

**IN THE UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF TEXAS
FORT WORTH DIVISION**

IN RE	§	
	§	Case No. 10-47176
REOSTAR ENERGY CORPORATION,	§	
ET AL.,¹	§	Chapter 11
	§	(Jointly Administered)
	§	

DEBTORS' THIRD AMENDED JOINT PLAN OF REORGANIZATION

Dated: July 20, 2012 (as modified on August 24, 2012)
Fort Worth, Texas

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¹ The Debtors are ReoStar Energy Corporation, Case No. 10-47176; ReoStar Gathering, Inc., Case No. 10-47198; ReoStar Leasing, Inc., Case No. 10-47201; and ReoStar Operating, Inc., Case No. 10-47203.

TABLE OF CONTENTS

	Page
ARTICLE I	DEFINITIONS AND CONSTRUCTION OF TERMS 1
1.1	Definitions 1
1.2	Rules of Interpretation and Construction.....1
ARTICLE II	PROVISIONS FOR TREATMENT OF UNCLASSIFIED CLAIMS UNDER THE PLAN 2
2.1	Treatment of Administrative Claims.....2
2.2	Treatment of Priority Tax Claims 3
2.3	Payment of Statutory Fees3
ARTICLE III	CLASSIFICATION OF CLAIMS AND INTERESTS 3
3.1	Claims and Interests Classified.....3
3.2	Claims and Interests 3
3.3	Impaired Classes of Claims and Interests 4
3.4	Impairment Controversies 4
3.5	One Vote per Holder 4
ARTICLE IV	PROVISIONS FOR TREATMENT OF CLAIMS AND INTERESTS UNDER THE PLAN 4
4.1	Class 1: Secured Tax Claims 4
4.2(a)	Class 2.1: Secured Non-Tax Claims of M&M Lienholders 4
4.2(b)	Class 2.2: Secured Non-Tax Claims of BT & MK Energy and Commodities, LLC ("BT & MK") 5
4.3(a)	Class 3.1: Priority Non-Tax Unsecured Claims of ReoStar Energy..... 5
4.3(b)	Class 3.2: Priority Non-Tax Unsecured Claims of ReoStar Operating..... 5
4.3(c)	Class 3.3: Priority Non-Tax Unsecured Claims of ReoStar Gathering..... 6
4.3(d)	Class 3.4: Priority Non-Tax Unsecured Claims of ReoStar Leasing..... 6
4.4(a)	Class 4.1: General Unsecured Claims of ReoStar Energy 6
4.4(b)	Class 4.2: General Unsecured Claims of ReoStar Operating 6
4.4(c)	Class 4.3: Intentionally deleted 7
4.4(d)	Class 4.4: General Unsecured Claims of ReoStar Gathering 7
4.4(e)	Class 4.5: General Unsecured Claims of ReoStar Leasing 7
4.5	Class 5: Subordinated and Penalty Claims 8
4.6	Class 6: Interests 8
4.7	Class 7: Subordinated Interests 8

ARTICLE V	ACCEPTANCE OR REJECTION OF THE PLAN; EFFECT OF REJECTION BY ONE OR MORE CLASSES OF CLAIMS OR INTERESTS	8
5.1	Classes Entitled to Vote	8
5.2	Class Acceptance Requirement	10
5.3	Cramdown.....	10
ARTICLE VI	CREATION OF REORGANIZED DEBTORS AND PLAN-RELATED TRANSACTIONS	10
6.1	Creation of the Reorganized Debtors	10
6.2	Funding of the Reorganized Debtors.....	10
6.3	Name of the Reorganized Debtors.....	11
6.4	Purchase of Operations of Rife Energy Operating, Inc.	11
6.5	Release of Russco Cash Bond.....	11
6.6	Settlement and Mutual Releases with BTMK Released Parties.....	11
ARTICLE VII	VESTING OF ASSETS	13
ARTICLE VIII	CORPORATE AUTHORITY	13
ARTICLE IX	MEANS FOR IMPLEMENTATION OF THE PLAN	14
9.1	Powers and Duties of the Reorganized Debtors with Respect to Consummation of the Plan.....	14
9.2	New Equity in Reorganized Debtors	14
9.3	Officers and Directors.....	14
9.4	Intentionally Deleted.....	14
9.5	Corporate Purpose of the Reorganized Debtors.....	14
9.6	Assumption of Liabilities	14
9.7	Contested Claims.....	15
9.8	Estimated Claims.....	16
ARTICLE X	PROVISIONS GOVERNING DISTRIBUTIONS	16
10.1	Date of Distributions	16
10.2	Means of Cash Payment	16
10.3	Delivery of Distributions	16
10.4	Time Bar to Cash Payments	16
10.5	No Distributions Pending Allowance.....	16
10.6	Distributions After Allowance.....	17
10.7	Distributions After Disallowance.....	17
10.8	Exculpation Regarding Distributions	17
10.9	De Minimis Distributions.....	17

ARTICLE XI	PROCEDURES FOR RESOLVING AND TREATING CONTESTED AND DISPUTED CLAIMS UNDER THE PLAN	17
11.1	Objection Deadline	17
11.2	Prosecution of Objections and Estate Actions.....	18
ARTICLE XII	PROVISIONS GOVERNING EXECUTORY CONTRACTS AND UNEXPIRED LEASES UNDER THE PLAN	18
12.1	Assumption of Certain Contracts; Rejected if Not Assumed.....	18
12.2	Bar to Rejection Damages	21
12.3	Insurance Policies	21
12.4	Timing of Cure Payments.....	21
ARTICLE XIII	CONDITIONS PRECEDENT TO EFFECTIVE DATE.....	21
13.1	Conditions Precedent to Effective Date of the Plan.....	21
13.2	Waiver of Conditions	21
ARTICLE XIV	THE LIQUIDATION CREDITOR TRUST	22
14.1	Function of Liquidation Creditors’ Trust (the “Creditor Trust”).....	22
14.2	Transfer and Assertion of Causes of Action, Defenses, and Counterclaims	22
14.3	Creditor Trust Action and Governance	22
ARTICLE XV	MEANS FOR EXECUTION AND IMPLEMENTATION OF THE CREDITOR TRUST.....	23
15.1	Introduction	23
15.2	Plan Funding	23
15.3	Debtors’ Activities Post-Effective Date	23
15.4	Proceeds of Litigation	25
15.5	Indemnification and Limitation of Liability	25
15.6	Monitoring, Auditing, and Bonding	25
15.7	Distributable Cash; Investment	25
15.8	Resignation	25
15.9	Trust Implementation	26
15.10	Termination of Creditor Trust.....	26
15.11	Tax Treatment of the Creditor Trust	26
15.12	Effectuating Documents; Further Transactions	26
15.13	Conditions Precedent to the Effective Date	26
ARTICLE XVI	RETENTION OF JURISDICTION.....	27
16.1	Scope of Jurisdiction	27
16.2	Failure of the Bankruptcy Court to Exercise Jurisdiction	28

ARTICLE XVII	MISCELLANEOUS PROVISIONS.....	28
17.1	Setoff and Other Rights.....	28
17.2	<u>Injunctions</u>	28
17.3	<u>Injunctions Regarding Claims Against the Debtors</u>	28
17.4	Discharge	29
17.5	<u>Channeling Injunction</u>	29
17.6	Lawsuits.....	29
17.7	Insurance	30
17.8	Post-Effective Date Fees and Expenses of Professional Persons.....	30
17.9	Bankruptcy Restrictions	30
17.10	Binding Effect	30
17.11	Governing Law.....	30
17.12	Modification or Revocation of Plan	31
17.13	Creditor Defaults	31
17.14	Debtors' Defaults	31
17.15	Disallowance, Recharacterization, and Subordination of Subordinated Claims and Penalty Claims	31
17.16	Release of Claims.....	32
17.17	Integration Clause	32
17.18	Retention of Causes of Action.....	32
17.19	Severability	32
17.20	Notice to the Reorganized Debtors	32
17.21	Substantial Consummation and Closing the Case.....	33
17.22	Confirmation Requirements.....	33

DEBTORS' THIRD AMENDED JOINT PLAN OF REORGANIZATION

ReoStar Energy Corporation, ReoStar Gathering, Inc., ReoStar Leasing, Inc., and ReoStar Operating, Inc., the Debtors in Possession (hereinafter collectively referred to as "Debtors")² in the above-captioned Jointly Administered Chapter 11 Case (the "Bankruptcy Case"), together with co-proponent, Russco Energy LLC, ("Co-Proponent" or "Russco") propose the following Joint Plan of Reorganization (the "Plan") under Chapter 11 of the Bankruptcy Code.

SUMMARY OF PLAN

The Plan, proposed by the Debtors and their Co-Proponent, Russco, provides for the restructure of Debtors and their emergence from bankruptcy as reorganized entities pursuant to, inter alia, 11 U.S.C. §1123(a)(5)(A). The Plan further provides for payments to Allowed Administrative, Priority, Secured and Unsecured Creditors upon Confirmation as set forth below. A further discussion of the Plan and its implementation, together with projections of income and expenses and the time necessary to complete the payments under the Plan is found in the Disclosure Statement accompanying the Plan. The Plan should be read in conjunction with the Disclosure Statement. Debtors urge all Creditors and other parties in interest to consult with legal counsel. Creditors and other parties in interest should not rely on any representations not contained in the Plan and/or Disclosure Statement in making a determination on voting to accept/reject the Plan. A detailed discussion concerning the voting rights of Creditors and other parties in interest is contained in the Disclosure Statement.

ARTICLE I

DEFINITIONS AND CONSTRUCTION OF TERMS

1.1 Definitions.

All capitalized terms not otherwise defined in the Plan shall have the meanings ascribed to them in Annex "1" to the Plan (the "Glossary"). Any capitalized term used in the Plan that is not defined in either the Glossary or elsewhere in the Plan shall have the meaning ascribed to the term in the Bankruptcy Code or the Bankruptcy Rules, as the case may be.

1.2 Rules of Interpretation and Construction.

For purposes of the Plan, (i) any reference in the Plan to an existing document or exhibit filed or to be filed means that document or exhibit as it may have been or may be amended, modified, or supplemented; (ii) unless otherwise specified, all references in the Plan to articles and exhibits are references to articles or exhibits in the Plan; (iii) the words "herein," "hereof," "hereto," "hereunder," and other words of similar import refer to the Plan in its entirety and not to any particular portion of the Plan; (iv) captions and headings contained in the Plan are inserted for convenience and reference only, and are not intended to be part of or to affect the interpretation of the Plan; (v) wherever appropriate from the context, each term stated in either the singular or the plural shall include the singular and the plural, and pronouns stated in the masculine, feminine, or neuter gender shall include the masculine, feminine, and neuter gender; and (vi) the rules of construction outlined in section 102 of the Bankruptcy Code and in the Bankruptcy Rules shall apply to the Plan.

