 Amended Plan.

(b) Voting Presumptions. Claims in Unimpaired Classes are conclusively deemed to have accepted the Amended Plan pursuant to section 1126(f) of the Bankruptcy Code and, therefore, are not entitled to vote to accept or reject the Amended Plan. This applies to Class 2, Allowed RLI Claim, who is deemed Unimpaired and therefore conclusively presumed to accept the Amended Plan. Claims and Equity Interests in Classes that do not entitle the holders thereof to receive or retain any property under the Amended Plan are conclusively deemed to have rejected the Amended Plan pursuant to section 1126(g) of the Bankruptcy Code and, therefore, are not entitled to vote to accept or reject the Amended Plan. This is applicable to the Holders of Equity Interests in Class 6 are conclusively presumed to reject the Amended 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 Amended Plan. Under the Amended Plan, only Holders of Claims in Classes 1, 4 and 5 are entitled to vote on the Amended Plan. The Holder of the Class 2, RLI Claim, is Unimpaired and deemed to accept the Amended Plan pursuant to section 1126(f) of the Bankruptcy Code and therefore is not entitled to vote to accept or reject the Amended Plan. The Holder of the Class 3, ORRI LLC Claim, is Unimpaired and deemed to accept the Amended Plan pursuant to section 1126(f) of the Bankruptcy Code and therefore is not entitled to vote to accept or reject the Amended Plan. Holders of Allowed Equity Interests in Class 6 are Impaired but are deemed to reject the Amended Plan pursuant to section 1126(g) of the Bankruptcy Code and are not entitled to vote to accept or reject the Amended Plan.

Notwithstanding the foregoing, only holders of Allowed Claims in the voting Classes are entitled to vote on the Amended 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 Amended 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 Amended Plan, or the Amended 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 Amended Plan.

Further, Distributions under the Amended 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 Amended Plan and/or who object to the Amended Plan will receive at least as much under the Amended 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 Amended Plan to those Creditors and Equity Interest Holders in Classes 1, 4 and 5, which are the only Classes Impaired by the Amended 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 Amended 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 Amended 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 Amended Plan. The Holders of Equity Interests would receive nothing on account of their interests, so the Amended Plan makes the Equity Interest Holders no worse off.

THE PLAN PROPONENTS BELIEVE THAT THE AMENDED 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 Amended 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 Amended Disclosure Statement. These risk factors should not, however, be regarded as constituting the only risks involved in connection with the Amended 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 Amended 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 Amended 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 Amended 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 Amended Plan.* The Debtor cannot ensure it will receive enough acceptances to confirm the Amended Plan. But, even if the Debtor does receive enough acceptances, there can be no assurance that the Bankruptcy Court will confirm the Amended Plan. Even if enough acceptances are received and, with respect to those Classes deemed to have rejected the Amended 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 Amended Plan or may require additional solicitations or consents prior to confirming the Amended 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 Amended 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 Amended Plan is conditioned upon, among other things, entry of the Confirmation Order approving any transactions contemplated thereunder. As of the date of this Amended 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 Amended Plan is confirmed by the Bankruptcy Court, there can be no assurance that the Amended Plan will be consummated and effectuated and the liquidation completed.

10.5 *Risk of Non-Occurrence of the Effective Date of the Amended 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 AMENDED PLAN. INTERESTED PARTIES SHOULD READ CAREFULLY THE DISCUSSION SET FORTH IN THIS AMENDED 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 AMENDED PLAN.

## **ARTICLE XI VOTING PROCEDURES AND REQUIREMENTS**

11.1 *Introduction.* Detailed instructions for voting on the Amended Plan are provided with the Ballots accompanying this Amended Disclosure Statement. For purposes of the Amended 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 Amended 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 Amended 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 AMENDED 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 AMENDED 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 Amended 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).

April 18, 2017

Respectfully submitted,

/s/ Martin A. Schott

Martin A. Schott

Chapter 11 Trustee for EC Offshore Properties, Inc.

**UNITED STATES BANKRUPTCY COURT  
FOR THE WESTERN DISTRICT OF LOUISIANA**

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

**JOINTLY PROPOSED AMENDED CHAPTER 11 PLAN OF  
REORGANIZATION OF EC OFFSHORE PROPERTIES, INC. BY  
MARTIN A. SCHOTT, CHAPTER 11 TRUSTEE AND EC MAKO  
ENERGY, LLC**

**HELLER, DRAPER, PATRICK, HORN 7  
MANTHEY, LLC**  
650 Poydras Street, Suite 2500  
New Orleans, Louisiana 70130-6103  
Telephone: 504-299-3300  
Fax: 504-299-3399

***COUNSEL TO MARTIN A. SCHOTT,  
CHAPTER 11 TRUSTEE***

**SNOW SPENCE GREEN LLP**  
2929 Allen Parkway, Suite 2800  
Houston, Texas 77069  
Telephone: 713-335-4800  
Fax: 713-335-4848

***COUNSEL FOR EC MAKO ENERGY, LLC***

Dated: April 18, 2018



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#### **EXHIBITS**

<b>Exhibit 1</b>	<b>Outline of Terms of Exit Facility Credit Agreement</b>
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## **INTRODUCTION AND OVERVIEW**

Martin A. Schott, Chapter 11 Trustee (“**Chapter 11 Trustee**”) of EC Offshore Properties, Inc. (“**Debtor**”) and EC Mako Energy, LLC (“**ECM**”) propose the following amended joint plan of reorganization pursuant to Chapter 11 of Title 11 of the United States Bankruptcy Code (“**Bankruptcy Code**”) for the resolution of outstanding Claims<sup>1</sup> against and Equity Interests in the Debtor. Reference is made to the Amended Disclosure Statement for this Amended Plan for a discussion of the Debtor’s history, businesses, assets, results of operations, projections for future operations, risk factors, and a summary and analysis of this Amended Plan and certain related matters, including procedures for voting on the Amended Plan. The Plan Proponents are the proponents of this Amended Plan within the meaning of section 1129 of the Bankruptcy Code.

ALL CREDITORS AND PARTIES IN INTEREST ARE ENCOURAGED TO CONSULT THE AMENDED DISCLOSURE STATEMENT BEFORE VOTING TO ACCEPT OR REJECT THIS AMENDED PLAN.

Subject to certain restrictions and requirements set forth in section 1127 of the Bankruptcy Code and Rule 3019 of the Bankruptcy Rules, the Plan Proponents reserve the right to alter, amend, modify, revoke or withdraw this Amended Plan prior to its substantial consummation.

### **ARTICLE I. DEFINITIONS, RULES OF INTERPRETATION, COMPUTATION OF TIME AND GOVERNING LAW**

**1.1. Rules of Interpretation, Computation of Time, and Governing Law.** For purposes herein: (a) whenever from the context it is appropriate, each term, whether stated in the singular or the plural, shall include both the singular and the plural, and pronouns stated in the masculine, feminine or neuter gender shall include the masculine, feminine and the neuter gender; (b) any reference herein to a contract, instrument, release, indenture or other agreement or document being in a particular form or on particular terms and conditions means that such document shall be substantially in such form or substantially on such terms and conditions; (c) any reference herein to an existing document or exhibit Filed, or to be Filed, shall mean such document or exhibit, as it may have been or may be amended, modified or supplemented; (d) unless otherwise specified, all references herein to Sections, Articles and Exhibits are references to Sections, Articles and Exhibits hereof or hereto; (e) the words “herein,” “hereof” and “hereto” refer to the Amended Plan in its entirety rather than to a particular portion of this Amended Plan; (f) captions and headings to Articles and Sections are inserted for convenience of reference only and are not intended to be a part of or to affect the interpretation hereof; (g) the rules of construction set forth in section 102 of the Bankruptcy Code shall apply; and (h) any term used in capitalized form herein that is not otherwise defined but that is used in the Bankruptcy Code or the Bankruptcy Rules shall have the meaning assigned to such term in the Bankruptcy Code or the Bankruptcy Rules, as the case may be. References in the Amended Plan to the Debtor shall mean the Debtor or any successor thereto, by merger, consolidation, or otherwise, on or after the Effective Date, as applicable.

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<sup>1</sup> Please refer to Article 1.2, for the defined terms that are used in this Amended Plan, and note that certain additional defined terms are located within the body of this Amended Plan where indicated.

In computing any period of time prescribed or allowed hereby, the provisions of Bankruptcy Rule 9006(a) shall apply as though the Amended Plan is an order of the Bankruptcy Court.

Except to the extent that the Bankruptcy Code or Bankruptcy Rules are applicable, and subject to the provisions of any contract, instrument, release, indenture or other agreement or document entered into in connection herewith, the rights and obligations arising hereunder shall be governed by, and construed and enforced in accordance with, the laws of the State of Texas, without giving effect to the principles of conflict of laws thereof; *provided*, that corporate governance matters relating to the Debtor shall be governed by the laws of the state of incorporation or formation (as applicable) of the Debtor and Reorganized Debtor.

All references in the Amended Plan to monetary figures shall refer to United States of America currency, unless otherwise expressly provided.

**1.2. Definitions Terms.** Unless the context otherwise requires, the following terms shall have the following meanings when used in capitalized form herein:

**Administrative Expense** means any Claim constituting a cost or expense of administration of the Bankruptcy Case asserted or authorized to be asserted in accordance with section 503(b) of the Bankruptcy Code and entitled to priority under section 507(a)(2) of the Bankruptcy Code, including Professional Fee Claims.

**Administrative Expense Bar Date** means with respect to all Administrative Expenses other than the Pre-Petition Lender Claims, DIP Loan Claims, and Ordinary Course Administrative Expenses (to which the Administrative Expense Bar Date shall not apply), shall be the date that is thirty (30) days after the Effective Date.

**Affiliate** means any Person or Entity described under section 101(2) of the Bankruptcy Code.

**Agreed SOP** means the directed SOP for the East Cameron Block 71 Lease and the East Cameron Block 72 Lease effective retroactively to February 17, 2015 in the forms attached to the BOEM/BSEE Settlement Agreement.

**Allowed** means that, with respect to a Claim, (i) such Claim has been listed on the Schedules, as such Schedules may be amended by the Debtor from time to time in accordance with Bankruptcy Rule 1009, as liquidated in amount and not Disputed or contingent and no contrary Proof of Claim has been Filed, (ii) a Proof of Claim with respect to such Claim has been timely Filed and no objection thereto has been interposed timely, or an objection thereto has been interposed timely and such Claim has been allowed in whole or in part by a Final Order, (iii) such Claim has been expressly allowed by a Final Order or under this Amended Plan, or (iv) such Claim has been compromised, settled, or otherwise resolved pursuant to the authority granted to the Debtor, or the Reorganized Debtor, as applicable, pursuant to a Final Order of the Bankruptcy Court or under this Amended Plan; ***provided, however***, that Claims allowed solely for the purpose

of voting to accept or reject this Amended Plan pursuant to an order of the Bankruptcy Court shall not be considered an Allowed Claim under this Amended Plan. For the avoidance of doubt, if a Proof of Claim has been timely Filed and no objection thereto has been interposed timely, such Proof of Claim amount shall be the Allowed amount of such Claim.

**Allowed Claim** means a Claim that is Allowed.

**Amended Disclosure Statement** means the *Amended Disclosure Statement for the Jointly Proposed Chapter 11 Amended Plan of Reorganization of EC Offshore Properties, Inc., Dated March [\*], 2018*, including all exhibits and schedules thereto, as approved by the Bankruptcy Court pursuant to section 1125 of the Bankruptcy Code (ECF Doc. [\*]).

**Amended Plan** means this *Jointly Proposed Chapter 11 Amended Plan of Reorganization of EC Offshore Properties, Inc. by Martin Schott, Chapter 11 Trustee, and EC Mako Energy, LLC Dated March 5, 2018*, including the Plan Supplement which is incorporated herein by reference and made part of this Amended Plan as if set forth herein, as each may be modified, supplemented, or waived from time to time in accordance with the respective terms thereof.

**Assumed Executory Contracts and Unexpired Leases** means any Executory Contracts and Unexpired Leases assumed by the Debtor or the Reorganized Debtor pursuant to section 365 of the Bankruptcy Code.

**Avoidance Actions** means any and all Causes of Action which a trustee, debtor-in-possession, an estate, or other legal representative or appropriate party-in-interest may assert, for avoidance, subordination, recovery, collection, setoff, avoidance based objection, maintenance of liens and transfers for the Estate under sections 502, 510, 541, 542, 543, 544, 545, 547, 548, 549, 550, 551, and 553 of the Bankruptcy Code, or under similar or related state or federal statutes, civil law, and common law, including fraudulent transfer laws, and also including the Debtor's rights of recoupment, contribution, or indemnity in connection with the foregoing (as those terms are defined by the non-bankruptcy law of any relevant jurisdiction) whether or not litigation has been commenced as of the Effective Date to prosecute such Avoidance Actions.

**Ballot** means the ballot form upon which Holders of Impaired Claims who are entitled to vote under this Amended Plan shall indicate acceptance or rejection of the Amended Plan in accordance with the Voting Instructions.

**Ballot Deadline** means the date set by the Bankruptcy Court as the last date on which Ballots may be submitted.

**Bankruptcy Case** means the chapter 11 bankruptcy case entitled, "In re EC Offshore Properties, Inc.," No. 15-50085, United States Bankruptcy Court, Western District of Louisiana.

**Bankruptcy Code** means Title 11 of the United States Code, 11 U.S.C. § 101 *et seq.*, as now in effect or hereafter amended.

**Bankruptcy Court** means the United States Bankruptcy Court for the Western District of

Louisiana.

**Bankruptcy Rules** means the Federal Rules of Bankruptcy Procedure, FED. R. BANKR. P. 1001 *et seq.*, as promulgated under 28 U.S.C. § 2075, and the Federal Rules of Civil Procedure, FED. R. CIV. P. 1 *et seq.*, and the Local Rules of the Bankruptcy Court, as applicable to the Bankruptcy Case, and as now in effect or hereafter amended.

**Bar Date** means the applicable deadline to File Claims or expenses in this Bankruptcy Case, as fixed by order of the Bankruptcy Court or this Amended Plan, including the Bar Date for Administrative Expenses, General Unsecured Claims, Gap Claims, Professional Fee Claims, Rejection Claims, and Governmental Unit Claims.

**BOEM** means U.S. Department of the Interior, Bureau of Ocean Energy Management.

**BOEM/BSEE Settlement Agreement** means a between the U.S. Department of the Interior (“**Interior**”), Bureau of Ocean Energy Management (formerly known as Mineral Management Service), Bureau of Safety and Environmental Enforcement and ECOP settlement agreement, dated December 11, 2017, approved by the Bankruptcy Court pursuant to Order Granting Rule 9019 Motion to Approve Settlement entered on December 4, 2017 (ECF Doc. 272).

**BSEE** means Bureau of Safety and Environmental Enforcement.

**Business Day** means any day other than a Saturday, a Sunday, “legal holidays” (as defined under Bankruptcy Rule 9006(a)), or any other day on which banking institutions in New Orleans, Louisiana are required or authorized to close by law or executive order.

**Cash** means legal tender of the United States of America, cash equivalents, and readily marketable securities or instruments, including, but not limited to, bank deposits, accounts, certified or cashier’s checks, timed certificates of deposit issued by any bank, commercial paper, and readily marketable direct obligations of the United States of America or agencies or instrumentalities thereof.

**Causes of Action** means any and all of the Debtor’s, the Estate’s, and the Reorganized Debtor’s actions, causes of action, rights, suits, counterclaims, accounts, debts, sums of money, damages, judgments, claims and demands, actions, defenses, offsets, powers, privileges, licenses, controversies, agreements, promises, rights to legal remedies, rights to equitable remedies, rights to payment and claims, whatsoever, whether known or unknown, suspected or unsuspected, whether arising under state or other non-bankruptcy law or arising under the Bankruptcy Code, in this Bankruptcy Case, or in any way related to this Bankruptcy Case, whether arising prior to, on or after the Petition Date, in contract or tort, in law, equity or otherwise, whether or not reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, Disputed, undisputed, secured, unsecured and whether asserted or assertable. Causes of Action shall include without limitation (a) derivative claims of the Debtor or the Debtor in Possession pursuant to state or non-bankruptcy law, the Bankruptcy Code or any other statute or legal theory or theory under equity, (b) Avoidance Actions, (c) any rights to, claims, or causes of action for recovery under any policies of insurance issued to or on behalf of the Debtor or the Debtor in Possession, (d) all

tax refunds and insurance proceeds, (e) any rights, claims, causes of action the Debtor and/or the Estate against any former or current director or officer of the Debtor arising under state or other non-bankruptcy law or arising under the Bankruptcy Code, in this Bankruptcy Case, or in any way related to this Bankruptcy Case, or under and/or pursuant to any statute or legal or equitable theory that is in any manner arising from, connected with or related to any act or omission of such director or officer that occurred prior to the Effective Date, except only those Causes of Action that are specifically and expressly released as of the Effective Date under this Amended Plan, (f) claims and defenses including those as, of and for fraud, mistake, duress, and usury, and (g) claims pursuant to section 362 of the Bankruptcy Code.

**Chapter 11 Trustee** means Martin A. Schott, Chapter 11 Trustee of the Debtor.

**Claim** means a claim (as defined in section 101(5) of the Bankruptcy Code) against the Debtor, including, but not limited to: (a) any right to payment from the Debtor whether or not such right is reduced to judgment, liquidated, unliquidated, contingent, matured, unmatured, Disputed, undisputed, legal, equitable, secured or unsecured; or (b) any right to an equitable remedy for breach of performance if such performance gives rise to a right of payment from the Debtor, whether or not such right to an equitable remedy is reduced to judgment, fixed, contingent, matured, unmatured, Disputed, undisputed, secured or unsecured. Claim also may refer to Secured Claims, Administrative Expenses, Priority Non-Tax Claims, Priority Tax Claims, and also may refer to the DIP Loan Claims.

**Claims Bar Date** means the date by which Creditors other than Governmental Units and the Holders of Administrative Expenses are required to submit Proofs of Claim in the Bankruptcy Case pursuant to the Claims Bar Date Order, if the submission of a Proof of Claim was necessary for the purposes of allowance of any such Claim.

**Claims Bar Date Order** means the order entered by the Bankruptcy Court on February 8, 2018 (ECF Doc. 307).

**Class** means a category of Holders of Claims or Equity Interests classified by this Amended Plan pursuant to section 1122 of the Bankruptcy Code.

**Class 5 Fund** means the sum of One Hundred Thirty-Nine Thousand and 00/100 Dollars (\$139,000.00).

**Clerk** means the clerk of the Bankruptcy Court.

**Collateral** means any property or interest in Property of the Estate subject to a Lien, charge, or other encumbrance to secure the payment or performance of a Claim, which Lien, charge, or other encumbrance is not subject to avoidance under the Bankruptcy Code.