² In re ReoStar Energy Corporation, Case No. 10-47176 ("ReoStar Energy"), In re ReoStar Gathering, Inc., Case No. 10-7198 ("ReoStar Gathering"), In re ReoStar Leasing, Inc., Case No. 10-7201 ("ReoStar Leasing"), and In re ReoStar Operating, Inc., Case No. 10-7203 ("ReoStar Operating") are Jointly Administered Cases under ReoStar Energy, Case No. 10-47176, and hereby submit their Joint Plan of Reorganization with Co-Proponent Russco Energy LLC.

ARTICLE II
PROVISIONS FOR TREATMENT OF
UNCLASSIFIED CLAIMS UNDER THE PLAN

2.1 Treatment of Administrative Claims.

All Administrative Claims against the Debtors shall be treated as follows:

(a) Time for Filing Administrative Claims.

To the extent it has not already done so, each holder of an Administrative Claim, other than (1) a Fee Claim, or (2) a liability, including without limitation sales, use, production or ad valorem taxes, incurred and paid in the ordinary course of business by the Debtors after the Petition Date, must file with the Bankruptcy Court and serve on the Debtors and counsel, and all other parties entitled to receive notice, notice of such Administrative Expense Claim within sixty (60) days after the Effective Date (the "Administrative Claims Bar Date"). Such notice must include at a minimum: (1) the name of the holder of the Claim; (2) the amount of the Claim; and (3) the basis of the Claim. Failure to file and serve this notice timely and properly shall result in the Administrative Claim being forever barred and discharged. The United States Trustee shall not be required to file a notice or motion for allowance of an Administrative Expense Claim for pre-confirmation United States Trustee fees incurred in accordance with 28 U.S.C. § 1930(a)(6).

(b) Time for Filing Fee Claims.

To the extent it has not already done so, each Professional Person or other entity that holds or asserts an Administrative Expense that is a Fee Claim incurred before the Effective Date shall be required to file with the Bankruptcy Court, and serve on the Debtors and counsel, and all parties entitled to receive notice, a Fee Application within ninety (90) days after the Effective Date. The failure to file the Fee Application timely shall result in the Fee Claim being forever barred and discharged. To the extent necessary, entry of the Confirmation Order shall amend and supersede any previously entered order of the Bankruptcy Court regarding procedures for the payment of Fee Claims. Upon entry of a Final Order allowing a Fee Application of a Professional Person, the Debtors shall make payment to the Professional Person within thirty (30) days, unless otherwise agreed with the Debtors.

(c) Allowance of Administrative Claims.

An Administrative Claim with respect to which notice has been properly filed pursuant to Article 2.1(a) of the Plan shall become an Allowed Administrative Claim only to the extent allowed by Final Order. An Administrative Claim that is a Fee Claim, and with respect to which a Fee Application has been properly filed pursuant to Article 2.1(b) of the Plan, shall become an Allowed Administrative Claim only to the extent allowed by Final Order.

(d) Payment of Allowed Administrative Claims.

With the exception of Fee Claims, and the United States Trustee's claim for pre-confirmation United States Trustee fees, each holder of an Allowed Administrative Claim against the Debtors shall receive (1) the amount of such holder's Allowed Claim in one Cash payment within thirty (30) days after the Claim becomes Allowed by Final Order, or (2) such other treatment as may be agreed upon in writing by the Debtors and such holder; provided, however, that an Administrative Claim representing a liability incurred in the ordinary course of business of the Debtors may be paid in the ordinary course of business by the Debtors. Pre-confirmation United States Trustee fees shall be paid on or before the Effective Date of the Plan in accordance with 11 U.S.C. § 1129(a)(12).

The Allowed Administrative Claim of E-Fire, Ltd., as set forth in the (a) *Motion to Approve Post-Petition Loan by Insider, Nunc Pro Tunc*, and (b) *First Amended Motion to Approve Post-Petition Loan by Insider, Nunc Pro Tunc* [Docket No. 137] (the "Motions"), shall be paid in accordance with the *Order Granting (A) Debtors' Motion*

to Approve Post-Petition Unsecured Loan by Insider, Nunc Pro Tunc and (B) First Amended Debtors' Motion to Approve Post-Petition Loan by Insider, Nunc Pro Tunc [Docket No. 143], which provides that the post-petition financing by E-Fire, Ltd. as set forth in the Motions shall be an administrative expense to be paid only after all other administrative expenses in the case have been paid in full.

2.2 Treatment of Priority Tax Claims.

Each holder of an Allowed Priority Tax Claim against the Debtors shall receive in full satisfaction of such holder's Allowed Priority Tax Claim the amount of such holder's Allowed Claim on the Effective Date, or may receive such other treatment as may be agreed upon in writing by the holder of such Allowed Priority Tax Claim, the Debtors, and Co-Proponents.

2.3 Payment of Statutory Fees.

All fees payable pursuant to section 1930 of title 28 of the United States Code shall be paid through the entry of a final decree in the Bankruptcy Case.

ARTICLE III

CLASSIFICATION OF CLAIMS AND INTERESTS

3.1 Claims and Interests Classified.

Pursuant to section 1122 of the Bankruptcy Code, except as otherwise provided herein, all Claims (except for Administrative Claims and Priority Tax Claims) and all Interests shall be classified as set forth in this Article 3 of the Plan. The classification of Claims and Interests in Article 3 of the Plan gives effect to the priority scheme generally adopted by the Bankruptcy Code. In accordance with section 1123(a)(1) of the Bankruptcy Code, Administrative Claims, and Priority Tax Claims are not classified under the Plan, and the treatment of those Claims is set forth in Article 2 of the Plan.

3.2 Claims and Interests.

The Plan classifies the Claims against the Debtors and Interests in the Debtors as follows:

- Class 1: Secured Tax Claims.
- Class 2.1: Secured Non-Tax Claims of M&M Lienholders.
- Class 2.2: Secured Non-Tax Claims of BT & MK.
- Class 3.1: Priority Non-Tax Unsecured Claims of ReoStar Energy.
- Class 3.2: Priority Non-Tax Unsecured Claims of ReoStar Operating.
- Class 3.3: Priority Non-Tax Unsecured Claims of ReoStar Gathering.
- Class 3.4: Priority Non-Tax Unsecured Claims of ReoStar Leasing.
- Class 4.1: General Unsecured Claims of ReoStar Energy.
- Class 4.2: General Unsecured Claims of ReoStar Operating.
- Class 4.3: Intentionally deleted.
- Class 4.4: General Unsecured Claims of ReoStar Gathering.
- Class 4.5: General Unsecured Claims of ReoStar Leasing.
- Class 5: Subordinated and Penalty Claims.
- Class 6: Interests.
- Class 7: Subordinated Interests.

3.3 Impaired Classes of Claims and Interests.

Classes 1, 2.1-2.2, 3.1-3.4, and 4.1-4.5 are impaired under the Plan and are entitled to vote on the Plan. Classes 5, 6, and 7 are not receiving or retaining any property under the Plan, and are deemed to have rejected the Plan, and may not vote to accept or reject the Plan.

3.4 Impairment Controversies.

If a controversy arises as to whether any Claim or Interest or any Class of Claims or Class of Interests is impaired under the Plan, the Bankruptcy Court shall, upon notice and a hearing, determine such controversy.

3.5 One Vote per Holder.

If a holder of a Claim holds more than one Claim in any one Class, all Claims of such holder in such Class shall be aggregated and deemed to be one Claim for purposes of determining the number and amount of Claims in such Class voting on this Plan.

ARTICLE IV

PROVISIONS FOR TREATMENT OF CLAIMS AND INTERESTS UNDER THE PLAN

The Classes of Claims against and Interests in the Debtors shall be treated under the Plan as set forth below.

4.1 Class 1 - Secured Tax Claims.

Each holder of a Class 1 Allowed Secured Tax Claim payable to a taxing authority for ad valorem taxes for tax years prior to 2011 shall be paid in full, with statutory interest on such Allowed Secured Tax Claim, including (a) interest under 11 U.S.C. § 506(b), to the extent applicable, at the rate of 1% per month and (b) interest under 11 U.S.C. § 1129, to the extent applicable, at the rate of twelve percent (12.0%) per year, in six (6) equal monthly payments beginning on the first (1st) day of the month following the Effective Date. Each holder of a Class 1 Allowed Secured Tax Claim payable to a taxing authority for ad valorem taxes for tax years from tax year 2011 and thereafter shall be paid in the ordinary course of business as and when due. Failure to timely pay tax year 2012 ad valorem taxes shall constitute a default by the Reorganized Debtors and require written notice of opportunity for cure from the applicable taxing authorities under section 17.14. Each holder of a Class 1 Allowed Secured Tax Claim or any other ad valorem tax claim for any tax arising postpetition shall retain its Liens to the extent of its Claim until its Claim has been paid in full, and, in the case of postpetition taxes, shall retain the Liens that secure postpetition ad valorem taxes plus any penalties and interest that may accrue. Nothing in the Plan shall discharge the Debtors for liabilities arising post-petition with respect to payment of ad valorem property taxes.

4.2(a) Class 2.1 – Secured Non-Tax Claims of M&M Lienholders.

To the extent that an asserted M&M Lien is not otherwise disposed of by a Well Settlement Agreement or satisfied by other non-Debtor sources for which a total release of such M&M Lien is obtained and filed in the appropriate county, such M&M Lien shall be subject to this Class 2.1, and this subsection (a “Residual Asserted Lien”). Any holder of a Residual Asserted Lien must file with the Court and serve upon the Debtors, on or before 5:00 p.m. on the 90th day following the entry of the Confirmation Order (the “Lien Notice Deadline”), a “Notice of Residual Asserted Lien and Motion for Valuation” (a “Lien Notice”). If a holder of a Residual Asserted Lien does not file and serve a Lien Notice prior to the Lien Notice Deadline, such Residual Asserted Lien shall automatically be deemed waived, released, and otherwise rendered without effect upon the collateral which it purports to be asserted against (such event shall be referred to as a “Residual Asserted Lien Termination”). Additionally, in the event of a Residual Asserted Lien Termination, any unsecured claim which could be asserted against the Debtors arising from the Residual Asserted Claim shall likewise be rendered

waived, released and without effect.

The Lien Notice shall include, at a minimum, the following: i) the full name of the entity asserting the Residual Asserted Claim; ii) the claimed amount of the Residual Asserted Lien; iii) an identification of the collateral which the Residual Asserted Lien is purported to encumber; and iv) any documents to support the Residual Asserted Lien.