**Confirmation** means the Entry of the Confirmation Order.

**Confirmation Date** means the date of Entry of the Confirmation Order.

**Confirmation Hearing** means the hearing to consider Confirmation of the Amended Plan.

**Confirmation Order** means the order Entered by the Bankruptcy Court confirming the Amended Plan pursuant to section 1129 of the Bankruptcy Code.

**Consenting Parties** means, collectively, (a) each Holder of a Claim who has affirmatively voted to accept the Amended Plan and (b) each Holder of a Claim who does not vote to accept or reject the Amended Plan and is a Holder of a Claim in a Class that has voted to accept the Amended Plan. Holders of Claims who are also Holders of Equity Interests shall be Consenting Parties with respect to such Equity Interests, if they are Consenting Parties with respect to their Claims.

**Creditor** means any Person who holds a Claim against the Debtor.

**Cure** means the payment by the Debtor or as applicable the Reorganized Debtor, on or within a reasonable period of time following the Effective Date, of Cash or such other property as may be agreed upon by the parties or ordered by the Bankruptcy Court, or by a showing by the Debtor and, as applicable, the Reorganized Debtor of reasonable assurance that such amount will promptly paid with respect to the assumption of an Executory Contract or Unexpired Lease, pursuant to section 365(b) of the Bankruptcy Code, in an amount equal to all unpaid monetary obligations, without interest, or such other amount as may be agreed upon by the parties, under such Executory Contract or Unexpired Lease, to the extent such obligations are enforceable under the Bankruptcy Code and applicable non-bankruptcy law as a condition of assumption of such Executory Contract or Unexpired Lease.

**Cure Claim** means the Claim of any party for monetary amount alleged to be necessary to Cure any default or for pecuniary loss in relation to the assumption of an Executory Contract or Unexpired Lease by the Debtor or Reorganized Debtor pursuant to section 365 of the Bankruptcy Code.

**Cure Notice** means a notice of a proposed amount to be paid on account of a Cure Claim in connection with an Executory Contract or Unexpired Lease to be assumed or assumed and assigned under the Amended Plan pursuant to section 365 of the Bankruptcy Code, which notice shall include (a) procedures for objecting to proposed assumptions or assumptions and assignments of Executory Contracts and Unexpired Leases, (b) Cure Claims to be paid in connection therewith, and (c) procedures for resolution by the Court of any related Disputes.

**Debtor** means EC Offshore Properties, Inc.

**DIP Credit Agreements** mean the Agreements between the Debtor, as borrower, and the DIP Lender, as lender, as amended, modified, and restated from time to time pursuant to which advances have been made by DIP Lender to Debtor.

**DIP Loan Claims** means any and all Claims for principal and interest, costs, fees and expenses under or related to the DIP Credit Agreements, including amounts owing pursuant to the DIP Orders.

**DIP Collateral** means any and all Collateral securing payment of the DIP Loan Claims, as provided in the DIP Credit Agreements and the DIP Orders.

**DIP Lender** means ECM.

**DIP Loan Documents** mean the DIP Credit Agreements, DIP Orders and related collateral documents.

**DIP Orders** means, collectively: (a) 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); (b) the *Final Order (i) Authorizing Trustee to Obtain Post-Petition Financing, and (ii) Granting Liens and Superpriority Claim Status* (ECF Doc. 111); and (c) any other order Entered by the Bankruptcy Court approving or in connection with the DIP Credit Agreements.

**Disallowed Claim** means a Claim or any portion thereof that has been disallowed by Final Order that has been withdrawn in whole or in part by the Holder thereof.

**Disclosure Statement Order** means the order Entered by the Bankruptcy Court approving the Amended Disclosure Statement (ECF Doc. [\*]).

**Disputed** means, in reference to a Claim, any Claim, or any portion thereof, disallowed, not paid pursuant to either the Amended Plan or Final Order of the Bankruptcy Court, and (a) which has been or hereafter is listed on the Schedules as unliquidated, contingent, or disputed, and which has not been resolved by written agreement of the parties or a Final Order of the Bankruptcy Court, (b) proof of which was required to be Filed by order of the Bankruptcy Court but as to which a Proof of Claim was not timely or properly Filed, (c) proof of which was timely and properly submitted and which has been or hereafter is listed on the Schedules as unliquidated, disputed or contingent, (d) proof of which has been timely and properly submitted but such Claim has been designated on the Proof of Claim as unliquidated, contingent, or disputed, or in zero or unknown amount and has not been resolved by written agreement of the parties or a Final Order of the Bankruptcy Court; (e) that is disputed in accordance with the provisions of the Amended Plan, or (f) as to which the Debtor or the Reorganized Debtor, as applicable, have interposed a timely objection or request for estimation in accordance with the Bankruptcy Code, the Bankruptcy Rules, and any orders of the Bankruptcy Court, or is otherwise disputed by the Debtor or the Reorganized Debtor, as applicable, in accordance with applicable non-bankruptcy law including any action or proceeding pending in a non-bankruptcy forum, which objection, request for estimation, or dispute has not been withdrawn or determined by a Final Order; *provided, however*, that for purposes of determining whether a particular Claim is a Disputed Claim prior to the expiration of any period of limitation fixed for the interposition by the Debtor, or the Reorganized Debtor, as applicable, of objections to the allowance of Claims, any Claim that is not an Allowed Claim shall be deemed a Disputed Claim.

**Disputed Claim** means a Claim that is not an Allowed Claim.



**Distribution** means any distribution made under the Amended Plan or the corporate documents of the Reorganized Debtor to the Holders of Allowed Claims.

**Distribution Date(s)** means the date or dates, occurring on or as soon as reasonably practicable after the Effective Date, upon which Distributions are made pursuant to the terms of the Amended Plan to Holders of Allowed Claims, and with respect to the Distributions to Holders of Class 5 Claims means within ten (10) Business Days after the last date upon which the last Class 5 General Unsecured Disputed Claim becomes either an Allowed or Disallowed Class 5 General Unsecured Claim.

**East Cameron Block 71 Lease** means that certain Oil and Gas Lease of Submerged Lands under the Outer Continental Shelf Lands Act between the United States of America, as Lessor, and Energy Development Corporation, et al., as Lessees, dated September 1, 1992, Lease Serial Number OCS-G 13576, covering Block 71, East Cameron Area, as shown on OCS Louisiana Leasing Map, Louisiana Map No. 2.

**East Cameron Block 72 Lease** means that certain Oil and Gas Lease of Submerged Lands, dated on or about November 19, 1948, by and between the State of Louisiana, as Lessor, and Continental Oil Co., et al., as Lessees, as validated by the United States of America and assigned OCS number 0184, limited to the West half of Block 72, East Cameron Area, limited to all depths above 10,400' subsurface, as shown on OCS Louisiana Leasing Map, Louisiana Map No. 2.

**ECM** means EC Mako Energy, LLC, a Texas limited liability company.

**ECP** means East Cameron Partners, LP, a Texas limited partnership.

**ECP/LOH Contributed ORRI Assignment** means the Conveyance of Contributed Overriding Royalty Interest, dated July 5, 2006, from ECP to LOH, filed in the records of Cameron Parish on July 5, 2006, as File No. 298839, and in the records of the MMS on July 6, 2006.

**ECP/LOH Purchased ORRI Assignment** means the Conveyance of Purchased Overriding Royalty Interest, dated July 5, 2006, from ECP to LOH, filed in the records of Cameron Parish on July 5, 2006, as File No. 298840, and in the records of the MMS on July 6, 2006.

**Effective Date** means the first Business Day that is ten (10) full Business Days after all conditions precedent to the Effective Date set forth in Section 13.2 have been either (i) satisfied, or (ii) waived by ECM.

**Entity** means an entity defined in section 101(15) of the Bankruptcy Code.

**Entry or Entered** means entry or entered by the Clerk into the records and docket of the Bankruptcy Case within the meaning of Bankruptcy Rules 5003 and 9021.

**Equity Interest or Interest** means any "equity security" of/in the Debtor as defined under section 101(16) of the Bankruptcy Code, including any warrant, option, or right, contractual or otherwise to receive or acquire and equity interest in the Debtor.

**Estate** means the bankruptcy estate created for the Debtor upon the commencement of the Bankruptcy Case pursuant to section 541 of the Bankruptcy Code, or thereafter acquired as provided in section 541 or any other applicable section of the Bankruptcy Code.

**Evans Parties** means OCXO, LLC, Open Choke Exploration, LLC, Open Choke Energy Partners, LLC, Open Choke Energy Interests, LLC, Open Choke Energy LLC and the Campbell Evans probate estate.

**Executory Contracts** means executory contracts as such term is used in section 365 of the Bankruptcy Code.

**Exit Facility** means the first lien senior secured term loan facility in the aggregate principal amount up to Ten Million and 00/100 Dollars (\$10,000,000.00) pursuant to the Exit Facility Credit Agreement and Exit Facility Loan Documents.

**Exit Facility Collateral** means all of the Property of the Estate, the Debtor and the Reorganized Debtor, which will consist of the DIP Facility Collateral, the Pre-Petition Lender Collateral and other property included as Collateral pursuant to the Exit Facility Loan Documents; provided, however, that the Exit Facility Collateral does not include the RLI Collateral.

**Exit Facility Credit Agreement** means an agreement entered into on the Effective Date between Reorganized Debtor and the Exit Facility Lender which (i) is consistent with the terms outlined in Exhibit 1, and (ii) the final form of which is acceptable to the Exit Facility Lender and substantially in the form Filed as a Plan Supplement.

**Exit Facility Lender** means ECM, together with its successors and assigns.

**Exit Facility Loan Documents** mean the Exit Facility Credit Agreement, Exit Facility Note and collateral documents granting a first lien Security Interest in all Property of the Estate, the Debtor and Reorganized Debtor other than the RLI Collateral in form and substance acceptable to the Exit Facility Lender and substantially in the form Filed as a Plan Supplement.

**Exit Facility Note** means a promissory note dated as of the Effective Date issued in accordance with the Exit Facility Credit Agreement.

**Fee Application** means an application to the Bankruptcy Court for allowance of a Professional Fee Claim pursuant to sections 328 or 330 of the Bankruptcy Code and Bankruptcy Rule 2016(a).

**File, Filing, or Filed** means file, filing or filed with the Clerk into the record of the Bankruptcy Case in accordance with the applicable Bankruptcy Rules.

**Final Decree** means the decree contemplated under Bankruptcy Rule 3022.

**Final Order** means an order of the Bankruptcy Court or court of competent jurisdiction

which, not having been stayed by order of a court of competent jurisdiction, has become conclusive of all matters adjudicated thereby and is in full force and effect.

**Gap Claims** means an Allowed Priority Non-Tax Claim against the Debtor arising in the ordinary course of the Debtor's business during the time period between the filing of the Involuntary Petition and the Entry of the Order for Relief.

**General Unsecured Claim** means any Claim that is not an Administrative Expense, Priority Tax Claim, Priority Non-Tax Claim, Pre-Petition Lender Claim, Other Secured Claim or DIP Loan Claims.

**Governmental Unit** shall have the meaning set forth in section 101(27) of the Bankruptcy Code.

**Holder** means a Person or Entity holding an Equity Interest or Claim.

**Impaired** means a Claim or Equity Interest that is impaired within the meaning of section 1124 of the Bankruptcy Code and applicable case law.

**Insider** means any Person or Entity described under section 101(31) of the Bankruptcy Code.

**Involuntary Petition** means the Involuntary Petition filed by Campbell Evans, Open Choke Exploration, LLC and OCXO, LLC in the Bankruptcy Case (ECF Doc. 1).

**Leasehold Interests** means those oil and gas properties in which the Debtor or Reorganized Debtor owns a leasehold interest.

**Lien** or **Liens** means "lien" as defined in section 101(37) of the Bankruptcy Code, including without limitation mortgages, security interests, privileges, conditional sale or other title retention agreements, pledges, judgments, encumbrances, easements, restrictions or charges of any kind or nature, if any, including, but not limited to, any restriction on the use, voting, transfer, receipt of income or other exercise of any attributes of ownership, and whether imposed by agreement, understanding, law, equity or otherwise and whether existing before or after commencement of this Bankruptcy Case.

**LOH** means Louisiana Offshore Holding, LLC.

**LOH/ORRI LLC Assignment** means the Assignment, Bill of Sale and Conveyance, dated effective as of April 1, 2010, from LOH, as assignor, to ORRI LLC, as assignee, filed in the records of Cameron Parish on June 7, 2010, as File No. 319045, and in the records of the MMS on June 9, 2010.

**MMS** means the Minerals Management Service, a former agency of the Interior.

**New Organizational Documents** means the articles of incorporation, bylaws or such

other applicable formation documents of Reorganized Debtor in form and substance acceptable to the Exit Facility Credit Lender and in substantially the form filed as a Plan Supplement.

**Open Choke Transaction** means the Farmout Agreement entered into between ECP and Open Choke Exploration, LLC, dated November 28, 2007, 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 72 Lease below the depth of 10,400' to Open Choke Exploration, LLC ("**EC 72 Farmout Interests**").

**Operating Rights Assignment** means the (i) "Assignment of Operating Rights Interest in Federal Oil and Gas Lease" with respect to the EC 72 Farmout Interests executed in 2007 by ECP in favor of Open Choke Exploration, LLC accepted and approved by the MMS on May 6, 2008, and (ii) subsequent "Assignment of Operating Rights Interest in Federal Oil and Gas Lease" with respect to the EC 72 Farmout Interests executed by Open Choke Exploration, LLC in favor of OCXO, LLC accepted and approved by the MMS on March 6, 2015.

**Order for Relief** means the order for relief for the Debtor Entered by the Bankruptcy Court in the Bankruptcy Case (ECF Doc. 27).

**Ordinary Course Administrative Expenses** means any Administrative Expenses that arise in the ordinary course of the Debtor's business, including Administrative Expenses arising from or with respect to the sale of goods or services on or after the Petition Date in connection with ordinary business terms of the parties, in connection with which neither the Debtor nor party has a claim that the other is in default.

**ORRI LLC** means ORRI, LLC, a Delaware limited liability company, the wholly owned subsidiary of Debtor.

**ORRI LLC Claims** mean 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.

**Other Secured Claim** means a Secured Claim other than the Pre-Petition Lender Claims, RLI Claims and the DIP Loan Claims, but only if and to the extent the Bankruptcy Court issues a Final Order determining that such Claim is a Secured Claim.

**PDMA** means the Production, Delivery and Marketing Agreement, dated July 5, 2006, by and between ECP and LOH, filed in the records of Cameron Parish on July 5, 2006, as File No. 298841, the rights under which were assigned to ORRI LLC pursuant to the LOH/ORRI LLC Assignment.

**Person** means any natural person or juridical entity to the broadest extent the term "person" is defined under section 101(41) of the Bankruptcy Code.

**Petition Date** means January 26, 2015.

**Plan Documents** means, collectively, the documents and agreements (and the exhibits, schedules, annexes and supplements thereto) necessary to implement, or entered into in connection with, the Amended Plan, including, without limitation, the Amended Disclosure Statement, the Disclosure Statement Order, the Amended Plan, the Plan Supplement(s), and each of the exhibits and schedules to the Amended Plan.

**Plan Proponents** means both the Chapter 11 Trustee and ECM.

**Plan Supplement** means the compilation of documents and forms of documents, schedules, and exhibits to the Amended Plan, to be Filed prior to Entry of the Confirmation Order, and any additional documents or schedules Filed before the Effective Date as supplements or amendments to the Plan Supplement, including, without limitation, the Exit Facility Loan Documents and New Organizational Documents relating to the Reorganized ECOP Equity Interests (collectively the “**Plan Supplement Documents**”). Any reference to the Plan Supplement in this Amended Plan shall include each of the documents identified above. The Plan Supplement Documents may be amended with consent of the Plan Proponent through the Effective Date.

**Post-Petition** means any date on or after the Petition Date.

**Pre-Petition** means any date before the Petition Date.

**Pre-Petition Credit Agreement** mean that certain Credit Agreement, dated May 11, 2010, among and between Debtor, the Dupont Pension Trust and certain other parties, as amended and restated, together with all security and other documents executed in connection therewith.

**Pre-Petition Lender** means ECM by virtue of the Purchase Agreement, entered into as of December 5, 2016, by and between ECM and the Dupont Pension Trust, together with its successors and assigns.

**Pre-Petition Lender Claims** mean, collectively, the Claims of Pre-Petition Lender on account of, arising under, or in connection with the Pre-Petition Credit Agreement or Pre-Petition Loan Documents.

**Pre-Petition Lender Collateral** means any Collateral securing obligations associated with the Pre-Petition Lender Claims.

**Pre-Petition Lender Deficiency Claim** means the amount of the Pre-Petition Lender Claims in excess of the value of the Collateral securing such Claims.

**Pre-Petition Loan Documents** means the Pre-Petition Credit Agreement and all related security agreements and all documents executed by the Debtor evidencing obligations under the Pre-Petition Credit Agreement or the pledge of, or granting of a Security Interest or Lien in Collateral to secure the Pre-Petition Lender Claims.

**Priority Non-Tax Claim** means any Claim given priority in payment pursuant to section

507 of the Bankruptcy Code including without limitation Gap Claims under section 507(a)(3) of the Bankruptcy Code, but not including Priority Tax Claims and Administrative Expenses.

**Priority Tax Claim** means any Claim (or portion of a Claim) of a Governmental Unit entitled to priority under section 507(a)(8) of the Bankruptcy Code.

**Pro Rata Share** means, at any time, the proportion that the amount of a Claim in a particular Class or Classes (or portions thereof, as applicable) bears to the aggregate amount of all Claims (including Disputed Claims) in such Class or Classes, unless the Amended Plan provides otherwise.

**Professional** means a professional person, as that term is used in section 327 and 1103 of the Bankruptcy Code.

**Professional Fee Claim** means a Claim that is an Administrative Expense Claim, for compensation or reimbursement of expenses of a Professional retained in the Bankruptcy Case and requested in accordance with sections 326, 327, 328, 330, 331, 503(b), and/or 1103 of the Bankruptcy Code.

**Proof of Claim** means a Person's written statement to show the basis for and amount of that Person's Claim and submitted in accordance with the applicable Bar Date.

**Property of the Estate** means all property or interests in property of the Debtor and its Estate, of every type and nature pursuant to section 541 of the Bankruptcy Code and applicable case law.

**Rejection Claim** means any Claim arising out of the rejection of an Unexpired Lease or Executory Contract pursuant to section 365 of the Bankruptcy Code. Allowed Rejection Claims are classified and shall be treated as General Unsecured Claims as provided in Article III herein.

**Reorganized Debtor** and **Reorganized ECOP** mean the Debtor after the Effective Date.

**Reorganized ECOP Equity Interests** mean the Equity Interests in Reorganized Debtor issued pursuant to the Amended Plan and the New Organizational Documents.

**RLI** means RLI Insurance Company in its own right and as successor in interest to certain rights and obligations of (a) Underwriters Indemnity Company, (b) Planet Indemnity Company, and (c) RLI Indemnity Company.

**RLI Bond Documents** means (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.

**RLI Claims** means the Claims of RLI as may exist against the Debtor under the RLI Bond Documents, including, but not limited to, (a) accrued and unpaid bond premiums, (b) legal fees and expenses, and (c) contingent and unliquidated Claims related to the issuance of certain bonds in favor of, among others, the Interior, Minerals Management Service (predecessor to the Bureau of Ocean Energy Management), which Claims are evidenced by Proof of Claim number 7-1 filed with the Bankruptcy Court as (x) a Secured Claim in the approximate amount of \$3.4 million and (y) an Unsecured Claim in the approximate amount of \$3 million.

**RLI Collateral** means the Cash on deposit with Capital One Bank, N.A. pursuant to (i) an Escrow and Security Agreement established for BT Operating Co. and East Cameron Partners, LP, and (ii) an Escrow and Security Agreement established for the Debtor on May 24, 2012 (collectively, the “**RLI Escrows**”).

**Schedules** mean the schedules of assets and liabilities, schedules of Executory Contracts and Unexpired Leases, and the statement of financial affairs as the Bankruptcy Court requires a debtor to File pursuant to section 521 of the Bankruptcy Code, the Official Bankruptcy Forms and the Bankruptcy Rules, which have been Filed by the Debtor, as they may have been and be amended and supplemented from time to time.

**Secured Claim** means a Claim against the Debtor (a) secured by a valid, perfected, and unavoidable Lien on Collateral or (b) subject to setoff under sections 553, 555, 556, 559, 560 and 561 of the Bankruptcy Code, in each case to the extent of the value of the Collateral or to the extent of the amount subject to setoff, as applicable, as determined in accordance with section 506(a) of the Bankruptcy Code or as otherwise agreed to, in writing, by the Debtor, as the case may be, and the holder of such Claim; provided, however, that, to the extent that the value of such interest is less than the amount of the Claim which has the benefit of such security, the unsecured portion of such Claim shall be treated as a General Unsecured Claim unless, in any such case, the Class of which such Claim is a part makes a valid and timely election in accordance with section 1111(b) of the Bankruptcy Code to have such Claim treated as a Secured Claim to the extent Allowed.

**Securities Act** means the Securities Act of 1933, 15 U.S.C. § 77a *et seq.*, as now in effect or hereafter amended.

**Security** shall have the meaning ascribed to it in section 101(49) of the Bankruptcy Code.

**Security Interest** means a Lien created by agreement.

**September 2 Order** means the Order to Provide Supplemental Bonding issued by BOEM

on September 2, 2016, 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 Dollars (\$14,577,850).

**SOP** means the Suspension of Production issued by BSEE pursuant to 30 CFR 250.174(a).

**Unexpired Lease** means a lease, including without limitation any lease of nonresidential real property to which the Debtor is a party that is subject to assumption or rejection under sections 365 or 1123 of the Bankruptcy Code.

**Unimpaired** means a Claim or Equity Interest that is not Impaired within the meaning of section 1124 of the Bankruptcy Code and applicable case law.

**United States Trustee** means the United States trustee appointed under section 581(a)(5) of title 28 of the United States Code, as now in effect or hereafter amended, to serve in the Western District of Louisiana.

**Voting Instructions** mean the instructions for voting on the Amended Plan contained in the Amended Disclosure Statement and in the Ballots.

## **ARTICLE II.**

### **TREATMENT OF UNCLASSIFIED CLAIMS**

In accordance with section 1123(a)(1) of the Bankruptcy Code, Administrative Expenses, Priority Tax Claims and Professional Fee Claims are not classified and are not entitled to vote on this Amended Plan.

**2.1. Administrative Expenses.** Except to the extent that any Entity entitled to payment of any Allowed Administrative Expense agrees to a less favorable treatment, each Holder of an Allowed Administrative Expense shall receive Cash equal to the unpaid portion of its Allowed Administrative Expense, on the latest of (a) the Distribution Date, (b) the date on which its Administrative Expense becomes an Allowed Administrative Expense, or (c) the date on which its Administrative Expense becomes payable under any agreement relating thereto, or as soon thereafter as is reasonably practicable. Notwithstanding the foregoing, (i) all fees of the Office of the United States Trustee and (ii) any Ordinary Course Administrative Expenses, shall be paid by the Debtor or the Reorganized Debtor as Administrative Expenses in the ordinary course of the Debtor's businesses, in accordance with the terms and conditions applied to the United States Trustee fees or of any agreement relating to such Ordinary Course Administrative Expenses or upon such other terms as may be agreed upon between the Holder of such Ordinary Course Administrative Expense and the Debtor, without application by or on behalf of any such parties to the Bankruptcy Court, and without notice and a hearing.

Applications for payment of an Administrative Expense (including requests for compensation under section 503(b)(3) and (4) of the Bankruptcy Code) must be Filed with the Bankruptcy Court and served on the Debtor and the DIP Lender no later than the Administrative Expense Bar Date. Applications for payment of an Administrative Expense Filed after this date



shall be discharged, forever bared and shall receive no payment under this Amended Plan. Notwithstanding the foregoing, Holders of Administrative Expenses of the type described in clauses (i) and (ii) of the preceding paragraph shall not be required to File applications for payment.

**2.2. DIP Loan Claims.** On the Effective Date (with the consent of the DIP Lender), the entire amount of the DIP Loan Claim shall be rolled into and included in the original principal amount of the Exit Facility Note. The DIP Loan Documents, together with the Pre-Petition Loan Documents, shall be renewed, amended and extended in the manner provided in the Exit Facility Loan Documents.

**2.3. Priority Tax Claims.** Except to the extent that a Holder of a Priority Tax Claim agrees to less favorable treatment, pursuant to section 1129(a)(9)(C) of the Bankruptcy Code, on the later of (a) the Distribution Date or (b) the date such Priority Tax Claim becomes an Allowed Priority Tax Claim, each Holder of an Allowed Priority Tax Claim shall receive in full satisfaction, settlement, release, and discharge of and in exchange for such Allowed Priority Tax Claim, (x) Cash equal to the unpaid portion of such Allowed Priority Tax Claim or (y) such other treatment as to which the Reorganized Debtor and such Holder shall have agreed upon in writing. The Holder of an Allowed Priority Tax Claim will not be entitled to receive any payment on account of any penalty arising with respect to or in connection with the Allowed Priority Tax Claim. Any such Claim or demand for any such penalty will be subject to treatment in Class 5.

**2.4. Treatment and Payment of Allowed Priority Non-Tax Claims (Sections 507(a)(3) (Gap Claims), 507(a)(4) and 507(a)(5)).** 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, 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. Such payment(s) shall be in full and final satisfaction, settlement, and release of and in exchange for each such Priority Non-Tax Claim. 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.

**2.5. Professional Fee Claims.** Unless otherwise ordered by the Bankruptcy Court, the Holders of Professional Fee Claims must File their respective final Fee Applications for the allowance of compensation for services rendered and reimbursement of expenses incurred through the Effective Date by no later than the Administrative Expense Bar Date. If granted by the Bankruptcy Court, such Professional Fee Claim shall be paid in full in such amount as is Allowed by the Bankruptcy Court on the date such Professional Fee Claim becomes an Allowed Professional Fee Claim, or as soon as reasonably practicable thereafter. Except as otherwise specifically provided in the Amended Plan, from and after the Effective Date, the Reorganized Debtor shall, in the ordinary course of business and without any further notice to or action, order, or approval of the Bankruptcy Court, pay in Cash the reasonable legal, professional, or other fees and expenses related to implementation of the Amended Plan and consummation incurred by the Reorganized Debtor. Upon the Effective Date, any requirement that Professionals comply with sections 326 through 331, 363, and 1103 of the Bankruptcy Code in seeking retention or

compensation for services rendered after such date shall terminate, and the Reorganized Debtor may employ and pay any Professional in the ordinary course of business without any further notice to or action, order, or approval of the Bankruptcy Court.

### **ARTICLE III.**

#### **CLASSIFICATION AND TREATMENT OF CLAIMS AND EQUITY INTERESTS**

**3.1. Introduction.** 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.

<b>Class</b>	<b>Claims and Interests</b>	<b>Status</b>	<b>Voting Rights</b>
Class 1	Allowed Secured Pre-Petition Lender Claims	Impaired	Entitled to Vote
Class 2	Allowed RLI Claim	Unimpaired	Deemed Accepted
Class 3	Allowed ORRI LLC Claims	Unimpaired	Deemed Accepted
Class 4	Allowed Other Secured Claims	Impaired	Entitled to Vote
Class 5	General Unsecured Claims	Impaired	Entitled to Vote
Class 6	Equity Interests	Impaired	Not Entitled to Vote (Deemed to Reject)

#### **3.2. Treatment of Classified Claims and Equity Interests.**

##### **(a) CLASS 1 – Allowed Secured Pre-Petition Lender Claims**

(i) **Claims.** Claims in Class 1 consist of the Allowed Secured Pre-Petition Lender Claims which are Pre-Petition Lender Claims other than the Pre-Petition Lender Deficiency Claim. As of the Confirmation Date, the Allowed Secured Pre-Petition Lender Claims shall be deemed as an Allowed Secured Claim in the amount of Seven Hundred Six Thousand and 00/100 Dollars (\$706,000.00).

(ii) **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 the 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 in the manner provided in the Exit Facility Loan Documents.

(iii) **Voting.** Class 1 is Impaired under the Amended Plan. The Holder of the Allowed Pre-Petition Lender Claims in Class 1 is entitled to vote to accept or reject the Amended Plan.

(b) **CLASS 2 –Allowed RLI Claims**

(i) **Claims.** Claims in Class 2 consist of the Allowed RLI Claims.

(ii) **Treatment.** On the Effective Date, the RLI Claims shall be deemed Allowed Claims (other than the amount of such claims for reasonable and necessary legal fees and expenses incurred by RLI between the Petition Date and the Effective Date as provided under the RLI Bond Documents (the “**RLI Attorneys’ Fees**”) which amount shall be determined and paid as provided for below) and the rights of RLI in respect of the RLI Claims and the RLI Collateral will be Unimpaired under section 1124(1). The Debtor will assume all obligations under the RLI Bond Documents and all rights of RLI under the RLI Bond Documents are unimpaired and shall pass through the Debtor’s bankruptcy unaffected in any manner and will become the obligations of the Reorganized Debtor. In order to cure defaults under the RLI Bond Documents, the Debtor shall pay to RLI accrued but unpaid bond premiums on the Effective Date of the Amended Plan or under such other payment terms as may be agreed to by RLI. Subsequent bond premiums will be paid by the Reorganized Debtor when due as provided in the RLI Bond Documents. Additionally, the RLI Attorneys’ Fees shall be paid in an amount to be determined by agreement between Plan Proponents and RLI or otherwise determined by the Bankruptcy Court in accordance with the Claim allowance provisions of this Amended Plan. The payment of the RLI Attorneys’ Fees shall be made on the later of the (i) Effective Date, (ii) agreement of the Parties as to the Allowed Amount of such Claim, or (iii) entry of a Bankruptcy Court order determining the Allowed amount of such fees. The balance of the Allowed RLI Claims (the “**Remainder Allowed RLI Claims**”) shall be paid by the Reorganized Debtor when such Claims are due and owing as provided in the RLI Bond Documents; *provided, however,* that nothing herein shall be deemed to prevent the Reorganized Debtor from contesting that any Remainder Allowed RLI Claim is due and owing as provided in the RLI Bond Documents or otherwise exercising its rights arising under the RLI Bond Documents.

Nothing in the Amended Plan and Confirmation Order shall affect RLI’s rights, if any, against third parties arising under the RLI Bond Documents.

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

(c) **CLASS 3 – Allowed ORRI LLC Claims**

- (i) **Claims.** Claims in Class 3 consist of the Allowed ORRI LLC Claims.
- (ii) **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.
- (iii) **Voting.** Class 3 is Unimpaired under the Amended Plan. The holder of the ORRI LLC Claims is deemed to have accepted the Amended Plan pursuant to section 1126(f) of the Bankruptcy Code and is not entitled to vote to accept or reject the Amended Plan.

(d) **CLASS 4 – Allowed Other Secured Claims**

- (i) **Claims.** Claims in Class 4 consist of the Allowed Other Secured Claims.
- (ii) **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.
- (iii) **Voting.** Class 4 is Impaired under the Amended Plan. Holders of Allowed Other Secured Claims in Class 4 are entitled to vote to accept or reject the Amended 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.

(e) **CLASS 5 – General Unsecured Claims**

- (i) **Claims.** Claims in Class 5 consist of all Allowed General Unsecured Claims, including the Pre-Petition Lender Deficiency Claim.
- (ii) **Treatment if Class 5 Accepts Amended Plan.** If, and only if, Class 5 votes to accept the Amended Plan, on the Distribution Date each Holder of an Allowed General Unsecured Claim shall receive the lesser of (i) ten percent (10%) of its Allowed General Unsecured Claim or (ii) a Pro Rata Share of the Class 5 Fund, with only Ten Thousand and 00/100 Dollars (\$10,000.00) out of the Class 5 Fund to be paid to the Holder of the Pre-Petition Lender Deficiency Claim.
- (iii) **Treatment if Class 5 Rejects Amended Plan.** If Class 5 votes to reject the Amended 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 its Pro Rata Share of the Class 5 Fund.

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

(f) **CLASS 6 –Equity Interests**

(i) Class 6 consists of all Equity Interests.

(ii) **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.

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

**3.3. Controversies Regarding Impairment.** If a controversy arises as to whether any Claims or Equity Interests, or any Class of Claims or Equity Interests, are Impaired, the Bankruptcy Court shall, after notice and a hearing, determine such controversy on or before the Confirmation Date.

**ARTICLE IV.  
ACCEPTANCE OR REJECTION OF THE AMENDED PLAN**

**4.1. Voting Classes.** There are four (4) Classes entitled to vote under this Amended Plan. **Holders of Allowed Claims in Classes 1, 4 and 5 are IMPAIRED, and therefore are entitled to vote to accept or reject the Amended Plan.** The Holder of the Class 2 Allowed RLI Claim is Unimpaired and deemed to accept the Amended Plan pursuant to section 1126(f) of the Bankruptcy Code and therefore is not entitled to vote to accept or reject the Amended Plan. The Holder of the Class 3 Allowed ORRI LLC Claims is Unimpaired and deemed to accept the Amended Plan pursuant to section 1126(f) of the Bankruptcy Code and therefore is not entitled to vote to accept or reject the Amended Plan. Holders of Allowed Equity Interests in Class 6 are Impaired but are deemed to reject the Amended Plan pursuant to section 1126(g) of the Bankruptcy Code and are not entitled to vote to accept or reject the Amended Plan.

**4.2. Voting Rights as to Confirmation of the Amended Plan; Necessity of Allowance of Claims.** If a Claim is a Disputed Claim prior to the Confirmation Date, such Disputed Claim shall not be entitled to vote with respect to the Amended Plan unless such Claim is estimated, for voting purposes, by Final Order of the Bankruptcy Court.

**4.3. Acceptance by Impaired Classes.** An Impaired Class of Claims shall have accepted the Amended Plan if (a) 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 Amended Plan, and the Holders (other than any Holder designated under section 1126(e) of the Bankruptcy Code) of more than one-half in number of the Allowed Claims actually voting in such Class have voted to accept the Amended Plan.

## **ARTICLE V.**

### **PROCEDURES FOR RESOLUTION OF DISPUTED, CONTINGENT AND UNLIQUIDATED CLAIMS OR EQUITY INTERESTS**

**5.1 Prosecution of Objections to Claims.** Except as otherwise provided in the Amended 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, settle, compromise, withdraw or litigate to judgment objections to 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. Except as to Claims Allowed by the Amended 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 Equity Interest.

**5.2 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, 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.**

**5.3 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 Amended Plan. Distributions to which any such

Holder is entitled under the Amended 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.

## **ARTICLE VI. MEANS OF IMPLEMENTATION OF THE AMENDED PLAN**

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

**6.2 Exit Facility.** On the Effective Date, the Exit Facility Loan Documents shall be executed.

**6.3 BOEM/BSEE Settlement Agreement.** Pursuant to the BOEM/BSEE Settlement Agreement, BOEM/ BSEE, agencies of the Interior, have committed to (i) obtain the issuance by the Interior Board of Land Appeals (“**IBLA**”) of an order dismissing IBLA Appeal Docket Nos. IBLA 2017-0050 and IBLA 2017-0021 and remanding said matter to BOEM and BSEE, respectively, (ii) issuance by BOEM of a letter to ECOP rescinding the September 2 Order to provide supplemental bonding, as well as any and all other outstanding orders or demands from BOEM to ECOP regarding financial security for the Leases, and (iii) acceptance 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 sufficient supplemental security (together with any pre-existing bonds) to satisfy the September 2 Order to provide supplemental bonding, as well as any and all other outstanding orders or demands from BOEM to ECOP regarding financial security for the Leases.

On the Effective Date, (i) Reorganized Debtor, BOEM and BSEE shall execute all documents or instruments as may be required and take whatever action may be reasonably necessary to effectuate the purpose and intent of the BOEM/BSEE Settlement Agreement, and (ii) Reorganized Debtor shall provide additional supplemental security for Lease OCS 0184 in accordance with subparagraphs 5(a) and 5(f) of the BOEM/BSEE Settlement Agreement.

Upon Reorganized Debtor providing evidence of posting such additional supplemental security, BSEE will promptly execute the directed SOPs for Leases OCS 0184 and OCS-G 13576 attached to the BOEM/BSEE Settlement Agreement as Exhibits 1 and 2. The SOPs will not prohibit Reorganized Debtor from commencing production during their terms. Reorganized Debtor will be obligated to comply with all applicable regulations in undertaking the steps necessary to restore production. Each SOP will extend through the earlier of the commencement of production from the covered lease into the sales pipeline or one hundred eighty (180) days from the date the SOP is issued. Reorganized Debtor will be obligated to provide notification of commencement of production into the sales pipeline in accordance with 30 CFR 250.195 and also to the Regional Supervisor of the Office of Production and Development.

The Reorganized Debtor will be obligated to provide additional supplemental security for

Lease OCS 0184 on the first anniversary of the Effective Date and the second anniversary of the Effective Date as provided for in the BOEM/BSEE Settlement Agreement.

**6.4 Restructuring Transactions.** 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 this Amended Plan. The actions taken by the Debtor or the Reorganized Debtor, as applicable, to implement this 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 this Amended Plan, the Amended 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 this Amended Plan, the Amended Disclosure Statement, and any ancillary documents and having other terms for which the applicable parties may agree; (iii) the filing pursuant to applicable state law, including, but not limited to, the New Organizational Documents with the appropriate governmental authorities; (iv) the cancellation of the existing Equity Interests; and (v) all other actions that the Debtor or the Reorganized Debtor, as applicable, determine to be necessary, desirable, or appropriate to implement, effectuate, and consummate this Amended Plan or the restructuring transactions contemplated by this Amended Plan, including making filings or recordings that may be required by applicable state law in connection with the restructuring transactions.