In the event that a holder of a Residual Asserted Lien timely files a Lien Notice prior to the Lien Notice Deadline, the Debtors and the holder of the Residual Asserted Lien shall use their best efforts to resolve the claims raised by the holder of the Residual Asserted Lien Claim. In the event that an agreement cannot be reached, the holder of the Residual Asserted Lien Claim and/or the Debtors or Reorganized Debtors may set a hearing within sixty (60) days of filing the Lien Notice to determine the validity, priority, extent, and value of the Residual Asserted Lien as well as the value of the collateral against which the Residual Asserted Lien is asserted. The Debtors reserve the right to object to any Residual Asserted Lien on any allowable basis, including but not limited to, statutory compliance, amount, validity, priority, and/or extent. This section 4.2(a) shall not limit the Debtors' ability to abandon and/or surrender any property in full satisfaction of any Residual Asserted Lien Claim pursuant to the Bankruptcy Code or at any point before the conclusion of a final hearing relating to any M&M Lien.

In the event that a holder of a Residual Asserted Lien does not file a Lien Notice prior to the Lien Notice Deadline and there occurs an event of a Residual Asserted Lien Termination, the Debtors may, but are not obligated to, seek an order of the Court evidencing such Residual Asserted Lien Termination (a "Lien Termination Order").

In addition to the Confirmation Order and/or a Residual Asserted Lien Termination being binding upon the holder of a Residual Asserted Lien without further action, the Confirmation Order and/or a Lien Termination Order may also be filed in the public records in the appropriate county filing entity to evidence that the Residual Asserted Lien has been waived, released, and otherwise rendered without effect upon the collateral against which it purports to be asserted.

4.2(b) Class 2.2 – Secured Non-Tax Claims of BT & MK Energy and Commodities, LLC (“BT & MK”)

Class 2.2 consists of the Allowed Secured Claims of BT & MK. Unless otherwise agreed to in writing by BT & MK and the Debtors, and subject to Court approval of the motion to compromise with BT & MK, BT & MK shall be paid \$7,500,000.00 by wire transfer on the Effective Date for its Allowed Secured Claims.

After payment of the \$7.5 million on BTMK's Allowed Secured Claim as set forth in the foregoing paragraph, there shall be no Deficiency Amount or other Allowed Unsecured Amount related to the BT & MK Claims. Class 2.2 is impaired. Subject to confirmation of the Plan by the Court, the treatment provided by the Plan to Allowed Secured Non-Tax Claims in Class 2.2 supersedes all prior notes, agreements, and other documents of indebtedness or obligations executed by, or related to, the Debtors prior to the Effective Date.

4.3(a) Class 3.1 – Priority Non-Tax Unsecured Claims of ReoStar Energy.

All Allowed Non-Tax Priority Unsecured Claims, if any, shall be paid the Allowed amount of such Claim without interest as payment in full on the Effective Date. Class 3.1 is impaired under the Plan and is allowed to vote on the Plan.

4.3(b) Class 3.2 – Priority Non-Tax Unsecured Claims of ReoStar Operating.

All Allowed Non-Tax Priority Unsecured Claims, if any, shall be paid the Allowed amount of such Claim without interest as payment in full on the Effective Date. Class 3.2 is impaired under the Plan and is allowed to vote on the Plan.

4.3(c) Class 3.3 – Priority Non-Tax Unsecured Claims of ReoStar Gathering.

All Allowed Non-Tax Priority Unsecured Claims, if any, shall be paid the Allowed amount of such Claim without interest as payment in full on the Effective Date. Class 3.3 is impaired under the Plan and is allowed to vote on the Plan.

4.3(d) Class 3.4 – Priority Non-Tax Unsecured Claims of ReoStar Leasing.

All Allowed Non-Tax Priority Unsecured Claims, if any, shall be paid the Allowed amount of such Claim without interest as payment in full on the Effective Date. Class 3.4 is impaired under the Plan and is allowed to vote on the Plan.

4.4(a) Class 4.1 – General Unsecured Claims of ReoStar Energy.

Class 4.1 consists of all Allowed General Unsecured Claims of ReoStar Energy. This Class does not include any unsecured claims of any other Debtors or BT & MK.

All non-Insider holders of Allowed General Unsecured Claims of ReoStar Energy in Class 4.1 shall receive their Pro Rata Share of (a) one hundred percent (100%) of the Net Proceeds, if any, from all Estate Actions pursued by the Creditor Trust, as described in the Disclosure Statement, and (b) twenty percent (20%) of their Allowed General Unsecured Claim amounts over thirty-six (36) equal monthly payments, without interest, starting on the first business day of the month following the Effective Date; provided, however, that Insider holders of Allowed General Unsecured Claims, and their successors, assignees, transferees, and subrogees, shall be entitled to payment under this subparagraph only of twenty percent (20%) of their Allowed General Unsecured Claim amounts over thirty-six (36) equal monthly payments, without interest, starting on the first business day of the month following the Effective Date.

The Allowed General Unsecured Claim of BT & MK has been estimated in the amount of \$184,684.93 for voting within Classes 4.1-4-2, and 4.4-4.5. After payment of BT & MK's Class 2.2 Allowed Secured Claim as set forth in section 4.2(b) of the Plan, BT & MK shall have no further rights to payment or any other Claims, including as any Allowed Unsecured Claim.

Notwithstanding any other provision of the Plan, no Class 4.1 General Unsecured Creditor shall be entitled to receive more than one hundred percent (100%) of the Allowed Amount of such respective Creditor's Allowed General Unsecured Claim under Class 4.1.

Class 4.1 is impaired and is entitled to vote.

4.4(b) Classes 4.2 – General Unsecured Claims of ReoStar Operating.

Class 4.2 consists of all Allowed General Unsecured Claims of ReoStar Operating. This Class does not include any unsecured claims of any other Debtors or BT & MK.

All non-Insider holders of Allowed General Unsecured Claims of ReoStar Operating in Class 4.2 shall receive their Pro Rata Share of (a) one hundred percent (100%) of the Net Proceeds, if any, from all Estate Actions pursued by the Creditor Trust, as described in the Disclosure Statement, and (b) twenty percent (20%) of their Allowed General Unsecured Claim amounts over thirty-six (36) equal monthly payments, without interest, starting on the first business day of the month following the Effective Date; provided, however, that Insider holders of Allowed General Unsecured Claims, and their successors, assignees, transferees, and subrogees, shall be entitled to payment under this subparagraph only of twenty percent (20%) of their Allowed General Unsecured Claim amounts over thirty-six (36) equal monthly payments, without interest, starting on the first business day of the month following the Effective Date.

The Allowed General Unsecured Claim of BT & MK has been estimated in the amount of \$184,684.93 for voting within Classes 4.1-4-2, and 4.4-4.5. After payment of BT & MK's Class 2.2 Allowed Secured Claim as set forth in section 4.2(b) of the Plan, BT & MK shall have no further rights to payment or any other Claims, including

as any Allowed Unsecured Claim.

Notwithstanding any other provision of the Plan, no Class 4.2 General Unsecured Creditor shall be entitled to receive more than one hundred percent (100%) of the Allowed Amount of such respective Creditor's Allowed General Unsecured Claim under Class 4.2.

Class 4.2 is impaired and is entitled to vote.

4.4(c) Class 4.3 – Intentionally deleted.

4.4(d) Class 4.4 – General Unsecured Claims of ReoStar Gathering.

Class 4.4 consists of all Allowed General Unsecured Claims of ReoStar Gathering. This Class does not include any unsecured claims of any other Debtors or BT & MK.

All non-Insider holders of Allowed General Unsecured Claims of ReoStar Gathering in Class 4.4 shall receive their Pro Rata Share of (a) one hundred percent (100%) of the Net Proceeds, if any, from all Estate Actions pursued by the Creditor Trust, as described in the Disclosure Statement, and (b) twenty percent (20%) of their Allowed General Unsecured Claim amounts over thirty-six (36) equal monthly payments, without interest, starting on the first business day of the month following the Effective Date; provided, however, that Insider holders of Allowed General Unsecured Claims, and their successors, assignees, transferees, and subrogees, shall be entitled to payment under this subparagraph only of twenty percent (20%) of their Allowed General Unsecured Claim amounts over thirty-six (36) equal monthly payments, without interest, starting on the first business day of the month following the Effective Date.

The Allowed General Unsecured Claim of BT & MK has been estimated in the amount of \$184,684.93 for voting within Classes 4.1-4-2, and 4.4-4.5. After payment of BT & MK's Class 2.2 Allowed Secured Claim as set forth in section 4.2(b) of the Plan, BT & MK shall have no further rights to payment or any other Claims, including as any Allowed Unsecured Claim.

Notwithstanding any other provision of the Plan, no Class 4.4 General Unsecured Creditor shall be entitled to receive more than one hundred percent (100%) of the Allowed Amount of such respective Creditor's Allowed General Unsecured Claim under Class 4.4.

Class 4.4 is impaired and is entitled to vote.

4.4(e) Class 4.5 – General Unsecured Claims of ReoStar Leasing.

Class 4.5 consists of all Allowed General Unsecured Claims of ReoStar Leasing. This Class does not include any unsecured claims of any other Debtors or BT & MK.

All non-Insider holders of Allowed General Unsecured Claims of ReoStar Leasing in Class 4.5 shall receive their Pro Rata Share of (a) one hundred percent (100%) of the Net Proceeds, if any, from all Estate Actions pursued by the Creditor Trust, as described in the Disclosure Statement, and (b) twenty percent (20%) of their Allowed General Unsecured Claim amounts over thirty-six (36) equal monthly payments, without interest, starting on the first business day of the month following the Effective Date; provided, however, that Insider holders of Allowed General Unsecured Claims, and their successors, assignees, transferees, and subrogees, shall be entitled to payment under this subparagraph only of twenty percent (20%) of their Allowed General Unsecured Claim amounts over thirty-six (36) equal monthly payments, without interest, starting on the first business day of the month following the Effective Date.

The Allowed General Unsecured Claim of BT & MK has been estimated in the amount of \$184,684.93 for voting within Classes 4.1-4-2, and 4.4-4.5. After payment of BT & MK's Class 2.2 Allowed Secured Claim as set forth in section 4.2(b) of the Plan, BT & MK shall have no further rights to payment or any other Claims, including as any Allowed Unsecured Claim.

Notwithstanding any other provision of the Plan, no Class 4.5 General Unsecured Creditor shall be entitled to receive more than one hundred percent (100%) of the Allowed Amount of such respective Creditor's Allowed General Unsecured Claim under Class 4.5.

Class 4.5 is impaired and is entitled to vote.