**6.5 New Organizational Documents.** On the Effective Date, the New Organizational Documents shall be executed and take effect. The Reorganized Debtor shall be authorized to adopt any other agreements, documents and instruments and to take any other actions necessary to implement the Amended Plan.

**6.6 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 ECM, in accordance with this Amended Plan and the New Organizational 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 Amended 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.

**6.7 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 Amended 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 Organizational Documents will include a provision prohibiting the issuance of non-voting equity securities. On the Effective Date, all



matters provided for under the Amended 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 this Amended 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.

The board of directors of the Reorganized Debtor shall initially have three (3) members, acceptable to the Exit Facility Lender. The Plan Proponent 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, 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.

**6.8 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 or the Debtor's officers and directors, and any remaining officers or directors of Debtor shall be dismissed without any further action required on the part of any such Debtor, the Equity Holders of the Debtor, the officers, and directors, as applicable, of the Debtor.

**6.9 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 Amended Plan.

**6.10 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 originally created by the ECP/LOH Contributed ORRI Assignment and the ECP/LOH Purchased ORRI Assignment.

**6.11 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 this Amended 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, obligations, 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 or discharged by Confirmation of the Amended Plan. Entry of the Confirmation Order shall constitute a judicial determination that (i) all Liens and Security Interests arising under the PDMA are valid, were properly perfected by recordation on July 5, 2006 as a Lien, mortgage and Security Interest 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 this Amended Plan, the Plan Supplement, or the Amended 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 this Amended Plan. THE FAILURE TO LIST, DISCLOSE, DESCRIBE, IDENTIFY, OR REFER TO A RIGHT, CLAIM, CAUSE OF ACTION, DEFENSE, OR COUNTERCLAIM, OR POTENTIAL RIGHT, CLAIM, CAUSE OF ACTION, DEFENSE, OR COUNTERCLAIM, IN THE AMENDED 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 Amended 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 the Debtor and/or Reorganized Debtor's accrued joint and several decommissioning obligations, which shall survive the Debtor's bankruptcy, and any other

Liens, Claims and interests which are provided for in this Amended 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; (iii) Liens as otherwise as provided for in the Amended Plan, if any; and (iv) any accrued joint and several decommissioning obligations owed under the East Cameron Block 71 Lease and the East Cameron Block 72 Lease.

## **ARTICLE VII. DISTRIBUTIONS**

**7.1. 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.

**7.2. 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.

**7.3. Manner of Payment Pursuant to the Amended Plan.** Any payment in Cash to be made pursuant to the Amended 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.

**7.4. 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 an Allowed General Unsecured 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 an Allowed General Unsecured 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 Amended 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 Amended 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 Amended 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.

## **ARTICLE VIII.**

### **TREATMENT OF EXECUTORY CONTRACTS AND UNEXPIRED LEASES**

**8.1. Assumption and Rejection.** On the Effective Date, except as otherwise provided herein, all Executory Contracts or Unexpired Leases, including those that are 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; (iv) the Open Choke Transaction and the Operating Rights Assignment; or (v) those that are otherwise rejected pursuant to the terms herein. The Open Choke Transaction and the Operating Rights Assignment shall be deemed Executory Contracts or Unexpired Leases and shall be rejected as of the Confirmation Date. To the extent they are executory contracts or unexpired leases as set forth in Section 365 of the Bankruptcy Code, Federal OCS leases OCS-G13576 and 00184 shall be assumed subject to the conditions set forth in the BOEM/BSEE Settlement Agreement, the payment of the ONRR Inspection Fee Amount (defined below) and subject to The Office of Natural Resources Revenue's ("**ONRR**") rights to perform audits and compliance reviews pursuant to 30 U.S.C. § 1711(c)(1), 30 C.F.R. § 1217.50 and 30 C.F.R. § 1218.702(a) and collect any pre-petition amounts owing from the Reorganized Debtor as if no bankruptcy had been filed (payment of ONRR's Inspection Fee Amount and preservation of ONRR's audit rights, including the collection of any amounts owing to ONRR after an audit or compliance review as if no bankruptcy had been filed shall be referred to as the "ONRR Obligations"). Notwithstanding anything in this paragraph, the Amended Disclosure Statement or the Amended Plan to the contrary including, without limitation, any classification of the Federal OCS leases OCS-G13576 and 00184 as being subject to Section 365 of the Bankruptcy Code or otherwise, the Debtor shall not reject or abandon any of its interests in Federal OCS leases OCS-G13576 and 00184 and shall pay the ONRR Inspection Fee Amount to ONRR and be subject to all ONRR Obligations. Notwithstanding anything herein to the contrary, if BSEE directs the SOPs for the Subject Leases as required pursuant to the terms of the BOEM/BSEE Settlement Agreement, then ONRR will not hold the Debtor or the Reorganized Debtor liable for the payment of minimum royalties for the period of February 17, 2015 through and including the date in which

the directed suspension ends as contemplated in Exhibits 1 and 2 to the BOEM/BSEE Settlement Agreement.

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 Amended 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 Amended 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 this Amended 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.

**8.2. 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 Estate, the Reorganized Debtor 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 this Amended 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 this Amended 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.

**8.3. 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 hereunder, 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 within the Schedule of Assumed Executory Contracts and Unexpired Leases in the Plan Supplement or within the Cure Notice, the Cure with respect to the Executory Contracts or Unexpired Leases to be assumed 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 Amended 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 Amended 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 herein, prior to the Effective Date, the Debtor, with approval of ECM, 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 an objection to the proposed amount to be paid on account of a Cure Claim 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.

**8.4. 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 Amended Plan. On the Effective Date, and notwithstanding anything in this Amended 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.

**8.5. Federal Leases.** The BOEM/BSEE Settlement Agreement shall be binding upon Reorganized Debtor, the BOEM and the BSEE subsequent to the Effective Date. In accordance with the BOEM/BSEE Settlement Agreement, on the Effective Date, the BSEE shall execute and deliver the Agreed SOPs to the Reorganized Debtor and the Reorganized Debtor shall simultaneously provide Seven Hundred Forty-Four Thousand Six Hundred Eighty-Six and 00/100 Dollars (\$744,686.00) in additional security for the East Cameron Block 72 Lease. 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 Leasehold Interests shall vest in the Reorganized Debtor on the Effective Date. To the extent that the East Cameron Block 71 Lease and the East Cameron Block 72 Lease are Executory Contracts or Unexpired Leases, they shall be assumed as of the Effective Date. The Cure with respect to assumption of the East Cameron Block 71 Lease and the East Cameron Block 72 Lease shall be (i) the Reorganized Debtor's obligations expressly set forth in the BOEM/BSEE Settlement Agreement, (ii) any amounts owing to ONRR as of the date of assumption including, without limitation, the ONRR Inspection Fee Amount<sup>2</sup>; and (iii)

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<sup>2</sup> The United States asserts that \$271,626.37 (the "ONRR Inspection Fee Amount") is owing by the Debtor to ONRR

any other obligations that may be uncovered by an ONRR compliance review process, as if no bankruptcy had been filed, but subject to any defenses that may apply in such administrative proceeding for the benefit of the Debtor and/or the Reorganized Debtor. Notwithstanding the foregoing, **the assumption of federal leases, OCS-G13576 and 00184 shall *not* release and satisfy any Claims or defaults, whether monetary or non-monetary, arising under federal leases, OCS-G13576 and 00184 or applicable laws and regulations except with respect to the specific monetary obligation being satisfied. For the avoidance of any doubt, the assumption of federal leases, OCS-G13576 and 00184 shall not release and/or satisfy, among other things, any joint and several decommissioning obligations that have accrued to the Debtor or Reorganized Debtor.**

**8.6. Bonding Program.** RLI has issued bonds (the “**Bonds**”) on behalf of the Debtor to cover obligations of the Debtor arising from or out of the ownership and operation of its oil and gas properties, and activities related thereto (the “**Bonding Program**”). The obligations covered by the Bonds include, but are not limited to, royalty obligations, plugging and abandonment obligations and penalties assessed for non-compliance with applicable rules and regulations governing ownership and operation of oil and gas properties. The obligations of the Debtor in regard to the Bonds are evidenced by the RLI Bond Documents. As provided in Article III, Section 3.2(b)(ii), among other things, the obligations of the Debtor under the RLI Bond Documents will be assumed by the Reorganized Debtor and will become the obligations of the Reorganized Debtor. Pursuant to the Amended Plan, the Reorganized Debtor will continue to own and operate oil and gas properties, and, as a result, will need to keep the Bonding Program in place. Subject to the conditions herein, RLI has agreed to keep the Bonding Program in place.

**8.7. 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 Amended 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 Debtor has any liability thereunder.

## **ARTICLE IX. MODIFICATIONS AND AMENDMENTS**

The Plan Proponent reserves the right to alter, amend, or modify this Amended Plan or any exhibits hereto under section 1127(a) of the Bankruptcy Code at any time prior to the Confirmation Date, but only if approved by the DIP Lender. After the Confirmation Date and prior to substantial consummation of the Amended Plan, as defined in section 1101(2) of the Bankruptcy Code, the Plan Proponent, but only if approved by the DIP Lender, 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 Amended Plan, and related documents and agreements, the Amended Disclosure Statement, or the Confirmation Order, and such matters as may be necessary to carry out the purposes and effects of the Amended Plan so long as such proceedings do not materially adversely affect the treatment of Holders of Claims under the

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for unpaid inspection fees which are due and owing under federal leases, OCS-G13576 and 00184 and that the ONRR Inspection Fee Amount must be paid to ONRR prior to the Debtor’s assumption of federal leases.



Amended 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 Amended 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 resolicitation under Bankruptcy Rule 3019.

The Plan Proponents reserve the right to revoke or withdraw the Amended 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 Amended Plan, then: (i) the Amended Plan shall be null and void in all respects; (ii) any settlement or compromise embodied in the Amended 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 Amended Plan, and any document or agreement executed pursuant to the Amended Plan, shall be deemed null and void; and (iii) nothing contained in the Amended 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 Amended Plan, or the rights of any Entity to object to any such sale transaction.

## **ARTICLE X. RETENTION OF JURISDICTION**

Under 28 U.S.C. §§ 157(b) and 1334, and sections 105(a) and 1142 of the Bankruptcy Code, and notwithstanding entry of the Confirmation Order and occurrence of the Effective Date, the Bankruptcy Court shall retain exclusive jurisdiction over all matters arising out of, and related to, the Bankruptcy Case and this Amended Plan to the fullest extent permitted by law, including, among other things, jurisdiction to:

(a) Allow, disallow, determine, liquidate, classify, estimate, or establish the priority or Secured or Unsecured status of any Claim, including the resolution of any request for payment of any Administrative Claim and the resolution of any objections to the allowance or priority of Claims;

(b) Decide and resolve all matters related to the granting and denying, in whole or in part, any applications for allowance of compensation or reimbursement of expenses to Professionals authorized pursuant to the Bankruptcy Code or the Amended Plan;

(c) Effectuate performance of and payments under the provisions of this Amended Plan;

(d) Hear and determine any and all adversary proceedings, motions, applications, and

contested or litigated matters arising out of, under, or related to, the Bankruptcy Case, including all controversies, suits and disputes that may arise in connection with the interpretation or enforcement of this Amended Plan, and matters concerning state, local and federal taxes according to sections 346, 505 and 1146 of the Bankruptcy Code;

(e) Enter such orders as may be necessary or appropriate to execute, implement, or consummate the provisions of this Amended Plan or Confirmation Order and all contracts, instruments, releases, and other agreements or documents created in connection with the Amended Plan or the Confirmation Order, including implementation and making effective the Exit Facility, but not including enforcement of rights under the Exit Facility after the Effective Date;

(f) Hear and determine disputes arising in connection with the interpretation, implementation, consummation, or enforcement of the Amended Plan or the Confirmation Order and judicial determinations made in connection therewith, including disputes arising under or relating to (i) Plan Supplement Documents, and any other agreements, documents, or instruments executed in connection with the Amended Plan or the Confirmation Order, (ii) the PDMA and all matters related thereto, including foreclosure of the Liens granted thereunder, (iii) the ECP/LOH Contributed ORRI Assignment, (iv) the ECP/LOH Purchased ORRI Assignment, and (v) the LOH/ORRI LLC Assignment;

(g) Consider any modifications of the Amended Plan, cure any defect or omission, or reconcile any inconsistency in any order of the Bankruptcy Court, including, without limitation, the Confirmation Order;

(h) Issue injunctions, Enter and implement other orders, or take such other actions as may be necessary or appropriate to restrain interference by any Entity with implementation, consummation, or enforcement of the Amended Plan or the Confirmation Order;

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

(j) Hear and determine all disputes involving the existence, nature, or scope of the releases provided for in the Amended Plan;

(k) Hear and determine any dispute relating to any liability arising out of the termination of employment or the termination of any employee or retiree benefit program, regardless of whether such termination occurred before or after the Effective Date;

(l) Enforce all orders, judgments, injunctions, releases, exculpations, indemnifications, and rulings entered in connection with the Bankruptcy Case;

(m) Recover all assets of the Debtor or the Estate, wherever located;

(n) Hear and determine any dispute or matter brought by the Debtor or Reorganized Debtor regarding the scope of any obligation to be performed by the Debtor or the Reorganized Debtor related to any Assumed Executory Contract or Unexpired Lease or any asset vested in the

Debtor or Reorganized Debtor by and as of Confirmation and the Effective Date;

- (o) Enforce all orders previously Entered by the Bankruptcy Court;
- (p) Hear and determine such other matters as may be provided in the Confirmation Order or as may be authorized under, or not inconsistent with, provisions of the Bankruptcy Code;
- (q) Enter a Final Decree closing the Bankruptcy Case; and
- (r) Interpret and enforce the terms of any settlement and compromise set forth within the Amended Plan or approved by Final Order of the Bankruptcy Court to ensure compliance with the Confirmation Order which shall be a Final Order of the Bankruptcy Court directing through the approval of compromises contained within the Amended Plan and previously approved by the Bankruptcy Court that the parties to such compromises have resolved that all disputes arising there under are reserved for decision in the Bankruptcy Court.

## **ARTICLE XI. DISCHARGE, RELEASE, INJUNCTION, AND RELATED PROVISIONS**

**11.1. Discharge of Debtor. THE RIGHTS AFFORDED UNDER THE AMENDED PLAN AND THE TREATMENT OF ALL CLAIMS AND EQUITY INTERESTS UNDER THE AMENDED 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 AMENDED 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 (INCLUDING OBLIGATIONS UNDER THE PDMA, THE ECP/LOH CONTRIBUTED ORRI ASSIGNMENT, THE ECP/LOH PURCHASED ORRI ASSIGNMENT AND THE LOH/ORRI LLC ASSIGNMENT) IS RELEASED OR DISCHARGED.**

**11.2. 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 AMENDED PLAN. THE FOREGOING INJUNCTION SHALL NOT APPLY TO THE UNITED STATES (INCLUSIVE OF ANY AND ALL OF ITS AGENCIES TO LIMIT, PRECLUDE OR ENJOIN ANY DEBT, OBLIGATION, LIABILITY, CLAIM, ACTION, PROCEEDING, DEFENSE OR CAUSE OF ACTION, BROUGHT OR THAT MAY BE BROUGHT, BY THE UNITED STATES OR ENJOINS THE UNITED STATES FROM ASSERTING ANY OF THE FOREGOING AGAINST ANY NON-DEBTOR ENTITY OR AGAINST THE DEBTOR OR REORGANIZED DEBTOR TO THE EXTENT PERMITTED BY 11 U.S.C. §§ 1141(d) and 1144.**

### **11.3. Releases by the Debtor.**

(a) 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 Amended 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) the Chapter 11 Trustee's advisors, agents, and representatives (including the Chapter 11 Trustee's Professional) excluding any Evans Party.

(b) 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.

**11.4. Releases by Holders of Claims and Equity Interests.** This section shall not be applicable to the United States, including any and all of its agencies and the United States expressly does not consent to, and objects to, any non-debtor releases. Except as otherwise provided in the Amended 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), (iv) persons who are employed by the Debtor as of the Effective Date (excluding any Evans Party), and (v) 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 Amended Plan, or any related agreements, instruments or other documents.

**11.5. 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 to the maximum extent permissible under applicable Law, have no liability to any Holder of any Claim, 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 Amended Disclosure Statement and the Amended Plan, the solicitation of votes for and the pursuit of Confirmation of the Amended Plan, the consummation of the Amended Plan, or the administration of the Amended Plan or the property to be distributed under the Amended Plan, except for Criminal acts, gross negligence or willful misconduct as determined by a Final Order of the Bankruptcy Court or another applicable court with jurisdiction and, in all respects, shall be entitled to rely upon the advice of counsel with respect to their duties and responsibilities under the Amended Plan. The United States (including any and all of its agencies) does not consent to, and expressly objects to, any non-debtor exculpation except to the extent provided for in 11 U.S.C. § 1125(e) or as explicitly provided for elsewhere in the Bankruptcy Code.

**11.6. Setoffs.** Except as otherwise expressly provided for in the Amended Plan, the Debtor or Reorganized Debtor, pursuant to the Bankruptcy Code (including section 553 of the Bankruptcy Code), applicable non-bankruptcy law, or as may be agreed to by the Holder of a Claim, may offset against any Allowed Claim and the Distributions to be made pursuant to the Amended Plan on account of such Allowed Claim (before any Distribution is made on account of such Allowed Claim), any claims, rights, and Causes of Action of any nature that the Debtor or Reorganized Debtor may hold against the Holder of such Allowed Claim, to the extent such claims, rights, or Causes of Action against such Holder have not been otherwise compromised or settled on or before the Effective Date (whether pursuant to the Amended Plan or otherwise); provided, that neither the failure to exercise such setoff rights nor the allowance of any Claim pursuant to the Amended Plan shall constitute a waiver or release by the Debtor or Reorganized Debtor, of any such claims, rights, and Causes of Action that the Debtor or Reorganized Debtor, may possess against such Holder. In no event shall any Holder of Claims be entitled to exercise the right of setoff of any Claim against any claim, right, or Cause of Action of the Debtor, unless such Holder has timely submitted a Proof of Claim in accordance with this Amended Plan or the applicable Bar Date preserving such right of setoff.

**11.7. 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 Amended Plan or the applicable Bar Date preserving such right of recoupment.

**11.8. Subordination Rights.** The classification and treatment of all Claims and Equity Interests under the Amended Plan shall conform to and with the respective contractual, legal, and equitable subordination rights of such Claims and Equity Interests, and any such rights shall be settled, compromised, and released pursuant to the Amended Plan.

**11.9. Document Retention.** On and after the Effective Date, the Debtor may maintain documents in accordance with their standard document retention policy, as may be altered, amended, modified, or supplemented.

**11.10. 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.

## **ARTICLE XII.**

### **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 this Amended 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 this Amended Plan:

(a) 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, 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;

(b) 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 the 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;

(c) That the Reorganized ECOP Equity Interest, the Exit Facility Loan Documents and any other interests to be issued under this Amended 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 this Amended Plan are not otherwise subject to the Trust Indenture Act of 1939;

(d) 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 this Amended Plan, subject to all approvals as may be required by applicable non-bankruptcy law to effectuate the Effective Date;

(e) That the classification, Distributions, releases, settlements, compromises and other benefits and transactions provided for by and under this Amended 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;

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

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

### **ARTICLE XIII.**

#### **CONDITIONS PRECEDENT TO CONFIRMATION AND THE EFFECTIVE DATE**

**13.1 Conditions Precedent to Confirmation.** The following shall constitute conditions precedent to Confirmation of this Amended Plan:

(a) The Bankruptcy Court shall have Entered an order in form and substance reasonably acceptable to the Debtor and the DIP Lender, approving the Amended Disclosure Statement related to this Amended Plan; and

(b) 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 this Amended Plan and shall have been Entered by the Bankruptcy Court.

**13.2 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 in writing by the Debtor with, if specified herein, the consent of ECM, as applicable, which consent shall not be unreasonably withheld:

(a) 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;

(b) All documents and agreements necessary to implement the Amended 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;

(c) All governmental and material third party approvals and consents, including Bankruptcy Court approval, necessary in connection with the transactions contemplated by the Amended 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;

(d) The timing of the Effective Date shall have been agreed to by the Debtor and the DIP Lender;

(e) 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 this Amended Plan;

(f) Execution of the BOEM/BSEE Settlement Agreement by all parties;

(g) Filing by Debtor and BSEE of a joint motion to dismiss Debtor's outstanding appeal to the IBLA, Docket No. IBLA 2017-50, and a request to remand the matter to BSEE;

(h) Filing by Debtor and BOEM of a joint motion to dismiss Debtor's outstanding IBLA appeals, Docket No. IBLA 2017-0021, and a request to remand the matter to BOEM;

(i) Issuance by BOEM of a letter to Debtor (i) rescinding its 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; and

(j) 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.

**13.3 Waiver of Conditions.** The conditions to Confirmation and Consummation set forth in this Article XIII of the Amended 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 Amended Plan.

**13.4 Filing Notice of Effective Date.** Within two (2) Business Days after the occurrence of the Effective Date, counsel for the Plan Proponents 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 Amended 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.

## **ARTICLE XIV. MISCELLANEOUS PROVISIONS**

**14.1 Immediate Binding Effect.** Subject to Article XIII of this Amended Plan and notwithstanding Bankruptcy Rules 3020(e), 6004(h), or 7062 or otherwise, the Confirmation Order shall be immediately effective and executory and shall not be stayed without an order of the Bankruptcy Court or other Court with authority to stay the Confirmation Order. Also, upon the occurrence of the Effective Date, the Amended Plan and the Plan Supplement shall be immediately effective and enforceable and deemed binding upon the Debtor, the Estate, and any and all Holders of Claims or Equity Interests (irrespective of whether the Holders of such Claims or Equity Interests accepted or rejected the Amended Plan), all Entities that are parties to or are subject to the settlements, compromises, releases, and injunction described in the Amended Plan, each Entity acquiring property under the Amended Plan, and any and all non-Debtor parties to Executory Contracts and Unexpired Leases with the Debtor.

**14.2 Severability of Amended Plan Provisions.** If, prior to Confirmation, any term or provision of this Amended Plan is held by the Bankruptcy Court to be invalid, void, or unenforceable, the Bankruptcy Court shall have the power to alter and interpret such term or provision to make it valid or enforceable to the maximum extent practicable, consistent with the original purpose of the term or provision held to be invalid, void, or unenforceable, and such term or provision shall then be applicable as altered or interpreted. Notwithstanding any such holding, alteration, or interpretation, the remainder of the terms and provisions of this Amended Plan shall remain in full force and effect and shall in no way be affected, impaired, or invalidated by such holding, alteration, or interpretation. The Confirmation Order shall constitute a judicial determination and shall provide that each term and provision of this Amended Plan, as it may have been altered or interpreted in accordance with the foregoing, is valid and enforceable pursuant to its terms.

**14.3 Successors and Assigns.** The rights, benefits, and obligations of any Person named or referred to in the Amended Plan or Confirmation Order shall be binding on, and shall inure to the benefit of, any heir, executor, administrator, successor, or assign of such Person.

**14.4 Notices.** Any pleading, notice, request, demand or any other document required or permitted to be made or provided to or upon the Debtor under this Amended Plan, in order to be effective, must be in writing (including by facsimile or electronic mail transmission), and unless otherwise expressly provided herein, shall be deemed to have been duly given or made (i) if personally delivered or if delivered by email or courier service, when actually received by the Entity to whom notice is sent or (ii) if deposited with the United States Postal Service (whether actually received or not), at the close of business on the third Business Day following the day when placed in the mail, postage prepaid, certified or registered with return receipt requested, addressed to the appropriate Entity or Entities, at the address of such Entity or Entities set forth below (or at such other address as such Entity may designate by written notice to all other Entities listed below in accordance with this Section:

**If to the Debtor:**

Martin A. Schott, Chapter 11 Trustee  
7922-B Wrenwood Boulevard  
Baton Rouge, LA 70809-1785

With a Copy to:

Douglas S. Draper  
Heller, Draper, Patrick, Horn & Dabney, LLC  
650 Poydras Street, Suite 2500  
New Orleans, LA 70130-6103

**If to DIP Lender:**

EC Mako Energy, LLC  
c/o Las Rosas Capital, LLC, Member  
Attention: James Parkman  
Parkman Whaling, LLC  
600 Travis St., Suite 600  
Houston, TX 77002  
Telephone: 713-333-8400  
Email: [jparkman@parkmanwhaling.com](mailto:jparkman@parkmanwhaling.com)

With a Copy to:

Snow Spence Green LLP  
2929 Allen Parkway, Suite 2800  
Houston, TX 77019  
Attention: Phil Snow  
Telephone: 713-335-4802  
Facsimile: 713-335-4902  
Email: [philsnow@snowspencelaw.com](mailto:philsnow@snowspencelaw.com)

**14.5 Post-Confirmation Reporting Requirements.** After Confirmation, the Reorganized Debtor shall continue to report to the United States Trustee on or before the twenty-fifth (25th) day of each calendar month the total of all disbursements for the prior calendar month up to the date an order is Entered granting Final Decree.

However, nothing herein shall be construed as a waiver of the right of the Reorganized Debtor to request that, after the Effective Date, the Bankruptcy Case be administratively closed.

**14.6 Reservation of Rights.** The Amended Plan shall have no force or effect unless the Bankruptcy Court shall Enter the Confirmation Order. Neither the Amended Plan, any statement or provision contained in the Amended Plan, nor any action taken or not taken by the Debtor with respect to the Amended Plan shall be or shall be deemed to be an admission or waiver of any rights of or against any Person or Entity.

**14.7 Governing Law.** Except to the extent that the Bankruptcy Code or Bankruptcy Rules are applicable, and subject to the provisions of any contract, instrument, release, indenture or other agreement or document entered into in connection herewith, the rights and obligations arising hereunder shall be governed by, and construed and enforced in accordance with, the laws of the State of Texas, without giving effect to the principles of conflict of laws thereof; provided, that corporate governance matters relating to the Debtor and Reorganized Debtor shall be governed by the laws of the state of incorporation or formation (as applicable) of the Debtor and Reorganized Debtor.

**14.8 Continuing Viability of Other Orders/Agreements.** Except to the extent expressly modified or otherwise provided by this Amended Plan, or as otherwise ordered by the Bankruptcy Court (i) all Final Orders previously Entered by the Bankruptcy Court and (ii) any agreements between Creditors or between the Debtor and its Creditors will continue in full force and effect.

**14.9 Exhibits.** All exhibits and documents included in the Plan Supplement are incorporated into and are a part of the Amended Plan as if set forth in full in the Amended Plan.

Dated: April 18, 2018

Respectfully submitted,

/s/ Martin A. Schott

Martin A. Schott

Chapter 11 Trustee for EC Offshore Properties, Inc.

## OUTLINE OF BASIC TERMS OF POTENTIAL EXIT FINANCING CREDIT AGREEMENT

This is an outline of certain materials terms with respect to the potential Exit Financing Credit Agreement. This outline does not purport to summarize all the conditions, covenants, representations, warranties and other provisions which would be contained in definitive credit documentation for the financing, including, but not limited to, standard indemnification provisions for Lender and reimbursement of all fees and expenses (including reasonable attorney's fees) of the Lender.

<b>I. EXISTING OBLIGATIONS</b>	
<b>Pre-Petition Loan</b>	The Credit Agreement, dated as of May 11, 2010, as amended and the Amended and Restated Promissory Note dated as of September 7, 2012. The outstanding balance is approximately Nine Million Seven Hundred Thousand and 00/100 Dollars (\$9,700,000.00), exclusive of post-petition interest and attorney's fees.
<b>DIP Financing Loans</b>	The DIP Loan Balance as of December 11, 2017 was approximately Two Million Two Hundred Sixty-Four Thousand and 00/100 Dollars (\$2,264,000.00).
<b>Restructure of Obligations Under Pre-Petition Loan</b>	<p>That portion of the Pre-Petition Loan which is an Allowed Secured Claim would be restructured as follows: All but \$10,000 of the Allowed Secured Claim amount would be exchanged for 100% of the Reorganized ECOP Equity Interest. The remaining \$10,000 of the Pre-Petition Loan Allowed Secured Claim would be rolled into the Exit Financing Note.</p> <p>That portion of the Pre-Petition Loan that is not an Allowed Secured Claim would be treated as an Allowed Unsecured Claim in accordance with the ECOP Plan of Reorganization.</p>
<b>Restructure of Obligations Under Current DIP Financing and Amended DIP Financing</b>	The outstanding DIP Financing Loan balance (including interest, fees and expenses) would on the ECOP Plan of Reorganization Effective Date be rolled into the Exit Financing Note.
<b>II. EXIT FINANCING</b>	
<b>Borrower</b>	EC Offshore Properties, LLC successor to EC Offshore Properties, Inc. pursuant to the ECOP Plan of Reorganization.
<b>Guarantor</b>	ORRI, LLC (Guarantor and Borrower are hereinafter collectively referred to as the " <u>Loan Parties</u> ")
<b>Lender</b>	EC Mako Energy, LLC
<b>Exit Financing Credit Agreement</b>	On the ECOP Reorganization Effective Date, the Exit Financing Credit Agreement would be entered into by Lender and Reorganized ECOP.

	The Exit Financing Credit Agreement would consolidate, amend and restate the Pre-Petition Loan, the DIP Loans and the documents evidencing same.
<b>Exit Financing Note</b>	<p>On the ECOP Plan of Reorganization Effective Date, the Exit Financing Note would be executed by Reorganized ECOP and delivered to Lender.</p> <p>The original principal amount of the Exit Financing Note would be the sum of the rolled over Existing Obligations, plus the amount of additional funds advanced by Lender to Reorganized ECOP to satisfy obligations as of the ECOP Reorganization Effective Date.</p>
<b>Additional Availability</b>	<p>Total availability of \$10,000,000, inclusive of amounts advanced on the Effective Date.</p> <p>Up to \$2,000,000.00 of the additional availability would be available to borrow to satisfy regulatory compliance obligations of Reorganized ECOP in accordance with an approved budget, and working capital needs (“<u>Working Capital Availability</u>”).</p> <p>In addition up to \$5,000,000 would be available to borrow to fund capital expenditures for approved lease development operations in the event that Reorganized ECOP is unable to obtain alternate third party financing to cover 100% of such costs (“<u>Capex Development Availability</u>”). Unless otherwise agreed by Lender (i) not more than \$2,500,000 of the Capex Development Availability would be available to fund capital expenditures with respect to the East Cameron Block 72 #3 well re-entry or re-drill operations, and (ii) not more than \$2,500,000 of the Capex Development Availability would be available to fund capital expenditures with respect to drilling a new well on the East Cameron Block 72 Lease.</p> <p>Funding of the Working Capital Availability and Capex Development Availability would be subject to usual and customary conditions to making advances.</p>
<b>Maturity Date</b>	<p>The Exit Financing Loan will mature and the balance due and payable on the earlier of (such earliest date, the “<u>Maturity Date</u>”):</p> <p>(i) The date that is 4 years after the Closing Date or (ii) an Event of Default and the acceleration of any outstanding extensions of credit, in each case, under the Pre-Petition Loan in accordance with the terms of the definitive documentation with respect to the Pre-Petition Loan (the “<u>Loan Agreement</u>”).</p>
<b>Closing Date</b>	The Effective Date of the ECOP Plan of Reorganization.
<b>Interest Rate</b>	The Exit Financing Note would bear interest at the rate of 10% per annum, payable quarterly.

	<p>Interest shall be calculated on the basis of the actual number of days elapsed in a 365/366-day year.</p> <p>At any time when an Event of Default (as defined below) under the Exit Financing Note exists, all outstanding amounts thereunder shall bear interest at the rate of 14% per annum.</p>
<b>Optional Prepayments and Commitment Reductions</b>	The Loan Parties may, upon at least 3 business days' notice, prepay in full or in part the Loans, without premium or penalty.
<b>Interest Payments</b>	All interest for the period from the Closing Date through December 31, 2020 will be payable in kind by adding an amount equal to such accrued interest (the " <u>PIK Amount</u> ") to the principal amount of the Loans on the applicable interest payment date, unless a written notice is delivered at least 5 business days prior to any interest payment date, indicating that the Loan Parties are exercising their right to pay cash on such interest payment date, in which case interest due on such interest payment date shall be payable in cash.
<b>Mandatory Prepayments</b>	Mandatory prepayments of the Loans shall be required in an amount equal to (i) 100% of the net cash proceeds received by any Loan Party from asset sales or series of related asset sales, (ii) 100% of casualty insurance and condemnation proceeds, and (iii) unless otherwise agreed by Lender, 100% of net cash proceeds from the issuance of any indebtedness, in each case of clauses (i) through (iii) above received by the Borrower or Guarantor and subject to customary exceptions to be agreed upon.
<b>Security</b>	All amounts owing under the Exit Financing Credit Agreement would be secured by a first priority perfected security interest in and lien, including all liens securing (i) the Pre-Petition Loan, and (ii) the DIP Financing Loans, on all of the Loan Parties' tangible and intangible assets (other than cash collateral pledged to secure the RLI bonds, or other bonding companies).
<b>Conditions Precedent to Loan and Advances</b>	<p>The Loan Agreement will contain conditions precedent to additional advances customarily found in loan agreement for similar exit financings, and in any event, including, without limitation:</p> <ol style="list-style-type: none"> <li>1. The ECOP Plan of Reorganization (i) as filed in the Bankruptcy Case, and (ii) as confirmed by the Bankruptcy Court, shall be in form and substance acceptable to Lender.</li> <li>2. The ECOP Plan of Reorganization "Effective Date" shall have occurred and the Confirmation Order shall have been entered in form and substance acceptable to the Lender and shall not have been vacated, reversed, modified, amended or stayed.</li> </ol>

	<ol style="list-style-type: none"> <li>3. The preparation, authorization and execution of the Loan Agreement, in form and substance satisfactory to the Lender.</li> <li>4. All fees and expenses (including reasonable fees and expenses of counsel) required to be paid to the Lender on or before the Closing Date.</li> <li>5. Lender shall be satisfied with the amount, types and terms and conditions of all insurance and bonding maintained by the Borrower and its subsidiaries and the Lender shall have received endorsements naming the Lender as an additional insured and loss payee under all insurance policies to be maintained with respect to the properties of the Borrower and its subsidiaries forming part of the collateral.</li> <li>6. The Lender has, or concurrently with the closing of the Loan Agreement shall have, a valid and perfected lien on and security interest in the collateral with the priority described herein. All filings, recordations and searches necessary or desirable in connection with such liens and security interests shall have been, or shall concurrently be, duly made; and all filing and recording fees and taxes shall have been duly paid.</li> <li>7. There shall not exist any post-confirmation action, suit, investigation, litigation or proceeding pending or threatened in any court or before any arbitrator or governmental authority that, in the opinion of the Lender, affects any of the transaction contemplated hereby, or that has or could be reasonably likely to have a material adverse effect on the businesses, assets, operations or condition (financial or otherwise) of Borrower or Guarantor, or any of the transactions contemplated hereby.</li> <li>8. All representations and warranties set forth in the Loan Agreement shall be true and correct in all material respects (other than representations and warranties qualified as to materiality, which will be true and correct in all respects).</li> <li>9. No default or event of default shall have occurred and be continuing.</li> <li>10. The making of any advance shall not violate any requirement of law and shall not be enjoined, temporarily, preliminarily or permanently.</li> </ol> <p>Satisfaction of performance covenants typical for a lending transaction of this type.</p>
<b>Representations and Warranties</b>	The Loan Agreement will contain representations and warranties customarily found in the loan agreements for similar financings and subject to usual and customary materiality thresholds, exceptions and qualifications, including, without limitation, with respect to: valid existence, requisite power, due authorization, no conflict with



	applicable law, governmental approvals, enforceability of the Loan Agreement, accuracy of financial statements, projection and all other information provided, no material adverse change, taxes, compliance with law, federal reserve regulations, no default under the Loan Agreement, use of proceeds, insurance, casualty, litigation, environmental compliance, marketing of production, gas balancing agreements and advance payment contracts, necessary rights to intellectual property, ownership of properties and possession under leases, material agreements, subsidiaries, valid security, solvency, continued effectiveness of the Confirmation Order and no default under any contractual obligation assumed pursuant to the Bankruptcy Code.
<b>Financial Requirements</b>	<b>Report</b> Commencing with the second quarter of 2018, the Borrower shall provide to the Lender: (i) quarterly consolidated financial statements of the Borrower and Guarantor within 60 days after the end of each of the first three fiscal quarters of each fiscal year, certified by the Borrower's chief financial officer; (ii) annual consolidated financial statements of the Borrower and Guarantor within 120 days after the end of each fiscal year; and (iii) within 90 days after the commencement of each fiscal year of the Borrower, a monthly cash flow budget and development plan for such fiscal year together with a forecasted operating budget of the Borrower for the following year detailed on a monthly basis.
<b>Other Requirements</b>	<b>Reporting</b> The Loan Agreement will contain other reporting requirements customarily found in the loan documents for similar financings, including, without limitation, notices with respect to litigation, contingent liabilities, environmental events and reserve reports, in form and substance satisfactory to the Lender on a semi-annual basis, with the interim report to be prepared by one or more approved petroleum engineers.
<b>Affirmative Covenants</b>	The Loan Agreement will contain affirmative covenants customarily found in the loan agreements for similar financings and subject to usual and customary materiality thresholds, exceptions and qualifications, including, without limitation, the following: preservation of existence, compliance with laws (including applicable environmental laws), conduct of business, payment of taxes and other obligations, maintenance of insurance, maintenance of books and records, access to properties and inspection rights, operation and maintenance of properties, employee benefits, use of proceeds, further assurances and additional guarantors and collateral, reserve reports, title information, hedging agreements, compliance with all leases and related documents and environmental matters.
<b>Negative Covenants</b>	The Loan Agreement will contain negative covenants customarily found in the loan agreements for similar financings and subject to usual and customary materiality thresholds, exceptions and qualifications.
<b>Events of Default</b>	The Loan Agreement will contain events of default (each an " <u>Event of Default</u> ") customarily found in loan agreements for similar exit