4.5 Class 5 – Subordinated and Penalty Claims.

Each holder in Class 5 shall be treated as a separate subclass for voting and treatment purposes under the Plan. No Cash shall be distributed to, or retained by the holder of an Allowed Subordinated or Penalty Claim. Pursuant to Bankruptcy Code Section 510 or any other applicable law or agreement, including section 17.15 of the Plan, the Debtors may equitably subordinate Claims of creditors who are not entitled or should not be allowed to share in the assets of the Debtors' estate for any equitable, contractual, statutory, factual, or legal reason whatsoever. Class 5 is deemed to reject the Plan, and includes:

- (a) For the reasons stated in the Disclosure Statement and pending BT & MK Adversary Proceeding, and subject to section 17.15 of the Plan, the Zouvas Claim shall be disallowed in full, recharacterized, and/or equitably subordinated under 11 U.S.C. §510(c), and shall not receive a distribution under this Plan.
- (b) For the reasons stated in the Disclosure Statement and pending BT & MK Adversary Proceeding, and subject to section 17.15 of the Plan, the Tritaurian Capital Claim shall be disallowed in full, recharacterized, and/or equitably subordinated under 11 U.S.C. §510(c), and shall not receive a distribution under this Plan.

4.6 Class 6 – Interests.

All Class 6 Interests in the Debtors shall be canceled as of the Effective Date. Class 6 is deemed to reject the Plan. New interests shall be sold to the Interest Purchaser Russco Energy LLC for the following consideration: Russco Energy LLC – 100% of the new interests in the Reorganized Debtors for the Interest Purchase Price.

4.7 Class 7 – Subordinated Interests.

All Class 7 Subordinated Interests in the Debtors shall be cancelled, annulled, and terminated, and shall receive no distribution or dividend on account of such Interests at any time. Any portion of the Zouvas or Tritaurian Claims that are recharacterized as interests in the BT & MK Adversary Proceeding shall be cancelled, annulled, and terminated, and shall receive no distribution or dividend on account of such Interests at any time. Class 7 is deemed to reject the Plan.

ARTICLE V

**ACCEPTANCE OR REJECTION OF THE PLAN; EFFECT OF REJECTION BY
ONE OR MORE CLASSES OF CLAIMS OR INTERESTS**

5.1 Classes Entitled to Vote.

Pursuant to the provisions of section 1126 of the Bankruptcy Code, only holders of Claims or Interests that are (i) Allowed, (ii) impaired, and (iii) receiving or retaining property on account of such Claims pursuant to the Plan, are entitled to vote either for or against the Plan (“Voting Claims”). Accordingly, in this Bankruptcy Case, any holder of a Claim or Interest classified in Classes 1, 2.1-2.2, 3.1-3.4, or 4.1-4.5 of the Plan may have a Voting Claim and should have received a Ballot for voting (with return envelope) along with this Disclosure Statement, Plan, and other materials because these are the only Classes consisting of impaired Claims that are receiving property. Under the Bankruptcy Code, Classes such as Class 5, 6, and 7 under the Plan that do not receive or retain any property under the Plan as payment of the Claims or Interests within those Classes are presumed to vote to reject the Plan and, therefore, votes from such Classes are not solicited.

As referenced in the preceding paragraph, a Claim must be Allowed to be a Voting Claim. The Debtors filed the Schedules, as amended, in their Bankruptcy Cases listing Claims against the Debtors. To the extent a creditor's Claim was listed in the Debtors' Schedules, and was not listed as disputed, contingent, or unliquidated, such Claim is deemed "Allowed" Only in the amount scheduled. Any creditor whose Claim was not scheduled, or was listed as disputed, contingent, or unliquidated, must have timely filed a proof of Claim in the appropriate Debtor's case in order to have an Allowed Claim against such Debtor.

The last day for holders of non-governmental Claims to have filed their Claims for amounts owed or Interests held prepetition against the Debtors, was March 10, 2011. The Governmental Claims Bar Date was April 30, 2011. The last day for alleged creditors Mark Zouvas and Tritaurian Capital, Inc. to file their Claims for amounts owed or Interests held prepetition against the Debtors was July 15, 2011. These dates constitute the "Claims Bar Date" for the Debtors. Claims not filed by the applicable Claims Bar Date are forever barred and discharged.

Absent an objection to a timely filed proof of Claim by the Objection Deadline, such Claim is deemed Allowed. In the event that any proof of Claim is a Contested Claim during the Plan voting period, then, by definition, it is not Allowed for purposes of section 1126 of the Bankruptcy Code, and is not to be considered a Voting Claim entitled to cast a Ballot. Nevertheless, pursuant to Bankruptcy Rule 3018(a), the holder of a Contested Claim may petition the Bankruptcy Court, after notice and hearing, to allow the Claim temporarily for voting purposes in an amount that the Bankruptcy Court deems proper. Allowance of a Claim for voting purposes, and disallowance for voting purposes, does not necessarily mean that all or a portion of the Claim will be Allowed or disallowed for distribution purposes.

BY ENCLOSING A BALLOT, THE DEBTORS ARE NOT REPRESENTING THAT YOU ARE ENTITLED TO VOTE ON THE PLAN. BY INCLUDING A CLAIM AMOUNT ON THE BALLOT (IF APPLICABLE), THE DEBTORS ARE NEITHER ACKNOWLEDGING THAT YOU HAVE AN ALLOWED CLAIM IN THAT AMOUNT NOR WAIVING ANY RIGHTS THE DEBTORS MAY HAVE TO OBJECT TO YOUR VOTE OR CLAIM.

If you believe you are a holder of a Claim in an impaired Class under the Plan and entitled to vote to accept or reject the Plan, but did not receive a Ballot with these materials, please contact Perry Cockerell, Cantey Hanger, LLC, 1999 Bryan Street, Suite 3330, Dallas, Texas 75201, Telephone: (214) 978-4129, Facsimile (214) 978-4150, E-mail: pcockerell@canteyhanger.com.

If you are a holder of a Voting Claim, your vote on the Plan is important. Please read the voting instructions carefully and return your Ballots as specified below and on the Voting Instructions contained in and attached to your Ballots.

(a) Deadline for Submission of Ballots.

BALLOTS MUST BE ACTUALLY RECEIVED BY THE DEBTORS' COUNSEL, WHETHER BY MAIL, COURIER, OR FACSIMILE, ON OR BEFORE **AUGUST 23, 2012 AT 5:00 P.M. CENTRAL TIME.** ANY BALLOTS RECEIVED AFTER THAT TIME WILL NOT BE COUNTED. ANY BALLOT THAT IS NOT EXECUTED BY A PERSON AUTHORIZED TO SIGN SUCH BALLOT WILL NOT BE COUNTED.

IF YOU HAVE ANY QUESTIONS REGARDING THE PROCEDURES FOR VOTING ON THE PLAN OR YOU DID NOT RECEIVE OR NEED A REPLACEMENT BALLOT, CONTACT PERRY COCKERELL, CANTEY HANGER, LLC 1999 BRYAN STREET, SUITE 3330, DALLAS, TEXAS 75201, TELEPHONE: (214) 978-4129, FACSIMILE (214) 978-4150, E-MAIL: pcockerell@canteyhanger.com. THE DEBTORS URGE ALL HOLDERS OF VOTING CLAIMS TO VOTE IN FAVOR OF THE PLAN.

(b) Incomplete or Irregular Ballots.

Ballots that fail to designate the Class to which they apply will be counted, subject only to contrary determinations by the Court, in the Class determined by the Debtors. The Debtors' counsel will use its best

judgment in the determination of votes; however, Ballots that do not reflect acceptance or rejection, or reflect both acceptance and rejection of the Plan for a single Claim may not be counted.

(c) Ballot Retention.

Original ballots will be retained by the Debtors' counsel for six months following the Confirmation Date, after which they may be destroyed at the discretion of the Debtors' counsel.

5.2 Class Acceptance Requirement.

A class of Claims shall have accepted the Plan if it is accepted by holders of Claims (other than those designated by the Court under section 1126(e) of the Bankruptcy Code) that hold at least two-thirds in amount and more than one-half in number of the Allowed Claims of such Class that have voted on the Plan

5.3 Cramdown.

If any impaired Class of Claims does not vote to accept the Plan, the Court may nevertheless confirm the Plan pursuant to the "cramdown" provisions of section 1129(b) of the Bankruptcy Code. If the Court determines that the Plan "does not discriminate unfairly" and is "fair and equitable" to each Class of dissenting holders of Claims or Interests, the Court may confirm the Plan through "cramdown." The Plan will not discriminate unfairly if no Class receives more than it is legally entitled to receive.

ARTICLE VI

CREATION OF REORGANIZED DEBTORS, AND PLAN-RELATED TRANSACTIONS

6.1 Creation of the Reorganized Debtors.

On the Effective Date, the Reorganized Debtors shall be created for the purpose of operating, preserving and liquidating the Assets for the benefit of the Creditors and satisfying Claims consistent with the Plan. The Reorganized Debtors shall be entitled and authorized to engage in the conduct of the trade or business of the Debtors solely to the extent reasonably necessary to, and consistent with, the distribution purposes of the Plan pursuant to, inter alia, 11 U.S.C. §1123(a)(5)(A). With the exception of the Creditors Trust Claims, the Reorganized Debtors shall receive any and all assets from the Debtors' estates and disburse the proceeds from revenues realized from the operation, lease, assignment, sale or other similar transaction involving the property of the Reorganized Debtors consistent with the terms of this Plan.

6.2 Funding of the Reorganized Debtors.

To fund the Reorganized Debtors, by operation of the Confirmation Order, the Reorganized Debtors shall be in possession of and have title to all Assets, including any cash (except cash escrowed for payment of estate Professional Persons), bank deposits, certificates of deposit, inventory, furniture, fixtures, equipment, real property, rights, contracts, claims and causes of action, garnishments, and all documents evidencing and relating to the ownership of estate property. All accounts receivable of the Debtors shall be deemed, as of the Effective Date, to have been assigned to the Reorganized Debtors. The conveyances of all property of the Debtors' estates shall be accomplished pursuant to the Plan and the Confirmation Order and shall be effective upon the Effective Date without the need of further documentation or instruments of conveyance, other than the Plan and the Confirmation Order. Upon the Effective Date, with the exception of the Creditors Trust Claims, the Reorganized Debtors shall also be deemed to have taken (a) an assignment of all Estate Actions, and (b) an assignment, bill of sale, deed and/or release covering all remaining Assets discharged above.

On the Effective Date, Russco shall cause the working capital lender to confirm approximately \$9.5 million in working capital availability to the Reorganized Debtors for drilling and development of 3 wells on 540 acres proved undeveloped reserve (PUD) in the oil window of the Barnett Shale. In exchange for the \$9.5 million commitments, and effective only after payment in full to BTMK as set forth in section 4.2(b) of the Plan, the working capital lender shall be given a super priority secured lien ("priming lien") on the 540 acres until the loan is

paid back; provided, however, that such priming lien shall not prime automatically perfected statutory ad valorem liens that secure taxes, penalties, and interest. Loan terms for the working capital loan shall be the following, substantially in the form of the Macquarie Bank term sheet attached as Exhibit F, or such other better terms as may be obtained by the Russco or the Reorganized Debtors: maturity of 3 years from funding, LIBOR + 700 basis point floating with a LIBOR floor of 150 basis points, calculated and payable on a monthly basis in arrears. At closing of the loan, the Reorganized Debtors shall assign to the lender a net profit interest (“NPI”) equal to 25% of Reorganized Debtors’ working interest in the 540 acres for the life of the land. On the Effective Date, Russco shall also agree that the Reorganized Debtors may use the balance of the Russco Cash Bond to pay administrative expenses and priority unsecured claims of the estates, after reimbursement to Russco of its attorney fees, costs and expenses associated with the Bankruptcy Cases and BT & MK Adversary Proceeding. Per Section 4.2(b) of the Plan, BTMK’s Class 2.2 Allowed Secured Claims shall be paid in full on the Effective Date.

The effectiveness of the Plan is expressly conditioned upon the Court’s approval of the release of the \$2.16 million Russco Cash Bond and the priming lien defined herein for receipt of the additional working capital commitments. The Reorganized Debtors may present such orders as may be necessary to require third parties to accept and acknowledge such conveyance to the Reorganized Debtors. Such orders may be presented without further notice other than as has been given in this Plan.

6.3 Name of the Reorganized Debtors.

The Reorganized Debtors shall retain the names “ReoStar Energy Corporation,” “ReoStar Operating, Inc.,” “ReoStar Leasing, Inc.,” “ReoStar Gathering, Inc.,” and “Rife Energy Operating, Inc.,” but may do business under any name the Reorganized Debtors deem advisable or which is necessary or appropriate and allowable by law.

6.4 Purchase of Operations of Rife Energy Operating, Inc.

The effectiveness of the Plan is expressly conditioned upon (i) the Reorganized Debtors’ purchase of all operations of Rife Energy Operating, Inc., for \$3.2 million in the form of a secured promissory note (the “Note”) payable in eighteen (18) equal monthly installments of approximately \$50,000, beginning sixty (60) days after the Effective Date, with a balloon payment due at maturity, and with the Note accruing interest at five and one half percent (5.5%) per year, (ii) continued services by M.O. Rife, III to the Reorganized Debtors for, at a minimum, the duration of the Reorganized Debtors’ performance under the Plan and Note, and (iii) a non-compete agreement between M.O. Rife, III and the Reorganized Debtors, in a form acceptable to Mr. Rife, Reorganized Debtors, and Russco, to further secure Mr. Rife’s services to the Reorganized Debtors for, at a minimum, the duration of the Reorganized Debtors’ performance under the Plan and Note. Accordingly, the Plan seeks approval of the transaction within this section in connection with confirmation of the Plan, and such approval shall be included within the Confirmation Order.

6.5 Release of Russco Cash Bond.

The effectiveness of the Plan is expressly conditioned upon release of the Russco Cash Bond for payment of Russco’s costs associated with the Bankruptcy Cases and the BT & MK Adversary Proceeding, and as additional consideration for the Interest Purchase Price. Accordingly, the Plan seeks approval of this transaction in connection with confirmation of the Plan, and such approval shall be included within the Confirmation Order.

6.6 Settlement and Mutual Releases with BTMK Released Parties.

As described in the Disclosure Statement, this Plan constitutes a motion to settle under Bankruptcy Rules 9014 and 9019, and seeks approval within the Confirmation Order of the global settlement of all issues and claims asserted between the Debtors on the one hand and the BTMK Released Parties on the other hand. The effectiveness of the Plan is expressly conditioned upon approval of the settlement and mutual releases among such parties. Such approvals and releases within the Confirmation Order shall include, contemporaneously upon (i) BTMK’s receipt of the \$7.5 million payment on BTMK’s Class 2.2 Allowed Secured Claim, and (ii) BTMK’s release of all Liens securing its Claims, including Subordination Agreements and stock pledges, and (iii) consent to the presentation of an agreed order authorizing and directing the disbursement of the funds in the Registry of the Bankruptcy Court (i.e.,

the Russco Cash Bond) to Russco (including interest) based upon forms of documents drafted by Russco and agreed to by BTMK:

- a) BTMK, BancTrust & Co., BancTrust International, Inc., Carlos Fuenmayor, Christian Lovera, Cesar Jimenez, John J. Carney, Receiver to The Michael Kenwood Group, LLC, Highview Point Partners, MK Master Investments LP, MK Investments, Ltd., MK Oil Ventures LLC., The Michael Kenwood Group, LLC, Michael Kenwood Capital Management, LLC; Michael Kenwood Asset Management, LLC; MK Energy and Infrastructure, LLC; MKEI Solar, LP; MK Automotive, LLC; MK Technology, LLC; Michael Kenwood Consulting, LLC; MK International Advisory Services, LLC; MKGAtlantic Investment, LLC; Michael Kenwood Nuclear Energy, LLC; MyTcart, LLC; TUOL, LLC; MK Capital Merger Sub, LLC; MK Special Opportunity Fund; MK Venezuela, Ltd.; Short Term Liquidity Fund, I, Ltd., Thomas Lionelli and Ronald Percival, including the agents, counsel, and representatives of each of the above (all collectively, the "**BTMK Released Parties**") shall be deemed to be released and discharged from any and all Claims whatsoever held or asserted by the Debtor Released Parties (defined below); and
- b) the Debtors and their estates and the Representatives (collectively, the "**Debtor Released Parties**") shall be deemed to be released and discharged from any and all Claims whatsoever held or asserted by the BTMK Released Parties (defined above).
- c) Pursuant to section 1123 of the Bankruptcy Code and in consideration for the classification, distributions, releases, and other benefits provided pursuant to the Plan, on the Effective Date, the provisions of the Plan shall constitute mutual release of all Claims, Interests, and controversies between the Debtor Released Parties and the BTMK Released Parties, as well as mutual release of all Claims, Interests and controversies asserted or that could have been asserted between the Debtor Released Parties and the BTMK Released Parties, including claims against their agents, counsel and representatives, in the BTMK Litigation or otherwise.

The entry of the Confirmation Order shall constitute the Bankruptcy Court's approval of the mutual release of all such Claims, Interests, and controversies, as well as a finding by the Bankruptcy Court that such mutual release is in the best interests of the Debtors, their Estates, and Holders of Claims and Interests and is fair, equitable, and reasonable.

The Confirmation Order shall include releases at least as broad as set forth in this Plan, and shall authorize and direct the BTMK Released Parties and the Debtor Released Parties to take all steps necessary and/or appropriate to effectuate the settlement contemplated herein, including the following:

As to these Bankruptcy Cases:

- i. BTMK's Claims shall be Allowed Secured Claims and receive \$7.5 million cash on the Effective Date in full satisfaction of the Allowed Secured Claims as stated more fully herein;
- ii. BTMK's Allowed Secured Claims will not be subordinated under this Plan;
- iii. BTMK (and its affiliates and constituent members, etc.) shall receive the foregoing releases and exculpation from Debtors;
- iv. Upon receiving the \$7.5 million payment and global release under this Plan, BTMK shall release all its Liens securing its Claims, including regarding the Subordination Agreements and stock pledges, and shall consent to the presentation of an agreed order authorizing and directing the disbursement of the funds in the Registry of the Bankruptcy Court (i.e., the Russco Cash Bond) to Russco (including interest) based upon forms of documents drafted by Russco and agreed to by BTMK.

As to the BT & MK Adversary Proceeding:³

- i. Upon the Effective Date of this Plan, the Plaintiff shall dismiss all claims against the BTMK Parties with prejudice;
- ii. Until the Effective Date of the Plan, the Plaintiff and BTMK Parties shall request abatement (or tolling) of all deadlines in the District Court's Scheduling Order (including deadlines for amending pleadings, discovery, designating experts, filing dispositive motions, etc.).

As to the SEC Receivership Case:

- i. Upon the Effective Date, Debtors shall withdraw all their claims filed in the SEC Receivership Case.

ARTICLE VII

VESTING OF ASSETS

On the Effective Date, all property of the estate of the Debtors, including but not limited to any and all rights, claims, causes of action, or Estate Actions not assigned to the Creditor Trust, whether known or unknown, asserted or unasserted, at law or equity, and whether arising prepetition or postpetition, and whether arising pursuant to the Bankruptcy Code or other applicable law, including without limitation all rights, claims, or causes of action referenced within the body of, or exhibits attached to, the Plan, the Disclosure Statement, or the Debtors' Schedules or Statements of Financial Affairs, shall vest in the Reorganized Debtors free and clear of all Liens or encumbrances pursuant to, inter alia, 11 U.S.C. §1123(a)(5)(A), with the sole exceptions of automatically perfected statutory ad valorem liens that secure year 2012 taxes, penalties, and interest, and those particular Liens expressly and specifically allowed by the Plan and Confirmation Order to continue to attach to the Debtors' Assets post-Confirmation. To the extent any court of competent jurisdiction determines under applicable law that, notwithstanding the provisions of the Plan, a cause of action is not assignable, then any assignment of such cause of action pursuant to the Plan shall be void *ab initio*; provided, however, that the proceeds of any such cause of action shall be transferred to the Reorganized Debtors upon receipt by the Debtors.

To the extent necessary or appropriate, the Reorganized Debtors may be substituted as the plaintiff or defendant in any or all lawsuits pending in which the Debtors are plaintiffs, defendants or are seeking relief. The Reorganized Debtors shall be and hereby are appointed the sole corporate representatives of the Debtors for purposes of prosecuting any and all rights, claims, or causes of action, including but not limited to, all Estate Actions and actions arising pursuant to Chapter 5 of the Bankruptcy Code, whether known or unknown, asserted or unasserted, at law or equity, and whether arising pursuant to the Bankruptcy Code or other applicable law. The Reorganized Debtors may, in their sole discretion, prosecute, settle, or dismiss rights, claims, or causes of action, and all proceeds therefrom shall be property of the Reorganized Debtors.

ARTICLE VIII

CORPORATE AUTHORITY

All actions and transactions contemplated under the Plan and the Disclosure Statement shall be authorized upon confirmation of the Plan without the need of further board, officer, or ownership resolutions, approval, notice, or meetings, other than the notice provided by serving this Plan on all known creditors of the Debtors, all equity Interest holders as of the entry of the order approving the Disclosure Statement, and all current members, officers, or management of the Debtors. As of the Effective Date, the officers shall be appointed as follows: CEO – M.O. Rife III; COO – R. Kevin Russell; President – Jon B. "Brett" Bennett; CFO – Raymond S. Russell; and, V.P. Legal – Benton J. Poole. The Confirmation Order may also include provisions authorizing and directing the president and secretary and other officers, managers, members, and authorized representative(s) of the Debtors to execute such documents as are necessary to effectuate the Plan, which documents shall be binding on the Debtors, the Debtors'

³ There is no agreement between the Debtors and the Zouvas/Allen Defendants within the BT & MK Adversary Proceeding.