	<p>financings and subject to usual and customary materiality thresholds, exceptions, qualifications, grace periods and cure periods, including, without limitation, the following:</p> <ol style="list-style-type: none"> <li>1. failure to make any payment to Lender when due;</li> <li>2. noncompliance with covenants or breaches of representations and warranties;</li> <li>3. any default related to other material indebtedness by the Loan Parties which has continued beyond the grace period or for a period of time sufficient to permit the acceleration of such indebtedness;</li> <li>4. the existence of certain materially adverse environmental liabilities;</li> <li>5. impairment of the Loan Agreement, including any of the security interests or liens granted by the Loan Agreement ceases to be a valid, binding and enforceable first priority security interest (or with respect to the proved reserves, a second priority security interest); and</li> <li>6. any bankruptcy, insolvency, reorganization, attachment, receivership or similar proceeding shall be instituted by or against Borrower or Guarantor.</li> </ol>
<b>Indemnification</b>	<p>The Borrower shall indemnify and hold harmless the Agent, Lender, each of their respective affiliates and each of their respective officers, directors, employees, agents, advisors, attorneys and representatives (each, an “<u>Indemnified Party</u>”) from and against any and all claims, damages, losses, liabilities and expenses (including, without limitation, reasonable and documented fees and disbursements of counsel, joint or several, that may be incurred by or asserted or awarded against any Indemnified Party (including, without limitation, in connection with or relating to any investigation, litigation or proceeding or the preparation of any defense in connection therewith), in each case arising out of or in connection with or by reason of the Loan Agreement or any of the transactions contemplated thereby, or any actual or proposed use of the proceeds of the Loan Agreement, except to the extent such claim, damage, loss, liability or expense is (x) found in a final non-appealable judgment by a court of competent jurisdiction to have resulted from such Indemnified Party’s bad faith, gross negligence or willful misconduct or (y) brought by an Indemnified Party against any other Indemnified Party (other than disputes involving claims against the Agent or its affiliates in their respective capacities or in fulfilling their roles as such or any other similar role with respect to the Loan Agreement to the extent such person is otherwise entitled to indemnification hereunder). In the case of an investigation, litigation or other proceeding to which the indemnity in this paragraph applies, such indemnity shall be effective whether or not such investigation, litigation or proceeding is brought by the Borrower, any of its directors, security-</p>

	holders or creditors, an Indemnified Party or any other person, or an Indemnified Party is otherwise a party thereto.
<b>Expenses</b>	The Borrower and Guarantor shall jointly and severally be obligated to pay all (i) reasonable out-of-pocket costs and expenses of the Lender (including all fees, expenses and disbursements of counsel) in connection with the discussion, negotiation, preparation, execution and delivery of any documents in connection with the Loan Agreement and the funding of all Loans under the Loan Agreement and any amendment or waiver of any provision of the Loan Agreement, and (ii) reasonable and documented out-of-pocket costs and expenses of the Lender (including reasonable fees, expenses and disbursements of counsel) in connection with the interpretation, enforcement or protection of any of their rights and remedies under the Loan Agreement.
<b>Governing Law and Submission to Jurisdiction</b>	State of Texas. Submission by the Loan Parties to jurisdiction within Harris County, Texas.

I:\Client\ECMA0001-EC Mako-East Cameron\Bankruptcy - EC Offshore\_LA\Plan  
Drafts\Exhibits\Ex1\_ExitFinancingBasicTerms\_20180228.docx

# MONTHLY OPERATING REPORT

## CHAPTER 11

CASE NAME: EC Offshore Properties, Inc.

CASE NUMBER: 15-50085 For Period Jan. 1 to Jan. 31, 2018

THIS REPORT IS DUE 15 DAYS AFTER THE END OF THE MONTH. The debtor must attach each of the following forms unless the United States Trustee has waived the requirement in writing. File with the court and submit a paper copy to UST with an original signature.

Form Attached	Previously Waived	REQUIRED REPORTS/DOCUMENTS
(mark only one - attached or waived)		
<input checked="" type="checkbox"/>	<input type="checkbox"/>	Comparative Balance Sheet (FORM 2-B)
<input checked="" type="checkbox"/>	<input type="checkbox"/>	Profit and Loss Statement (FORM 2-C)
<input checked="" type="checkbox"/>	<input type="checkbox"/>	Cash Receipts & Disbursements Statement (FORM 2-D)
<input checked="" type="checkbox"/>	<input type="checkbox"/>	Supporting Schedules (FORM 2-E)
<input checked="" type="checkbox"/>	<input type="checkbox"/>	Narrative (FORM 2-F)
<input checked="" type="checkbox"/>	<input type="checkbox"/>	Copies of Bank Statement(s) and Reconciliations of Bank Balance to Book Balance for all Account(s)

I declare under penalty of perjury that the following Monthly Operating Report and any attachments thereto, are true and correct to the best of my knowledge and belief.

Executed on: February 20, 2018  
(date)

Debtor(s)\*EC Offshore Properties, Inc.

By:\*\* /s/ Martin A. Schott

Position: Trustee

Name of preparer: Greta M. Brouphy

Telephone No. of Preparer 504.299.3351

\* both debtors must sign if a joint petition

\*\* for corporate or partnership debtor



FORM 2-A  
3/11

	Actual BALANCE T:12/31/2013 Company: <Blank>
<b>ASSETS</b>	
Current Assets:	
Bank of America - Houston	\$10,170
Capital One - Metairie	\$37,394
Total Cash in Banks	\$47,564
Accounts Receivable	
Oil and Gas Sales	\$246,999
Other, Net	-\$188
Total Accounts Receivable	\$246,810
Intercompany Receivable	
Deposits and Other Prepaid Exp	\$41,535
Total Current Assets	335,909
Oil and Gas Properties	\$12,411,261
Less: Accum Depl & Depr.	-\$3,681,268
Oil & Gas Properties, Net	\$8,729,994
Escrow Released to ARO	\$3,355,984
Investment in ORRI	\$100
Other Assets	\$6,750
<b>TOTAL ASSETS</b>	<b>\$12,428,736</b>
<b>LIABILITIES AND EQUITY</b>	
Current Liabilities:	
Royalties Payable:	
Current Production	-\$23,988
Administrative Claim	\$1,864,000
Total Royalties Payable	\$1,840,012
Accounts Payable:	
Trade	\$1,025,465
Total Accounts Payable	\$1,025,465
Accrued Interest Payable	\$1,938,366
Accrued Expenses	\$25,873
Short-Term Note Payable	\$25,051
Total Current Liabilities	\$4,854,767
Long-Term Liabilities:	
Note payable to shareholders	\$4,092,000
Asset Retirement Obligation	\$4,437,719
Total Liabilities	13,384,486
Shareholders' Equity:	

Prfd Stock 4,814,508 Shares	\$5,804,497
Common Stock, 167,022 Shares	\$1,670
Equity in Wholly Owned Sub:	
Subsidiary Partners Capita	\$395,088
Cumulative Net Loss - inc div	-\$4,369,499
Current Year Net Income/<Loss>	-\$2,787,506
Total Shareholders Equity	-955,750
<b>TOTAL LIABILITIES AND EQUITY</b>	<b><u>\$12,428,736</u></b>

**NET REVENUE**  
COST OF GOODS SOLD:  
Material  
Labor - Direct  
Manufacturing Overhead  
**GROSS PROFIT**  
OPERATING EXPENSES  
Selling and Marketing  
General Administrative (rents, utilities, salaries, etc.)  
Other:  
TOTAL OPERATING EXPENSES  
INTEREST EXPENSE  
**INCOME BEFORE DEPRECIATION OR TAXES**  
DEPRECIATION OR AMORTIZATION  
EXTRAORDINARY EXPENSES  
INCOME TAX EXPENSE (BENEFIT)  
**NET INCOME (LOSS)**

Filing Date	Jan-15 Month	Feb-15 Month	Mar-15 Month	Apr-15 Month
\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
\$0.00	\$0.00	\$0.00	\$0.00	\$0.00





Jan-16 Month	Feb-16 Month	Mar-16 Month	Apr-16 Month	May-16 Month	Jun-16 Month	Jul-16 Month	Aug-16 Month
\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
\$13,953.12	\$172,285.81	\$92,903.12	\$6,629.07	\$191,862.70	\$226,839.15	\$211,717.64	\$122,643.73
\$13,953.12	\$172,285.81	\$92,903.12	\$6,629.07	\$191,862.70	\$226,839.15	\$211,717.64	\$122,643.73
-\$13,953.12	-\$172,285.81	-\$92,903.12	-\$6,629.07	-\$191,862.70	-\$226,839.15	-\$211,717.64	-\$122,643.73
-\$13,953.12	-\$172,285.81	-\$92,903.12	-\$6,629.07	-\$191,862.70	-\$226,839.15	-\$211,717.64	-\$122,643.73

Sep-16 Month	Oct-16 Month	Nov-16 Month	Dec-16 Month	Jan-17 Month	Feb-17 Month	Mar-17 Month	Apr-17 Month
\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
\$179,172.51	\$76,219.09	\$67,020.99	\$123,832.06	\$105,981.25	\$29,041.99	\$14,674.99	\$104,362.09
\$179,172.51	\$76,219.09	\$67,020.99	\$123,832.06	\$105,981.25	\$29,041.99	\$14,674.99	\$104,362.09
-\$179,172.51	-\$76,219.09	-\$67,020.99	-\$123,832.06	-\$105,981.25	-\$29,041.99	-\$14,674.99	-\$104,362.09
-\$179,172.51	-\$76,219.09	-\$67,020.99	-\$123,832.06	-\$105,981.25	-\$29,041.99	-\$14,674.99	-\$104,362.09

May-17 Month	Jun-17 Month	Jul-17 Month	Aug-17 Month	Sep-17 Month	Oct-17 Month	Nov-17 Month	Dec-17 Month
\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
\$3,360.00	\$90,521.35	\$53,484.91	\$136,936.00	\$30,000.00	\$75,340.99	\$9,337.01	\$117,883.40
\$3,360.00	\$90,521.35	\$53,484.91	\$136,936.00	\$30,000.00	\$75,340.99	\$9,337.01	\$117,883.40
-\$3,360.00	-\$90,521.35	-\$53,484.91	-\$136,936.00	-\$30,000.00	-\$75,340.99	-\$9,337.01	-\$117,883.40
-\$3,360.00	-\$90,521.35	-\$53,484.91	-\$136,936.00	-\$30,000.00	-\$75,340.99	-\$9,337.01	-\$117,883.40

Jan-18 Month
\$0.00
\$21,549.02
\$21,549.02
-\$21,549.02
-\$21,549.02

EC Offshore Properties, Inc.  
Case No. 15-50085  
Cash Receipts and Disbursements Statement  
For Period Jan. 1 to Jan. 31, 2018

CASH RECONCILIATION

1 Beginning Cash Balance (Ending Cash Balance from last month's report)	\$	151,630.90
2 Cash Receipts (total Cash Receipts from page 2 of all Form 2-D's)	\$	105,523.94
3 Cash Disbursements (total Cash Disbursements from page 3 of all Form 2-D's)	\$	21,549.02
4 Net Cash Flow	\$	83,974.92
5 Ending Cash Balance	\$	235,605.82

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ADJUSTED CASH DISBURSEMENTS

Cash disbursements on Line 3 above less inter-account transfers & UST fees paid	\$	21,549.02
quarter UST payment	\$	1,625.00
<i>Adjusted Cash Balance</i>	\$	19,924.02

EC Offshore Properties, Inc.  
Case No. 15-50085  
Cash Receipts and Disbursements Statement  
For Period Jan. 1 to Jan. 31, 2018  
Account Name: Rabobank, N.A. Account Number: \*\*\* 5066  
Form 2-D, Page 3 of 4

CASH RECEIPTS JOURNAL

Date	Description (Source)	Amount
1/25/2018	Wire Transfer EC Mako Energy LLC	\$ 105,523.94

Total Cash Receipts \$ 105,523.94

EC Offshore Properties, Inc.  
Case No. 15-50085  
Cash Receipts and Disbursements Statement  
For Period Jan. 1 to Jan. 31, 2018  
Account Name: Rabobank, N.A. Account Number: \*\*\*5066  
Form 2-D, Page 4 of 4

CASH DISBURSEMENTS JOURNAL

Date	Check No.	Payee	Description (Source)	Amount
1/2/2018	315	Shana Haskings - c/o John Boylan		\$ 1,000.00
1/2/2018	328	Delaware Division of Corp.		\$ 250.00
1/2/2018	329	IPFS Corp.	Installment for insurance policy (property)	\$ 9,337.01
1/29/2018	330	IPFS Corp.	Installment for insurance policy (property)	\$ 9,337.01
1/30/2018	331	UST Trustee	4th Quarter 2017 Fees	\$ 1,625.00

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Total Cash Disbursements \$ 21,549.02

**EC Offshore Properties, Inc.**  
15-50085  
Quarterly Fee Summary  
For Period Jan. 1 to Jan. 31, 2018

Payment	Cash Disbursements	Quarterly Fee Due	Check No.	Date
January	<u>\$19,924.02</u>			
February	<u>                    </u>			
March	<u>                    </u>			
Total	<u>                    </u>			
1st Quarter	<u>\$19,924.02</u>			
April	<u>\$104,362.09</u>			
May	<u>\$3,360.00</u>			
June	<u>\$90,521.35</u>			
Total	<u>                    </u>			
2nd Quarter	<u>\$198,243.44</u>	<u>\$1,625.00</u>	<u>284</u>	<u>8/4/2017</u>
July	<u>\$53,484.91</u>			
August	<u>\$136,936.00</u>			
September	<u>\$30,000.00</u>			
Total	<u>                    </u>			
3rd Quarter	<u>\$220,420.91</u>	<u>\$1,625.00</u>	<u>309</u>	<u>10/24/2017</u>
October	<u>\$73,715.99</u>			
November	<u>\$9,337.01</u>			
December	<u>\$117,883.40</u>			
Total	<u>                    </u>			
4th Quarter	<u>\$200,936.40</u>	<u>\$1,625.00</u>	<u>331</u>	<u>1/30/2018</u>

**DISBURSEMENT CATEGORY**

**QUARTERLY FEE DUE**

\$0 to \$14,999.99	\$325
\$15,000 to \$74,999.99	\$650
\$75,000 to \$149,999.99	\$975
\$150,000 to \$224,999.99	\$1,625
\$225,000 to \$299,999.99	\$1,950
\$300,000 to \$999,999.99	\$4,875
\$1,000,000 to \$1,999,999.99	\$6,500
\$2,000,000 to \$2,999,999.99	\$9,750
\$3,000,000 to \$4,999,999.99	\$10,400
\$5,000,000 to \$14,999,999.99	\$13,000
\$15,000,000 to \$29,999,999.99	\$20,000
\$30,000,000 or more	\$30,000



EC Offshore Properties, Inc.  
Case Number 15-50085  
Supporting Schedules  
For Period Jan. 1 to Jan. 31, 2018

POST-PETITION ACCOUNTS PAYABLE REPORT

TYPE	INCURRED	DUE	0-30	31-60	61-90	OVER 90
FITW	N/A	N/A	\$0.00	\$0.00	\$0.00	\$0.00
FICA	N/A	N/A	\$0.00	\$0.00	\$0.00	\$0.00
FUTA	N/A	N/A	\$0.00	\$0.00	\$0.00	\$0.00
SITW	N/A	N/A	\$0.00	\$0.00	\$0.00	\$0.00
SUTA	N/A	N/A	\$0.00	\$0.00	\$0.00	\$0.00
OTHER TAX	N/A	N/A	\$0.00	\$0.00	\$0.00	\$0.00
TRADE PAYABLES	N/A	N/A	\$0.00	\$0.00	\$0.00	\$0.00
IPFS	financed	\$ 18,522.57				
AFCO/Ins. Premium	financed	\$ -				
OTHER	N/A	N/A	\$0.00	\$0.00	\$0.00	\$0.00
TOTALS		\$ 18,522.57	\$0.00	\$0.00	\$0.00	\$0.00



EC Offshore Properties, Inc.  
Case Number 15-50085  
SUPPORTING SCHEDULES  
For Period Jan. 1 to Jan. 31, 2018

INSURANCE SCHEDULE

<u>Type</u>	<u>Carrier/Agent</u>	<u>Coverage (\$)</u>	<u>Date of Expiration</u>	<u>Premium Paid</u>
Workers' Comp	N/A	N/A	N/A	N/A
General Liability	Markel International Insurance	\$ 1,000,000.00	6/15/2018	
Property (Fire, Theft)	Markel International Insurance	\$ 1,000,000.00	8/3/2018	financed
Vehicle	N/A	N/A	N/A	N/A
Other (list):	N/A	N/A	N/A	N/A

NARRATIVE STATEMENT  
for the period Jan. 1 to Jan. 31, 2018

Parties working on the appeal of the suspension of production.

Property insurance renewed, Trustee granted the authority to finance the premiums.

Order entered September 23, 2016, requiring the Trustee to comply with Federal Environmental and Safety Regulations [Dkt. # 212] and requiring the Debtor to send a weekly report setting forth the progress to resolve health, safety and navigation issues. The order also requires that this report include information on incidents of non-compliance. See attached.

Debtor renewed insurance policy.

Debtor was granted the authority to enter into a settlement and compromise with the BOEM and the BSE regarding the suspension of production. Debtor anticipates filing a plan.

Bar date for claims is set for Friday, March 16, 2018.