Creditors, and all of the Debtors' equity Interest holders. Subject to the provisions of this Plan, the Reorganized Debtors are vested with authority to take any action on behalf of the Debtors that would otherwise require the approval of the members, managers, or officers of the Debtors. The Reorganized Debtors' management and employees as of the Confirmation Date may be employed by the Reorganized Debtors at the same or similar rates and terms as existed during the pendency of the Bankruptcy Cases. From and after the Effective Date, the existing managers and officers of the Debtors shall have no further duties or responsibilities with respect to the Debtors or the Reorganized Debtors, except to the extent employed by the Reorganized Debtors after the Effective Date.

ARTICLE IX

MEANS FOR IMPLEMENTATION OF THE PLAN

9.1 Powers and Duties of the Reorganized Debtors with Respect to Consummation of the Plan.

Under the Plan, the Reorganized Debtors are empowered to: (a) take all steps and execute all instruments and documents necessary to effectuate the Plan; (b) make distributions and payments contemplated by the Plan; (c) comply with the Plan and the obligations thereunder; (d) employ, retain, or replace Professional Persons to represent them with respect to their responsibilities; (e) object to Claims; (f) prosecute the Estate Actions; and (g) exercise such other powers as may be vested in the Reorganized Debtors pursuant to order of the Court or pursuant to the Plan or as the Reorganized Debtors deems to be necessary and proper to carry out the provisions of the Plan. The Reorganized Debtors shall have the duties of carrying out the provisions of the Plan, which shall include taking or not taking any action that the Reorganized Debtors deem to be in furtherance of the Plan.

9.2 New Equity in Reorganized Debtors.

New equity shares in the Reorganized Debtors shall be issued with one hundred percent (100%) of the new equity shares issued to Russco Energy LLC.

9.3 Officers and Directors.

After the Effective Date, the current officers and directors of the Debtors shall no longer continue to serve as officers and directors of the Reorganized Debtors. As of the Effective Date, the Board of the Reorganized Debtors shall consist of R. Kevin Russell, M.O. Rife, III, Jon B. "Brett" Bennett, Raymond S. Russell, and Benton J. Poole. The officers shall be appointed as follows: CEO – M.O. Rife III; COO – R. Kevin Russell; President – Jon B. "Brett" Bennett; CFO – Raymond S. Russell; and V.P. Legal – Benton J. Poole.

The newly appointed officers and directors of the Reorganized Debtors shall be subject to subsequent shareholders' meetings in the course of the Reorganized Debtors' ordinary corporate governance of a privately held company.

9.4 Intentionally Deleted.

9.5 Corporate Purpose of the Reorganized Debtors.

From and after the Effective Date, the Reorganized Debtors shall operate as privately held companies, and no longer be publically held. As of the Effective Date, the Reorganized Debtors shall be authorized to operate in the ordinary course of business and shall be authorized to make the distributions required under, and implement the provisions of, the Plan.

9.6 Assumption of Liabilities.

The liability for and obligations under the Plan shall be assumed by and become obligations of the Reorganized Debtors and the Creditor Trust.

9.7 Contested Claims.

On and after the Effective Date, the filing, litigation, settlement, or withdrawal of any and all objections to Claims or Estate Actions not assigned to the Creditor Trust may be made solely by the Reorganized Debtors.

(a) Establishment of Contested Claim Reserve.

Notwithstanding any other provision of this Plan, no assets or property shall be distributed under this Plan on account of any Contested Claim. For all Class 4 Contested Claims, the Reorganized Debtors shall establish and hold, in trust, reserves (the "Contested-Claim Reserve") with respect to each Claim for which there exists a Contested Claim, and shall place in the Contested-Claim Reserve the assets and property to be distributed on account of such Contested Claims pursuant to this Plan, pending Allowance or Disallowance of such Claims. If by the next scheduled Class 4 Distribution Date there still is pending a Final Order concerning a Contested Claim, the Reorganized Debtors shall pay into the Contested-Claim Reserve all payments provided for under this Plan pursuant to any Allowed Claim that would have been required to be delivered to the claimant absent an objection to the claimant's Claim. Cash held in the Contested-Claim Reserve shall be held in a segregated trust account. To the extent practicable, the Reorganized Debtors may invest the Cash in the Contested-Claim Reserve in a manner that will yield a reasonable net return, taking into account the safety of the investment.

(b) Determination of Contested Claim Reserve.

The Bankruptcy Court may, at any time, determine the amount of assets sufficient to fund the Contested-Claim Reserve. The Bankruptcy Court may estimate and determine by an Estimation Order the Estimated Amount of Claims for which the Contested-Claim Reserve has been established. Any claimant holding a Contested Claim so estimated will have recourse only to undistributed assets and property in the Contested-Claim Reserve and not to the Debtors, the Reorganized Debtors, or any other assets or property, should the Allowed Claim of such claimant, as finally determined by a Final Order, exceed such Estimated Amount.

(c) Return of Assets

Except as otherwise provided herein, all assets and properties (and all interest payments and distributions previously paid in connection therewith) in the Contested-Claim Reserve remaining after the resolution of all disputes relating thereto shall be returned to the Reorganized Debtors.

(d) Treatment and Schedule of Payment of Contested Claims.

If an objection to a Contested Claim is pending on the date of a scheduled Class 4 installment payment, then the Reorganized Debtors shall pay the respective holder its Pro Rata Share of the undisputed portion of such Contested Claim and shall pay into the Contested Claims Reserve either (a) the pro-rata amount that would be paid on the Contested Claim at such time if it was allowed as filed or (b) the pro-rata amount that would be paid on the Contested Claim at such time based on an estimation of the Claim obtained by the Reorganized Debtors. After the Contested Claim is resolved by a Final Order and becomes an Allowed Claim, the Allowed Claim will receive on the next Class 4 installment payment, its appropriate pro-rata share of the Contested Claim Reserve and will participate pro-rata in the Class 4 distributions set forth in Section 4.4(a), (b), or (c) above until the Allowed Claim is paid in full. Excess funds in the Contested Claim Reserve, if any, will be paid out and supplement the next occurring Class 4 Distribution Date as to the affected creditor and such creditor's Allowed Claim only, provided that such excess funds shall be counted as a dollar-for-dollar credit to the Reorganized Debtors' Class 4 Plan payments. Nothing in this Section will require the Debtors to make any Class 4 distribution in excess of, or at a more rapid pace than, the schedule provided for the Class 4 distributions provided in Section 4.4(a), (b), or (c) above and overall obligations to Class 4 General Unsecured Creditors.

(e) Withholding of Taxes.

The Reorganized Debtors shall withhold from any assets and property distributed under the Plan any assets and property which must be withheld for federal, state, and local taxes payable by the person entitled to such property to the extent required by applicable law.

9.8 Estimated Claims.

Except as otherwise provided herein and for the BT & MK Claims, which BT & MK Claims already are (a) estimated for purposes of voting and (b) Allowed Claims herein, the Court may estimate for purposes of allowance pursuant to section 502(c) of the Bankruptcy Code, (i) any Contested Claim or unliquidated Claim, or (ii) any portion or part of a Claim that is, itself, unliquidated. Any Estimation Order, to the extent it becomes a Final Order, shall determine the amount of the Allowed Claim so estimated.

ARTICLE X

PROVISIONS GOVERNING DISTRIBUTIONS

10.1 Date of Distributions.

Any distributions and deliveries to be made under the Plan shall be as provided for in this Plan. Any distributions to be made under the Plan shall not be made if they would result in an aggregate negative balance, and shall be held by the Reorganized Debtors until such time as they may be made without reducing the Debtors' aggregate cash accounts below zero. Distributions to Allowed General Unsecured Creditors shall be made only so long as payments on Secured Claims, Administrative Expenses, and Priority Tax Claims are being paid as required under the Plan.

10.2 Means of Cash Payment.

Cash payments made pursuant to the Plan shall be in U.S. funds, by check drawn on a domestic bank, or, at the Reorganized Debtors' option, by wire transfer from a domestic bank. Payment to BTMK under section 4.2(b) of the Plan shall be by wire transfer.

10.3 Delivery of Distributions.

Subject to Bankruptcy Rule 9010, distributions to holders of Allowed Claims shall be made at the address of each such holder as set forth on the proofs of Claim or proofs of Interest filed by such holders (or at the last known addresses of such a holder if no proof of Claim or proof of Interest is filed or if the Debtors has been notified in writing of a change of address), except as provided below. If any holder's distribution is returned as undeliverable, no further distributions to such holder shall be made unless and until the Reorganized Debtors is notified of such holder's then current address, at which time all missed distributions shall be made to such holder without interest. Amounts constituting undeliverable distributions shall be maintained for one year after such distributions are returned. All Claims for undeliverable distributions shall be made on or before one year after the distribution was made. After such date, all unclaimed property shall revert to the Reorganized Debtors or any successor thereto, and the Claim of any holder with respect to such property shall be discharged and forever barred.

10.4 Time Bar to Cash Payments.

Checks issued by the Reorganized Debtors of Allowed Claims shall be null and void if not negotiated within six (6) months after the date of issuance thereof. Requests for reissuance of any check shall be made directly to the Reorganized Debtors by the holder of the Allowed Claim with respect to which such check originally was issued. Any claim in respect of such a voided check shall be made on or before seven (7) months after the date the check is issued. After such date, all Claims in respect of void checks shall be discharged and forever barred and shall revert to the Reorganized Debtors.

10.5 No Distributions Pending Allowance.

Notwithstanding any other provision of the Plan, no payment or distribution shall be made with respect to any Claim to the extent it is a Contested Claim unless and until such Contested Claim becomes an Allowed Claim.

10.6 Distributions After Allowance.

Payments and distributions to each holder of a Contested Claim, to the extent that such Claim ultimately becomes an Allowed Claim, shall be made in accordance with the provisions of the Plan governing the Class of Claims to which the respective holder belongs. With respect to any Claim, that is a Contested Claim on the Effective Date, within sixty (60) days after the date that the order or judgment of the Bankruptcy Court allowing such Contested Claim becomes a Final Order or a Contested Claim otherwise becomes an Allowed Claim, the Reorganized Debtors shall distribute to the holders of such Claim any Cash payment, without interest, that would have been distributed to such holder if the Claim had been Allowed on the Effective Date.

10.7 Distributions After Disallowance.

If any withheld distribution amount remains in the Contested-Claim Reserve after all objections to Contested Claims of all Classes have been resolved, any remainder of the Contested-Claim Reserve attributable to the Disallowed Claims shall be returned to the Reorganized Debtors, with interest, if any, in accordance with the provisions of this Plan. The Reorganized Debtors shall not be required to distribute any remainder of the Contested-Claim Reserve to Allowed Claims, and such undistributed remainder shall revert in the Reorganized Debtors.