**Rabobank, N.A.**  
PO Box 6010  
Santa Maria, CA 93456-6010  
www.RabobankAmerica.com

**Rabobank** Return Service Requested




Rabobank, N.A.  
Member FDIC  
NMLS #649477

Period Covered:  
January 01, 2018 - January 31, 2018  
Page 1 of 4

Martin A. Schott  
7922-B Wrenwood Blvd.  
Baton Rouge LA 70809

Case Number 15-50085  
Case Name EC OFFSHORE PROPERTIES, INC.  
Trustee Number 0000380081  
Trustee Name Martin A. Schott

 **Questions**  
(800) 634-7734  
banking@bmsadvantage.com  
www.bmsadvantage.com

#### CONSOLIDATED BALANCE SUMMARY

Account	Number	Ending Balance Prior Period	Ending Balance This Period
Checking Account TRUSTEE CHECKING	5013315066	\$151,630.90	\$235,605.82
<b>Total</b>		<b>\$151,630.90</b>	<b>\$235,605.82</b>

#### Notable Information For You...

*Reminder: To ensure your banking security, we recommend that you perform periodic audits to ensure challenge questions are completed and banking permissions are up to date for all staff members in your practice in both your CaseLink and TrustWorks software. Remember, these guidelines have been put in place to confirm your identity to the BMS Banking Center and the Rabobank banking team as well as allowing only those staff members with the appropriate rights to access your bank information. Knowing your challenge questions and answers will help you avoid any banking transaction delays. If you have any questions, please contact the BMS Banking Center by email or by phone at 800-634-7734.*

IN CASE OF ERRORS OR QUESTIONS  
REGARDING YOUR STATEMENTS  
Telephone us at (800) 465-2415

**Rabobank, N.A.**

PO Box 6010  
 Santa Maria, CA 93456-6010  
[www.RabobankAmerica.com](http://www.RabobankAmerica.com)

**Rabobank** Return Service Requested

Period Covered:  
 January 01, 2018 - January 31, 2018  
 Page 2 of 4

Martin A. Schott  
 7922-B Wrenwood Blvd.  
 Baton Rouge LA 70809

Case Number 15-50085  
 Case Name EC OFFSHORE PROPERTIES, INC.  
 Trustee Number 0000380081  
 Trustee Name Martin A. Schott

**Questions**  
 (800) 634-7734  
[banking@bmsadvantage.com](mailto:banking@bmsadvantage.com)  
[www.bmsadvantage.com](http://www.bmsadvantage.com)

**TRUSTEE CHECKING**

Account Number: 5013315066

Enclosures	5	<b>Beginning Balance</b>	<b>\$151,630.90</b>
Avg Collected Balance	\$164,204.00	+ Total Additions	\$105,523.94
		- Total Subtractions	\$21,549.02
		<b>Ending Balance</b>	<b>\$235,605.82</b>

**Checks**

\* Indicates a Skip in Check Number(s)  
 "E" Indicates an Electronic Check

Check #	Date	Amount	Check #	Date	Amount	Check #	Date	Amount
315	01-02	1,000.00	329	01-02	9,337.01	331	01-30	1,625.00
328 *	01-02	250.00	330	01-29	9,337.01			

**Credits**

Date	Description	Additions
01-25	WIRE TRANSFER-IN EC MAKO ENERGY LLC 20180125B6B7HU4R01 2392	105,523.94

**Daily Balances**

Date	Amount	Date	Amount	Date	Amount
12-31	151,630.90	01-25	246,567.83	01-30	235,605.82
01-02	141,043.89	01-29	237,230.82		



**Rabobank, N.A.**  
 PO Box 6010  
 Santa Maria, CA 93456-6010  
 www.RabobankAmerica.com

**Rabobank** Return Service Requested

Account Number 5013315066

Period Covered:  
 January 01, 2018 - January 31, 2018  
 Page 3 of 4

VOID AFTER 90 DAYS 315

Rabobank, N.A.  
 Santa Maria, CA

Pay to the order of: **IC OFFSHORE PROPERTIES, INC.**  
 15-50085  
 5013315066

DATE 12/15/2017 \$ \*\*\*\*\*1,000.00

Pay to the order of: **NIANA HANSSENS**  
 C/O JOHN HETVELAN

Martin A. Scholt Chapter 11 Trustee

⑈00000315⑈ ⑆122237159⑆ 5013315066⑈

by deposit only  
 NANA HANSSENS

01/02/18	#315	\$1,000.00	01/02/18	#315	\$1,000.00
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VOID AFTER 90 DAYS 328

Rabobank, N.A.  
 Santa Maria, CA

Pay to the order of: **IC OFFSHORE PROPERTIES, INC.**  
 15-50085  
 5013315066

DATE 12/22/2017 \$ \*\*\*\*\*250.00

Pay to the order of: **IN LAWYER DIVISION OF CORPORATIONS**  
 401 FEDERAL STREET, SUITE 4  
 DOWRY DE 19401

Martin A. Scholt Chapter 11 Trustee

⑈00000328⑈ ⑆122237159⑆ 5013315066⑈

FOR DEP CITIZENS ACCT 5160044055

01/02/18	#328	\$250.00	01/02/18	#328	\$250.00
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VOID AFTER 90 DAYS 329

Rabobank, N.A.  
 Santa Maria, CA

Pay to the order of: **IC OFFSHORE PROPERTIES, INC.**  
 15-50085  
 5013315066

DATE 12/22/2017 \$ \*\*\*\*\*9,337.01

Pay to the order of: **IPIS CORPORATION**  
 P.O. BOX 730223  
 DALLAS TX 75373-0223

Martin A. Scholt Chapter 11 Trustee

⑈00000329⑈ ⑆122237159⑆ 5013315066⑈ ⑈0000933701⑈

JPMORGANCHASE BK NA CR TO NMD  
 122817 ⑈074309962⑈ PAYEE ALL  
 04737333 0730223 RTS R2VO  
 00623773 112 000000065857210

01/02/18	#329	\$9,337.01	01/02/18	#329	\$9,337.01
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VOID AFTER 90 DAYS 330

Rabobank, N.A.  
 Santa Maria, CA

Pay to the order of: **IC OFFSHORE PROPERTIES, INC.**  
 15-50085  
 5013315066

DATE 01/23/2018 \$ \*\*\*\*\*9,337.01

Pay to the order of: **IPIS CORPORATION**  
 P.O. BOX 730223  
 DALLAS TX 75373-0223

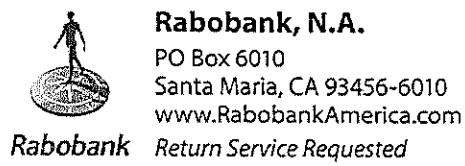
Martin A. Scholt Chapter 11 Trustee

⑈00000330⑈ ⑆122237159⑆ 5013315066⑈ ⑈0000933701⑈

JPMORGANCHASE BK NA CR TO NMD  
 012918 ⑈074309962⑈ PAYEE ALL  
 04737062 0730223 RTS R2VO  
 00653180 095 000000065857210

01/29/18	#330	\$9,337.01	01/29/18	#330	\$9,337.01
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Period Covered:  
January 01, 2018 - January 31, 2018  
Page 4 of 4

[illegible]

01/30/18	#331	\$1,625.00	01/30/18	#331	\$1,625.00
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In re: EC Offshore Properties, Inc.  
Case No. 15-50085  
Monthly Report, dated January 31, 2018

Lease No.	Area/Block	Fac./Well No.	PINC #	Enf. Action	INC Description	INC Date	Proposed Correction of INC	Estimated Date of Correction
					None			

As described in the Weekly Reports submitted by EC Offshore Properties, Inc. to Mark C. Osterman, United States Department of the Interior, District Manager for the Lake Charles District, at [mark.osterman@bsee.gov](mailto:mark.osterman@bsee.gov), and Eunice R. Hudson, Trial Attorney, United States Department of Justice, at [eunice.r.hudson@usdoj.gov](mailto:eunice.r.hudson@usdoj.gov), there are currently no outstanding uncorrected health, safety and navigation issues with the INCs listed on Schedule 1 to the Interim Order entered September 23, 2016.

Lease No.	Area/ Block	Fac. / Well No.	PINC #	Enf. Action	Description	INC Date
G13576	EC 71	A	G111	C	Make Safe (rope off/mark/revise drawings/resubmit to BSEE) corroded ladder accessing the sump tank ABH-1000.	8/19/2014
G13576	EC 71	C	G111	C	Re-organize hoses on C platform crane that pose a trip hazard	8/19/2014
G13576	EC 71	A	G-112	C	Clean up multiple leaks and accumulations of condensate and oil were identified.	8/19/2014
G13576					Clean up condensate accumulation in oil holding tank ABJ-2000 skid, due to bottoms from generator fuel gas pot being drained to the skid.	8/19/2014
G13576	EC 71	A	G-112	C		8/19/2014
G13576	EC 71	A	G-112	C	Clean up and make safe Compressor skid (leaks externally).	8/19/2014
G13576	EC 71	A	G-112	C	Clean up and make safe oil accumulation in gas compressor skid from packing leaks.	8/19/2014
G13576	EC 71	A	G-112	C	Clean up and make safe condensate accumulation in oil handling tank pump skid PAX-1000 from leaking packing.	8/19/2014
G13576	EC 71	A	G-112	C	Clean up and make safe oil holding tank pump PAX-2000 (leaks externally at the discharge valve cap).	8/19/2014
G13576	EC 71	A	P-470	C	Repair the LSH on sump tank ABH-1000 (failed to operate)	8/19/2014
G13576	EC 71	A	F-108	C	Repair electrical installations for grounding the Diesel generator in accordance with API RP 500, API RP 14F, API RP 505 and API RP 14F2.	8/19/2014
G13576	EC 71	A	F-108	C	Repair electrical junction box on heat trace wiring on generator fuel gas pot not properly sealed in accordance with API RP 500, API RP 14F, API RP 505 and API RP 14F2.	8/19/2014
					Corrosion issues on *1) various nuts, bolts and the PSV os Low Pressure separator MBD-1000 *2) ladder accessing the Sump Tank ABH-1000 *3) Sightglass on Vent Scrubber MBF-6000 *4) Wellhead casing valves on the "A" facility *7) The lower section of the escape ladder on "C" platform	8/20/2014
G13576	EC 71	A	G111	C		
G00184	EC 72	4	G111	C	Make Safe (rope off/mark/revise drawings/resubmit to BSEE) corroded and/or missing grating on boat landing.	7/9/2015
G13576	EC 71	A	G112	S	Install a positive isolation between the pipeline and the open ended vessels/lines	10/15/2015
G13576	EC 71	A	2100	W	Perform Coast Guard annual self inspection on EC 71 -A platform	10/15/2015
G13576	EC 71	A	P283	W	Perform test on well EC 71 A-1 plug	10/15/2015
G13576	EC 71	A	P283	W	Perform test on well EC 71 A-1D plug	10/15/2015
G13576	EC 71	A	P280	C	Perform test on well EC 71 A-2 SCSV	10/15/2015
G13576	EC 71	A	P283	W	Perform test on well EC 71 A-3 SCSV	10/15/2015
G13576	EC 71	A	P280	C		
G13576	EC 71	A	P283	W	Perform test on well EC 71 A-3 SCSV	10/15/2015
G13576	EC 71	A	P280	C	Perform test on well EC 71 A-3D SCSV	10/15/2015

G13576	EC 71	A		P283	W	Perform test on well EC 71 A-4 plug	10/15/2015
G13576	EC 71	A		P280	C	Perform test on well EC 71 A-4D SCSV	10/15/2015
G13576	EC 71	A		P280	C	Perform test on well EC 71 A-7 SCSV	10/15/2015
G13576							
G13576	EC 71	A		G111	C	Make safe (rope off/mark/revise drawings/re-submit to BSEE) platform EC 71-C corroded grating on casing deck.	10/15/2015
G13576	EC 71	A		2185	W	Maintain Fire extinguishers as required on EC 71-A platform	10/15/2015
G13576	EC 71	C		2100	W	Perform Coast Guard annual self inspection on EC 71 -C platform	10/15/2015
G13576	EC 71	C		2185	W	Maintain Fire extinguishers as required on EC 71-C platform	10/15/2015
G13576	EC 71	C		P280	C	Perform test on well EC 71 C-1ST SCSV	10/15/2015
G13576	EC 71	C		P280	C	Perform test on well EC 71 C-1D SCSV	10/15/2015
G13576	EC 71	C		P280	C	Perform test on well EC 71 C-2ST SCSV	10/15/2015
G13576	EC 71	C		P280	C	Perform test on well EC 71 C-3ST SCSV	10/15/2015
G13576	EC 71	C		P280	C	Perform test on well EC 71 C-3ST SCSV	10/15/2015
G13576	EC 71	C		P280	C	Perform test on well EC 71 C-4 SCSV	10/15/2015
G13576	EC 71	C		P280	C	Perform test on well EC 71 C-4D SCSV	10/15/2015
G13576	EC 71	C		P283	W	Perform test on well EC 71 C-5 plug	10/15/2015
G13576	EC 71	C		P283	W	Perform test on well EC 71 C-7 plug	10/15/2015
G13576	EC 71	C		E120	W	Perform required Pollution Inspections as required on EC 71-C platform	10/15/2015
G00184	EC 72	4		2100	W	Perform Coast Guard annual self inspection on EC 72 -4 platform	10/15/2015
G00184	EC 72	4		P280	C	Perform test on well EC 72 #4 SCSV	10/15/2015
G00184	EC 72	4		2185	W	Perform annual fire extinguisher inspection on EC 72-4 platform and maintain fire extinguishers as required.	10/15/2015
G00184	EC 72	4		E120	W	Perform required Pollution Inspections as required on EC 72-4 platform	10/15/2015
G13576	EC 71	8		E120	W	Perform required Pollution Inspections as required on EC 71-D platform	10/15/2015
G13576	EC 71	8		P280	C	Well 8 SCSV is not being tested at the required intervals. Last test on record is 11/29/14	10/15/2015
G13576	EC 71	8		P280	W	Well 8D SCSV testing interval exceeded 6 months. Records indicate well was tested on 11/29/14, then again on 9/15/15	10/15/2015
G13576	EC 71	8		2100	W	The Coast Guard annual self inspection is overdue.	10/15/2015
G13576	EC 71	8		2185	W	Annual fire extinguisher inspection is overdue and fire extinguishers are not being maintained as required.	10/15/2015
						Make Safe (rope off/mark/revise drawings/resubmit to BSEE) missing grating step on the stairway leading to the boat landing and broken hand rails on the plus 10 level.	1/8/2016
G13576	EC 71	A		G111	C	Handrails on the "A" platform living quarters deck level	6/6/2016
G13576	EC 71	A		G-111	W	Rungs on the emergency escape ladder from "A" platform living quarters level to the main deck level	6/6/2016
G13576	EC 71	A		G-111	W	Air volume tank & piping on the air compressor skid	6/6/2016
G13576	EC 71	A		G-111	W	Electrical fittings for the air compressor control panel	6/6/2016

G13576	EC 71	A	G-111	W	"A" platform crane - wire rope cable on the boom hoist, main hoist & Aux. hoist winches and pendant lines	6/6/2016
G13576	EC 71	A	G-111	W	Full unopened drum of 40 wt. oil on the stationary drum rack on "A" platform main deck	6/6/2016
G13576	EC 71	A	G-111	W	Electrical conduit stanchion for nav-aid light on the southwest corner of the "A" platform main deck	6/6/2016
G13576	EC 71	A	G-111	W	Stanchion for nav-aid light on the catwalk	6/6/2016
G13576	EC 71	A	G-111	W	The nylon strap used to hang-off the 2" water hose on the southwest corner of the "A" platform main deck is weathered	6/6/2016
					The lube oil line from the generator day tank to the out of service murphy level controller for the removed generator needs to be removed and valve plugged off.	
G13576	EC 71	A	G-111	W		6/6/2016
G13576	EC 71	A	G-250; G-251	W	Removed generator enclosure doors are not properly marked/stored.	6/6/2016
G13576	EC 71	A	G-251	W	Buckets next to the generator enclosure are not properly marked/stored.	6/6/2016
G13576	EC 71	A	G-250; G-251	W	Buckets next to the storage/tool building on the main deck are not properly marked/stored.	6/6/2016
G13576	EC 71	A	F-103	C	Battery for the removed generator is not covered.	6/6/2016
G13576	EC 71	A	F-103	C	Improperly stored batteries in the storage/tool building & MCC room	6/6/2016
G13576	EC 71	C	G-111	W	The solid decking on the wellhead deck & top deck has active corrosion that has affected the integrity of both decks. Holes on the wellhead deck have already been barricaded.	6/6/2016
G13576	EC 71	C	G-111	W	The wind sock stanchion on top of the quarters building is leaning.	6/6/2016
G13576	EC 71	C	G-111	W	The mounting bracket for the speaker above the well panel is corroded & has a missing bolt.	6/6/2016
G13576	EC 71	C	G-111	W	The swing ropes are weathered. The lower knotted section of each rope is in poor condition & the north rope has a corroded shackle pin & missing cotter pins.	6/6/2016
G13576	EC 71	C	G-111	W	The safety chain latches for the emergency escape ladder in the casing bay area are frozen.	6/6/2016
G13576	EC 71	C	G-111	W	Same issue with the escape ladder on the top deck.	6/6/2016
G13576	EC 71	C	G-111	W	The sump has corroded fittings & studs & nuts on the bottom clean out flange.	6/6/2016
G13576	EC 71	C	G-250	W	Well panel doors are laying on the deck unsecured	6/6/2016
G13576	EC 71	C	G-250	W	PFD storage box on the wellhead deck is unsecured	6/6/2016
G13576	EC 71	C	G-250	W	PPE storage box on the wellhead deck has corroded latches. The lid is unsecured.	6/6/2016
					Flowlines have been removed from the wellhead & are not supported/secured in a safe manner.	6/6/2016
G13576	EC 71	C	G-250	W		6/6/2016
G13576	EC 71	C	F-103	C	The battery box for the crane starter is missing its cover.	6/6/2016
G13576	EC 71	C	E-102	W	The drain on the northside top deck is full of water.	6/6/2016

				The following leaks were discovered during the inspection on 5/31/16 & communicated to the contract operator by phone upon returning to the BSEE LCD office: (a) Gas leaking to the atmosphere from the blind flange downstream of the wing valve on well C-4. (b) Oil leaking from the tree cap flange on well C-1 & C-1D. (c) Oil leaking from the manual wing valve on well C-7.	6/6/2016
G13576	EC 71	C	G-112	C	
G13576	EC 71	A & C	Z-185	C	Several portable fire extinguishers throughout the facility are not mounted & some extinguishers have yellow tags
G13576	EC 71	A & C	Z-185	C	The portable fire extinguisher on "C" platform next to the catwalk has low pressure.
G13576	EC 71	A & C	Z-185	C	The nitrogen cylinder for the wheel unit on the "C" platform wellhead deck is corroded.
G13576	EC 71	A & C	Z-185	C	The semi-portable wheeled fire ext. unit on "C" platform on the top deck is not hooked up to the nitrogen cylinder. One wheel is frozen.
G13576	EC 71	A & C	Z-185	C	The portable fire ext. on the casing bay deck "C" platform is not mounted. This ext., needs to be mounted by a vehicle bracket, not a J-hook.
G13576	EC 71	A & C	Z-145	W	The painter line for the life float on "A" platform on the northside is not attached to the life float with a shackle.
G13576	EC 71	A & C	Z-145	W	The spring loaded latches on either life floats on "A" & "C" platforms need to be inspected for proper operations. All floats must be marked with number of persons & platform area & block.
G13576	EC 71	A	P-173	C	The living quarters on "A" platform is not equipped with any battery operated smoke detectors.
G13576			G-111	C	*1) Well C-7 shows 3000 psi on gauge on SCSV control line *3) A section of heliport skirting has a crack in the weld where the socket is attached to the heliport "A" platform *5) Areas of the wellbay on "C" structure are not properly barricaded *7) There is corroded grating next to the Condensate Accumulator on "A" structure *8) A section of grating next to the pipeline riser on "A" structure is secured with zip-ties
G13576	EC71	8	P-280	C	The SCSV in Well #008 has not been tested for leakage within the last 6 months. The last test was conducted on 9-July-2016.
G13576	EC71	8	P-280	C	The SCSV in Well #008D has not been tested for leakage within the last 6 months. The last test was conducted on 9-July-2016.