10.8 Exculpation Regarding Distributions.

Upon the Final Distribution Date and so long as there have been no uncured defaults under the Plan, the Plan Proponents and their respective Representatives, shall be discharged, and released by all persons, holders of Claims or Interests, entities, and parties-in-interest receiving distributions under the Plan from any and all Claims, causes of action, and other assertions of liability arising out of the Reorganized Debtors' discharge of the powers and duties conferred upon them by the Plan or any order of the Bankruptcy Court entered pursuant to or in furtherance of the Plan or applicable law. No current holder of a Claim or an Interest, and no representative thereof, shall have or pursue any Claim or cause of action (a) against the Plan Proponents or their Representatives for making payments or taking any action in accordance with the Plan or for implementing the provisions of the Plan, or (b) against any holder of a Claim for receiving or retaining payments or other distributions as provided for by the Plan. The Representatives are hereby indemnified and held harmless by the Reorganized Debtors for any Claims, causes of action, and other assertions of liability arising out of the discharge of the powers and duties conferred upon them by the Plan or any orders of the Bankruptcy Court entered pursuant to or in furtherance of the Plan or applicable law, except only for actions or omissions arising out of the Representatives' gross negligence or willful misconduct.

10.9 De Minimis Distributions.

Except as otherwise provided herein or in a Court Order, no distribution of less than \$10.00 shall be required to be made to any holder of an Allowed Claim. Such undistributed amount shall be retained by the Reorganized Debtors and accumulated with future payments until such payment would be at least \$10.00. Ultimately undistributed amounts may be retained by the Reorganized Debtors for distribution to other holders of Allowed Claims.

ARTICLE XI

**PROCEDURES FOR RESOLVING AND TREATING CONTESTED
AND DISPUTED CLAIMS UNDER THE PLAN**

11.1 Objection Deadline.

With the exception of claims objections and rights expressly compromised herein with respect to the settlement with the BTMK Released Parties, as soon as practicable, but within thirty (30) days after the later of (a) the Effective Date, or (b) a Claim is filed after the Effective Date, unless extended by order of the Bankruptcy Court, all objections to Claims, Liens, and Interests shall be filed with the Bankruptcy Court and served upon the holders of each of the Claims, Liens, and Interests to which objections are made. The Reorganized Debtors retains the right to object to late-filed and all other Claims, Liens, and Interests, including claims filed pursuant to sections 502(g), (h), and (i) of the Bankruptcy Code. No

amendments to previously filed Claims shall be allowed after the objection deadline provided in this paragraph. The Debtors and the Reorganized Debtors reserve all rights whatsoever to object to or subordinate any Claims, Liens, and Interests whatsoever on any grounds and to raise any and all defenses, counterclaims, crossclaims, setoffs, and/or recoupments, in law or in equity or pursuant to § 502(d) of the Bankruptcy Code.

11.2 Prosecution of Objections and Estate Actions.

On and after the Effective Date, the filing, litigation, settlement, or withdrawal of all objections to Claims or Estate Actions may be made solely by the Reorganized Debtors, including without limitation, prosecuting potential litigation against Mark Zouvas, Scott Allen, and others against whom the Debtors have causes of action, including the auditors on the company’s transaction going private to public, Killman, Murrell & Co., P.C. out of Odessa, Texas; Peter Zouvas; Three Bar C, Inc.; avoidance and/or recovery of transfers made and/or obligations incurred to the English Family and the Dodson Family; and others otherwise disclosed in the Plan Documents.

ARTICLE XII

**PROVISIONS GOVERNING EXECUTORY CONTRACTS
AND UNEXPIRED LEASES UNDER THE PLAN**

12.1 Assumption of Certain Contracts; Rejected if Not Assumed.

The Plan constitutes a motion by the Debtors to assume, as of the Effective Date, all executory contracts, and unexpired leases of the Debtors, including without limitation, the contracts listed below (which list Debtors reserve the right to update at or prior to the conclusion of the Confirmation Hearing):

<i>Contract Party</i>	<i>Contract Description</i>
Plains Marketing LP 12700 Hillcrest Road, Suite 158 Dallas, Texas 75230	Oil Sales Contract dated February 1, 2010
ReoStar Energy Corporation 3880 Hulen Street, Suite 500 Fort Worth, Texas 76107	Oil and Gas Standard Operating Agreement concerning the operations of oil and gas wells located in Navarro County, Texas
Various other working interest owners	Oil and Gas Standard Operating Agreement concerning the operations of oil and gas wells located in Navarro County, Texas
Hulen South Tower Limited c/o Isenberg Management 400 S. Zang Blvd, Suite 1020 Dallas, Texas 75208	Non-residential Real Estate Lease-office space located at 3880 Hulen, Suite 500 Fort Worth, Texas 76107
Various Oil and Gas Leases located in Cooke, Wise, and Montague Counties (See Chart G-1 below)	Oil and Gas Leases
Various Oil and Gas Leases located in Navarro County, Texas (See Chart G-2 below)	Oil and Gas Leases
Rife Energy Operating, Inc. 3880 Hulen Street, Suite 510 Fort Worth, Texas 76107	Oil and Gas Standard Operating Agreement on all Oil and gas wells located in Cooke, Wise and Montague Counties
ReoStar Operating, Inc. 3880 Hulen Street, Suite 500 Fort Worth, Texas 76107	Oil and Gas Standard Operating Agreement on all Oil and gas wells located in Navarro Counties
Berkley Insurance Company 475 Steamboat Road Greenwich, CT 06830	Directors, Officers and Corporate Liability Insurance – Policy Number 1947529, Policy Period: April 16, 2010 to June 30, 2012

Berkley Insurance Company 475 Steamboat Road Greenwich, CT 06830	Directors, Officers and Corporate Liability Insurance – Policy Number 1947529, Policy Period: April 16, 2010 to April 16, 2011
Carolina Casualty Insurance Company 4600 Touchton Road East Building 100, Suite 400 Jacksonville, FL 32246	Directors, Officers and Corporate Liability Insurance – Policy Number 1890659, Policy Period: April 16, 2009 to April 16, 2011

**Chart G-1 – This chart reflects the Debtors’ Schedules as of the Petition Date. Since then, certain leases may have been sold and/or disputed as otherwise disclosed in the Plan Documents.*

ReoStar Energy Corporation Barnett Shale Acreage			
<i>Lease</i>		<i>Acreage</i>	<i>Primary Lease Date</i>
1	BERRY I	51.10	02/26/07
2	BOYD	85.00	02/24/04
3	BUSBY I	269.00	07/28/06
4	CRAIG MUNCASTER	560.00	09/05/00
5	CRANDALL	334.60	10/24/00
6	FLETCHER (Wise)	412.00	05/24/00
7	FORD I	86.05	07/21/05
8	HANCOCK	710.00	-
9	HUGHES	30.48	10/29/08
10	ENGLISH	378.50	08/05/03
11	ENGLISH B	132.24	10/08/03
12	ENGLISH D	814.00	09/18/03
13	ENGLISH SISTERS	247.50	09/03/03
14	McCOY (Montague)	447.71	08/14/84
15	MOSS (Montague)	40.00	08/04/84
16	MUNCASTER	207.00	10/24/00
17	NOBLES (Wise)	86.47	05/03/04
18	PHILLIPS (Montague)	80.00	07/31/03
19	SHERMAN MUNCASTER	160.00	09/06/00
Total		5131.65 acres	

**Chart G-2 - This chart reflects the Debtors’ Schedules as of the Petition Date. Since then, certain leases may have been sold and/or disputed as otherwise disclosed in the Plan Documents.*

ReoStar Energy Corporation Corsicana (Shallow) Field Acreage			
<i>Lease</i>		<i>Acreage</i>	<i>Primary Lease Date</i>
1	BARRY	104.300	10/05/01
2	BARTH	37.000	10/19/1898
3	BENTON	192.810	02/05/06

4	BLACKBURN	125.780	05/29/18
5	BOUNDS	50.000	05/20/58
6	BREITHAAPT	139.340	05/22/95
7	CAVENDER "B"	25.000	03/28/63
8	CENTRAL	322.700	06/26/33
9	CHAPMAN "C" (SHALLOW)	546.721	03/05/91
10	CHAPMAN "C" (ALL RIGHTS) **	222.693	11/17/07
11	CHEWNING	47.590	03/28/07
12	DREEBEN	87.500	03/10/27
13	FLEMING "A"	116.400	10/20/52
14	J A GARVIN	57.000	06/15/95
15	GIBSON	337.400	08/26/05
16	GILLETTE-HILL	100.000	10/01/79
17	KERR I-II	213.000	06/13/07
18	KING "A"	177.600	01/01/53
19	KING "B"	10.000	10/20/08
20	MCKINNEY	350.400	01/31/52
21	SOUTH MIRUS	103.000	9/2/1898
22	MUNSEY & MUNSEY	99.000	05/01/16
23	PIERCE	246.100	05/29/07
24	PIERCE, HELEN	145.000	06/15/89
25	STOUT	100.000	02/12/00
26	TATUM "A"	57.500	11/27/50
27	WORTHY, J A	67.660	07/18/12
28	WRIGHT "A"	39.000	10/06/05
29	WRIGHT, J J W & H	109.420	07/30/17
	Total	4007.22 acres	
<p>** CHAPMAN "C" (ALL RIGHTS) ACREAGE IS INCLUDED IN THE CHAPMAN "C" (SHALLOW) LEASE ACREAGE TOTAL AND HAS BEEN DEDUCTED FROM THE OVERALL ACREAGE TABULATION.</p>			

No cure of such Contracts pursuant to Bankruptcy Code section 365(b)(1)(A) is necessary other than the Cure Payments, if any, listed therein, and no Bankruptcy Code section 365(b)(1)(B) compensation is owing or shall be owing upon the assumption of such Contracts. Confirmation of this Plan shall be deemed (i) adequate assurance of prompt cure of any default under such Contracts solely based upon the Reorganized Debtors' obligations in the Plan to make the Cure Payments and (ii) adequate assurance of future performance under such Contracts. Other than the Contracts listed above, the Plan constitutes and incorporates a motion to reject, as of the Effective Date (the "Rejection Deadline"), all Contracts to which the Debtors is a party unless there is pending with the Bankruptcy Court as of the Rejection Deadline (a) a motion filed by the Reorganized Debtors to assume any such Contract, or (b) a motion filed by the Reorganized Debtors to extend the Rejection Deadline. Entry of the Confirmation Order by the Bankruptcy Court constitutes approval of such rejections pursuant to sections 365(a) and 1123 of the Bankruptcy Code. It is the Debtors intention to assume all known existing executory contracts.