## Projection Summary

	2018			2019			
<b>Quarters:</b>	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<i>(In Thousands USD)</i>							
Cum. Producing Wells	0	3	3	4	5	5	5
<b>Avg. Daily Production</b>							
Net Condensate (Bbl/d)	-	2	4	12	192	156	129
Net Gas (Mcf/d)	-	2,165	4,685	8,113	9,208	8,221	7,483
<b>Avg. Realized Price</b>							
Condensate (\$/Bbl)	\$ -	\$ 62.00	\$ 62.00	\$ 62.00	\$ 62.00	\$ 62.00	\$ 62.00
Gas (\$/Mcf)	-	3.00	3.00	3.00	3.00	3.00	3.00
<b>Net Revenue</b>							
Condensate	\$ -	\$ 9	\$ 22	\$ 66	\$ 1,069	\$ 873	\$ 722
Nat Gas	-	584	1,265	2,191	2,486	2,220	2,020
<b>Total Revenues</b>	\$ -	\$ 594	\$ 1,287	\$ 2,257	\$ 3,555	\$ 3,092	\$ 2,743
<b>Costs</b>							
Transaction Expenses	\$ 239	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Platform OPEX	-	250	375	420	420	420	420
Prod. & Transport Costs	-	70	153	265	459	399	353
General and Administrative	-	75	75	90	142	124	110
<b>Total Operating Costs</b>	\$ 239	\$ 395	\$ 603	\$ 775	\$ 1,022	\$ 942	\$ 883
<b>EBITDAX</b>	\$ (239)	\$ 199	\$ 685	\$ 1,482	\$ 2,533	\$ 2,150	\$ 1,860
Well Capex	\$ -	\$ (1,296)	\$ (2,142)	\$ (1,880)	\$ -	\$ -	\$ -
Platform Capex / P&A	-	(1,295)	(15)	(320)	(1,140)	(131)	(15)
Additional Bonding	(745)	-	-	-	(275)	-	-
Change in WC	-	(888)	132	(425)	(531)	196	164
<b>Pre-Tax Cashflow</b>	\$ (984)	\$ (3,280)	\$ (1,340)	\$ (1,143)	\$ 587	\$ 2,215	\$ 2,010
<b>Cum. Unlevered CF</b>	\$ (984)	\$ (4,264)	\$ (5,604)	\$ (6,747)	\$ (6,160)	\$ (3,945)	\$ (1,935)
<b>Exit Facility</b>							
Beginning Balance	\$ 3,000	\$ 3,673	\$ 7,197	\$ 8,747	\$ 10,121	\$ 10,299	\$ 10,479
Borrowings (Repayments)	1,000	3,400	1,400	1,200	-	-	-
Cash Interest	-	-	-	-	-	-	-
PIK Interest	63	124	150	174	177	180	183
<b>Ending Balance</b>	\$ 3,673	\$ 7,197	\$ 8,747	\$ 10,121	\$ 10,299	\$ 10,479	\$ 10,662
<b>Levered CF</b>	\$ 16	\$ 120	\$ 60	\$ 57	\$ 587	\$ 2,215	\$ 2,010
<b>Cum. Unlevered CF</b>	\$ 16	\$ 136	\$ 196	\$ 253	\$ 840	\$ 3,055	\$ 5,065

**EXHIBIT**

**D**

**REORGANIZED  
EC OFFSHORE PROPERTIES, INC.  
PROFORMA CONSOLIDATED BALANCE SHEETS  
(Assumes May 15, 2018 as Plan Effective Date)  
(UNAUDITED)**

	<u>May 15, 2018</u>
<b>ASSETS</b>	<b>Estimates</b>
Current assets:	
Cash and cash equivalents	\$ 141,044.09
Prepaid expenses and other	\$ 53,507.40
Total current assets	<u>\$ 194,551.49</u>
Property and equipment:	
Oil and gas properties <sup>1</sup>	\$ 5,000,000.00
Other property and equipment	\$ 6,750.00
Restricted cash	<u>\$ 3,353,445.41</u>
Total assets	<u><u>\$ 8,554,746.90</u></u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>	
Current liabilities:	
Accounts payable	\$ 10,000.00
Chapter 11 Administrative Claim Expenses	\$ 100,000.00
Class 4 Claims Distribution	\$ 139,000.00
Total current liabilities	<u>\$ 249,000.00</u>
Long-term liabilities:	
Exit Facility - Note Projected Balance on Effective Date	\$ 3,744,000.00
Additional bonding obligation <sup>2</sup>	\$ 550,000.00
ORRI LLC	\$ 500,000.00
Asset retirement obligation <sup>3</sup>	\$ 3,353,445.41
Total long term liabilities	<u>\$ 8,147,445.41</u>
Total liabilities	<u><u>\$ 8,396,445.41</u></u>
Shareholders' equity:	
Reorganized ECOP Common Stock	\$ 158,301.49
Total shareholders' equity	<u>\$ 158,301.49</u>
Total liabilities and shareholders' equity	<u><u>\$ 8,554,746.90</u></u>

<sup>1</sup> Inclusive of oil and gas lease interests of wholly owned subsidiary ORRI LLC.

<sup>2</sup> Additional bonding requirement to be satisfied per BOEM/BSEE Settlement Agreement.

<sup>3</sup> The amount represents only the cash collateral deposited to cover future potential asset retirement obligations. The ultimate future obligation amount upon termination of the subject leases will be greater.





## LIQUIDATION ANALYSIS

**NOTHING CONTAINED IN THE FOLLOWING LIQUIDATION ANALYSIS IS INTENDED TO BE OR CONSTITUTES A CONCESSION OR ADMISSION OF THE DEBTOR. THE ESTIMATED AMOUNT OF ALLOWED CLAIMS SET FORTH HEREIN SHOULD NOT BE RELIED UPON FOR ANY OTHER PURPOSE, INCLUDING ANY DETERMINATION OF THE VALUE OF ANY DISTRIBUTION TO BE MADE ON ACCOUNT OF ALLOWED CLAIMS UNDER THE PLAN. THE ACTUAL AMOUNT OF ALLOWED CLAIMS IN THE CHAPTER 11 CASE COULD DIFFER MATERIALLY FROM THE ESTIMATED AMOUNTS SET FORTH IN THE LIQUIDATION ANALYSIS.**

### INTRODUCTION

Pursuant to section 1129(a)(7) of the Bankruptcy Code, each holder of an Impaired Claim or Equity Interest must either (a) accept the Plan or (b) receive or retain under the Plan property of a value, as of the Effective Date, that is not less than the value such non-accepting holder would receive or retain if the Debtor was liquidated under chapter 7 of the Bankruptcy Code (often referred to as the “*Best Interests Test*”). To make these findings, the Bankruptcy Court must: (a) estimate the cash proceeds (the “*Net Estimated Liquidation Proceeds*”) that a chapter 7 trustee would generate if Debtor’s chapter 11 case was converted to a chapter 7 case on the target Effective Date (April 1, 2018) and the assets of Debtor’s estate were liquidated; (b) determine the distribution (the “*Estimated Recovery Under Liquidation*”) that each non-accepting holder of a Claim or Equity Interest would receive from the Net Estimated Liquidation Proceeds under the priority scheme dictated in chapter 7; and (c) compare each holder’s Estimated Recovery Under Liquidation to the distribution that such holder would receive under the Plan (the “*Plan Recovery*”) if the Plan was confirmed and consummated. In connection with this requirement, the following hypothetical liquidation analysis (the “*Liquidation Analysis*”) has been prepared by the Debtor. The purpose of the Liquidation Analysis is to provide information so that the Bankruptcy Court may determine that the Plan is in the best interests of all Classes impaired by the Plan. Based on the Liquidation Analysis, the Debtor believes the Plan satisfies the Best Interests Test and that each holder of an Impaired Claim or Equity Interest will receive value under the Plan that is not less than the value such holder would receive if the Debtor liquidated under chapter 7 of the Bankruptcy Code.

THE DEBTOR’ LIQUIDATION ANALYSIS IS AN ESTIMATE OF THE PROCEEDS THAT MAY BE GENERATED AS A RESULT OF A HYPOTHETICAL CHAPTER 7 LIQUIDATION OF THE ASSETS OF THE DEBTOR. UNDERLYING THE LIQUIDATION ANALYSIS ARE A NUMBER OF ESTIMATES AND ASSUMPTIONS THAT ARE INHERENTLY SUBJECT TO SIGNIFICANT LEGAL, ECONOMIC, COMPETITIVE, AND OPERATIONAL UNCERTAINTIES AND CONTINGENCIES BEYOND THE CONTROL OF THE DEBTOR’S MANAGEMENT AND THEIR ADVISORS. ADDITIONALLY, VARIOUS LIQUIDATION DECISIONS UPON WHICH CERTAIN ASSUMPTIONS ARE BASED ARE SUBJECT TO CHANGE. ACCORDINGLY, THERE CAN BE NO ASSURANCE THAT THE ASSUMPTIONS AND ESTIMATES EMPLOYED IN DETERMINING THE LIQUIDATION VALUES OF THE DEBTOR’S ASSETS WILL RESULT IN THE PROCEEDS WHICH WOULD BE REALIZED IF THE DEBTOR WAS TO UNDERGO AN ACTUAL LIQUIDATION AND ACTUAL RESULTS COULD VARY MATERIALLY FROM THOSE SHOWN HEREIN. THIS ANALYSIS HAS NOT BEEN EXAMINED OR REVIEWED BY INDEPENDENT ACCOUNTANTS IN ACCORDANCE WITH STANDARDS PROMULGATED BY THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS.

The Liquidation Analysis assumes that Debtor ceases operations on the conversion date and a chapter 7 trustee is appointed to assist in the liquidation of the assets. The net book values for assets and estimated unsecured claims shown below are estimated as of April 1, 2018, unless otherwise noted. The table below is for illustrative purposes only. The following Liquidation Analysis should be reviewed in conjunction with the associated notes.



## EC Offshore Properties, Inc. Liquidation Analysis

Assets						
			Recovery %		Proceeds	
Note: Value Low High	Note	Value	Low	High	Low	High
Cash and Marketable Securities	[A]	\$141,044.09	100.00%	100.00%	\$141,044.09	\$141,044.09
Oil & Gas Lease Interests	[B]	\$5,000,000.00	50.00%	80.00%	\$2,500,000.00	\$4,000,000.00
Prepaid Assets	[C]	\$53,507.40	0.00%	50.00%	\$0.00	\$26,753.70
P&A Escrow Deposit	[D]	\$3,353,445.41	100.00%	100.00%	\$3,353,445.41	\$3,353,445.41
Other Assets	[E]	\$0.00	0.00%	0.00%	\$0.00	\$0.00
<b>Gross Proceeds from Liquidation</b>		<b>\$8,547,996.90</b>	<b>70.13%</b>	<b>87.99%</b>	<b>\$5,994,489.50</b>	<b>\$7,521,243.20</b>
Liabilities & Liquidation Proceeds Distributions						
<b><u>Allowed Secured RLI Claim</u></b>						
Secured Claim Amount					\$3,353,445.41	\$3,353,445.41
Liquidation Proceeds Distribution					\$3,353,445.41	\$3,353,445.41
Recovery %					100%	100%
<b>Remaining Net Proceeds</b>					<b>\$2,641,044.09</b>	<b>\$4,167,797.79</b>
<b><u>P&amp;A Supplemental Bonding Obligation</u></b>						
P&A Supplemental Bonding Amount	[H]				\$1,294,686.00	\$1,294,686.00
Liquidation Proceeds Distribution					\$1,294,686.00	\$1,294,686.00
Recovery %					100%	100%
<b>Remaining Net Proceeds</b>					<b>\$1,346,358.09</b>	<b>\$2,873,111.79</b>
<b><u>Chapter 7 Case Administration Expenses</u></b>						
Chapter 7 Administrative Expenses	[F]				\$17,000.00	\$30,000.00
Chapter 7 Administrative Recovery					\$17,000.00	\$30,000.00
Recovery %					100%	100%
<b>Remaining Net Proceeds</b>					<b>\$1,329,358.09</b>	<b>\$2,843,111.79</b>
<b><u>Chapter 11 Administration Expenses</u></b>						
Chapter 11 Administrative Expenses Claim Amounts	[G]				\$30,000.00	\$45,000.00
Liquidation Proceeds Distribution					\$30,000.00	\$45,000.00
Recovery %					100%	-100%
<b>Remaining Net Proceeds</b>					<b>\$1,299,358.09</b>	<b>\$2,798,111.79</b>
<b><u>DIP Loan Claims</u></b>						
DIP Loan Claim Amount	[I]				\$3,000,000.00	\$3,000,000.00
Liquidation Proceeds Distribution					\$1,331,208.01	\$2,818,495.83
Recovery %					44%	94%
<b>Remaining Net Proceeds</b>					<b>\$0.00</b>	<b>\$0.00</b>
<b><u>Secured Pre-Petition Lender Claim</u></b>						
Claim Amount					\$9,700,000.00	\$9,700,000.00
Liquidation Proceeds Distribution					\$0.00	\$0.00
Recovery %					0%	0%
<b>Remaining Net Proceeds</b>					<b>\$0.00</b>	<b>\$0.00</b>
<b><u>ORR LLC Claims</u></b>						
Claims Amount					\$500,000.00	\$500,000.00
Liquidation Proceeds Distribution					\$0.00	\$0.00
Recovery %					0%	0%
<b>Remaining Net Proceeds</b>					<b>\$0.00</b>	<b>\$0.00</b>
<b><u>Other Secured Claims</u></b>						
Claims Amount					\$0.00	\$0.00
Liquidation Proceeds Distribution					\$0.00	\$0.00
Recovery %					0%	0%
<b>Remaining Net Proceeds</b>					<b>\$0.00</b>	<b>\$0.00</b>
<b><u>Unsecured Claims</u></b>						
Claims Amount					\$1,123,445.09	\$1,123,445.09
Liquidation Proceeds Distribution					\$0.00	\$0.00
Recovery %					0%	0%
<b>Remaining Net Proceeds</b>					<b>\$0.00</b>	<b>\$0.00</b>
<b><u>Equity Interests</u></b>						
Liquidation Proceeds Distribution					\$0.00	\$0.00
Recovery %					0%	0%

- [A] Cash and Cash Equivalents: The cash balance is as of April 1, 2018 which is entirely held in the Debtor's operating accounts. The Debtor estimates a 100% recovery on all cash and equivalents.
- [B] Oil & Gas Lease Interests: The value as of the effective date is estimated to \$5,000,000. The market for offshore assets is very weak due to high operating costs and few well capitalized companies interested in assets in the basin. Additionally, while the company has come to an agreement with BOEM and BSEE, the agreement requires that a plan of reorganization be confirmed and to post at least an additional \$1,294,686 in bonding.
- [C] Prepaid Assets: Prepaid assets consist of prepaid items that will likely be largely unrecoverable in the event of a Chapter 7 liquidation, including prepaid expenses related to the safe operation of the companies offshore facilities. A 0% - 50% recovery has been estimated.
- [D] P&A Escrow Deposit. The Company has \$3,353,445.41 as collateral for Bonds posted to cover the company's Plugging and Abandonment Liabilities. In the event the Company's assets were liquidated the Escrow deposits would likely be transferred to the new buyer if available or used by the Bonding company to pay for P&A liabilities. The Debtor estimates a 100% recovery on these amounts; however, those proceeds would not be available for creditors other than RLI.
- [E] Other Assets: The Debtor has no material other assets.
- [F] Chapter 7 Case Administration Expenses: Chapter 7 case administration expenses include trustee's fees and wind-down expenses.

	<u>Low</u>	<u>High</u>
Trustee Fees	\$5,000.00	\$10,000.00
Chapter 7 Legal Fees	\$10,000.00	\$15,000.00
Other Expenses	\$2,000.00	\$5,000.00
Total	<u>\$17,000.00</u>	<u>\$30,000.00</u>

- [G] Chapter 11 Administration Expenses: Chapter 11 case administration expenses include trustee's fees and wind-down expenses in excess of what would have been previously satisfied through DIP loan advances.

	<u>Low</u>	<u>High</u>
Trustee Fees	\$10,000.00	\$15,000.00
Chapter 11 Legal Fees	\$10,000.00	\$15,000.00
Other Expenses	\$10,000.00	\$15,000.00
Total	<u>\$30,000.00</u>	<u>\$45,000.00</u>

- [H] P&A Supplemental Bonding Obligation: Per the U.S. Department of the Interior, Bureau of Ocean Energy Management, Bureau of Safety and Environmental Enforcement and ECOP settlement agreement, dated December 11, 2017 ("BOEM/BSEE Settlement Agreement"), the minimum additional bonding obligation is \$1,294,686. Assume BOEM/BSEE Settlement Agreement remains in place. The agreement specifically requires confirmation of a plan of reorganization. The amount required to be paid out of liquidation proceeds could, therefore, be significantly higher in the event of liquidation.

- [I] DIP Loan Claim: The DIP Loan Claim as projected by the DIP Loan Lenders is to be in the principal amount of \$3,000,000 as of May 1, 2018.

**EC Offshore Properties, Inc.****Case No. 15-50085****Schedule of RLI Bonds**

Bond No.	Obligee	Type	Penalty	Unpaid Premium as of 08-13-15	Eff. Date
UIB0004018	Conoco, Inc. & OXY USA	Plugging & Abandonment	500,000	0	04/12/93
UIB0004827	Conoco, Inc, OXY USA & Atlantic Richfield Company	Performance	680,000	0	08/31/94
RLB0005563	BOEM	Operators	500,000	5,312.50	06/02/03
RLB0005564	BOEM	Operators	500,000	5,312.50	06/02/03
RLB0005565	BOEM	Supplemental	100,000	1,062.50	06/02/03
RLB0005566	BOEM	Supplemental	425,000	4,516.05	06/02/03
RLB0005567	Pierce Junction Petroleum	Performance	3,000,000	12,750.00	06/02/03
RLB0006123	BOEM	Supplemental	100,000	0	09/18/03
RLB0007260	BOEM	Supplemental	375,000	0	05/21/04
RLB0014965	BOEM	Supplemental	175,000	0	01/08/13
			<b>\$6,355,000</b>	<b>28,953.55</b>	