To the extent any of the forgoing agreements do not constitute leases or contracts assumable and/or assignable by the Debtors under section 365, such agreements shall be vested within the Reorganized Debtors pursuant to other provisions of the Plan.

12.2 Bar to Rejection Damages.

If the rejection of a Contract by the Debtors pursuant to this Plan results in damages to the other party or parties to such Contract, a Claim for such damages, if not heretofore evidenced by a filed proof of Claim, shall be forever barred and shall not be enforceable against the Debtors, the Reorganized Debtors, or their respective property or their agents, successors or assigns, unless a proof of Claim is filed with the Bankruptcy Court and served upon the Reorganized Debtors on or before thirty (30) days following the Rejection Deadline.

12.3 Insurance Policies.

Notwithstanding any other provision of the Plan, including but not limited to Articles 12.1 and 12.2, all unexpired insurance policies under which the Debtors is the insured party shall be deemed assumed as of the Effective Date.

12.4 Timing of Cure Payments.

Except as ordered by prior order of the Court or in a specific provision of the Plan, all Cure Payments shall be made (a) by the Reorganized Debtors in twelve (12) equal monthly installments beginning on the Class 4 Distribution Date, or (b) at the Debtors' option, in full on the Class 4 Distribution Date.

ARTICLE XIII

CONDITIONS PRECEDENT TO EFFECTIVE DATE

13.1 Conditions Precedent to Effective Date of the Plan.

The occurrence of the Effective Date of the Plan is subject to satisfaction of the following conditions precedent: approval of the release of the \$2.16 million Russco Cash Bond to Russco, pursuant to Plan section 6.5; approval of the priming liens required for receipt of the additional working capital commitments pursuant to Plan section 6.2; approval of the Reorganized Debtors' purchase of operations from Rife Energy Operating, Inc. and receipt of all documents to effectuate the transactions and agreements contemplated within Plan section 6.4; approval of the payments and mutual releases set forth within Plan section 6.6; the Confirmation Order must contain approval of the proposed Class treatment and the injunctions contained in the Plan, and the Confirmation Order shall have become final and non-appealable; all documents effectuating the Plan must have been executed and delivered by the parties thereto; all conditions to the effectiveness of such documents must have been satisfied or waived as provided therein; and the Co-Proponent shall have reviewed and approved each of the foregoing conditions in writing. The Reorganized Debtors shall file a Notice of Effective Date with the Bankruptcy Court within two Business Days of the occurrence of the Effective Date. Unless the Court orders otherwise for cause shown, the Effective Date shall occur no later than 30 days after the Confirmation Order becomes a Final Order.

13.2 Waiver of Conditions.

With the sole exception of the payments and releases required by Plan section 6.6, the conditions to the Effective Date may be waived, in whole or in part by the Debtors, at any time, without notice except to Co-Proponent, who must be consulted and consent in writing to any such waiver. The failure to satisfy or waive any condition may be asserted by the Debtors, without Co-Proponent's written consent, regardless of the circumstances giving rise to the failure (including any actions or inaction by the Debtors). The failure of the Debtors to exercise any of the foregoing rights, subject to Co-Proponent's written consent, shall not be deemed a waiver of any other rights and each right shall be deemed an ongoing right that may be asserted at any time.

ARTICLE XIV

THE LIQUIDATION CREDITOR TRUST

14.1 Function of Liquidation Creditors' Trust (the "Creditor Trust").

Through the Plan and Confirmation Order, and to effectuate the Plan, the Court directs the Examiner, as his final ministerial duty in the Debtors' Bankruptcy Cases, to assign all claims against former officers and directors asserted in the BT & MK Adversary Proceeding, to the Creditor Trust to: bring, prosecute and liquidate the particular assigned Estate Actions in the BT & MK Adversary Proceeding, and the related Claims Objections, and collect resulting judgments for the benefit of the Creditors and/or make Distribution to Creditors as a result of such litigation. Upon entry of the Confirmation Order, such claims shall be deemed assigned and transferred from the estates to the Creditor Trust for all such lawful purposes of this section. The Trustee of the Creditor Trust shall oversee and direct liquidation of claims and distribution of assets on behalf of and in the best interests of the Creditors. The Creditor Trust shall exist as of the Effective Date, with all the powers of a trust under applicable Texas law.

The Examiner shall execute and consummate such assignments, conveyance documents and all other transaction documents, contracts, agreements, and instruments as are necessary to implement and consummate the transactions required under or in connection with the Plan, on and after the Effective Date. The Confirmation Order shall authorize the Examiner to make all transfers contemplated by this Section of the Plan.

After the Effective Date, the Creditor Trust shall have the flexibility to conduct any investigations and bring any actions necessary to liquidate the Trust Property and to enhance or preserve the value of the Trust Property consistent with the expeditious and beneficial liquidation of such property.

14.2 Transfer and Assertion of Causes of Action, Defenses, and Counterclaims.

In accordance with sections 1104, 1106 and 1123(b)(3) of the Bankruptcy Code, the Courts' Order Approving Appointment of Examiner, and as directed by the Court, and effective as of the Effective Date, the Examiner shall transfer to the Creditor Trust all Estate Actions brought in the BT & MK Adversary Proceeding against former officers and directors of the Debtors (the "Creditor Trust Claims"). The Creditor Trust shall retain the exclusive right to prosecute, settle, or compromise any Creditor Trust Claim so assigned under the Plan. The Creditor Trustee shall be entitled to prosecute such Creditor Trust Claims for the benefit of the Creditor Trust. The Creditor Trust shall also retain and may prosecute and enforce all defenses, counterclaims, and rights that have been asserted or could be asserted by the Debtors against or with respect to all Creditor Trust Claims asserted against the Debtors or Reorganized Debtors, or either of their property. No claim, right, Cause of Action, or other Asset shall be deemed waived or otherwise forfeited by virtue of the Debtors' failure to identify such property in the Debtors' Schedules or the Disclosure Statement accompanying the Plan unless otherwise ordered by the Bankruptcy Court. A description of the Creditor Trust Claims to be transferred to the Creditor Trust is set forth in the Debtors' Third Amended Disclosure Statement, which shall be attached as an Exhibit to the Creditor Trust agreement.

14.3 Creditor Trust Action and Governance.

(a) **Management**

The Creditor Trustee will be named prior to the Confirmation Hearing and execution of the Trust Agreement. The Creditor Trustee will serve from and after the Effective Date until his successor is duly elected or appointed. The Creditor Trustee will be compensated for services provided at his normal hourly rate charged for his services. Professional Persons retained by the Creditor Trust shall be entitled to reasonable compensation for services rendered and reimbursement of expenses incurred. The payment of the fees and expenses of the Creditor Trust-retained professionals shall be made in the ordinary course of business.

(b) **Indemnification**

The Creditor Trust shall, to the fullest extent permitted by Texas law, indemnify and hold harmless the officers, directors, agents, representatives, attorneys, professionals and employees of the Creditor Trust (each an "Indemnified Party"), from and against any and all liabilities, losses, damages, claims, costs and expenses, including but not limited to, attorneys' fees and costs, arising out of or due to their actions or omissions with respect to the Creditor Trust or the implementation or administration of the Plan, if the Indemnified Party acted in good faith and in a manner reasonably believed to be in or not opposed to the best interests of the Creditor Trust, and, with respect to any criminal action or proceeding, had no reasonable cause to believe its conduct was unlawful. Indemnified Parties are not released of liability for acts or omissions of willful misconduct or gross negligence.

ARTICLE XV

MEANS FOR EXECUTION AND IMPLEMENTATION OF THE CREDITOR TRUST

15.1. Introduction.

From and after the Effective Date, the Creditor Trust shall exist for the purposes specified herein and manage the Debtors' Creditor Trust Claims that are transferred to the Creditor Trust.

15.2. Plan Funding.

The sources of Cash necessary for the payment of Allowed Claims that are to be paid in Cash under the Plan will be Cash on hand as of the Effective Date from (a) the operations of the Debtors, (b) new working capital to be provided by Russco after Confirmation and in exchange for the new equity shares, and (c) any Cash generated or received by the Creditor Trust after the Effective Date from any source, including without limitation from the prosecution of the Creditor Trust Claims.

15.3 Debtors' Activities Post-Effective Date.

From and after the Effective Date, the Reorganized Debtor shall cooperate and consult with the Creditor Trustee in the management, liquidation and prosecution of all litigation property of the Creditor Trust consistent with the goal of maximizing its value for Creditors and to pay all post-petition ordinary course operating expenses and any Allowed Administrative Expenses that are or become due and payable after the Effective Date.

(a) Establishment of the Creditor Trust

On the Effective Date, the named Creditor Trustee and the Examiner shall execute the Creditor Trust Agreement. The Creditor Trust shall be established by funds of \$20,000.00 from the Estates' Assets to prosecute the Creditor Trust Claims and make distributions to creditors under the Plan. After final resolution of the Creditor Trust Claims, the Creditor Trust will use all available Cash to pay Allowed Claims.

(b) Assumption of Liabilities

Except as otherwise provided herein, the Creditor Trustee (in his capacity as Creditor Trustee and not in his individual capacity) shall assume liability for and the obligations to make the distributions required to be made under the Plan and the Creditor Trust Agreement, but shall not otherwise assume liabilities of the Debtor.

(c) Creation of the Creditor Trust

The Examiner shall assign and transfer, for the benefit of Creditors of the Creditor Trust, to the Creditor Trustee, the Estate Actions against the Debtors' former officers and directors, to recover assets for the Creditor Trust and the benefit of the Creditors, and any other consideration to be received by the Creditors pursuant to the terms of the Plan.

(d) Powers and Duties of the Creditor Trustee

Pursuant to the Creditor Trust Agreement, the Creditor Trustee shall have the power and authority to

perform the following acts, among others:

- (i) Reduce all of the Trust Property to his possession and conserve, protect, collect and liquidate or otherwise convert all Trust Property into Cash;
- (ii) Distribute the net proceeds of Trust Property as specified herein;
- (iii) Release, convey or assign any right, title or interest in or to the Trust Property;
- (iv) Pay and discharge any costs, expenses, fees or obligations deemed necessary to preserve the Trust Property or any part thereof or to preserve the Creditor Trust;
- (v) Pursue insurance coverage as is necessary for ongoing litigation and to protect Trust Property;
- (vi) Deposit Creditor Trust funds and draw checks and make disbursements thereof;
- (vii) Employ such attorneys, accountants, engineers, agents, tax specialists, other professionals, and clerical assistance as the Creditor Trustee may deem necessary. The Creditor Trustee shall be entitled to rely upon the advice of retained professionals and shall not be liable for any action taken in reliance on such advice. The fees and expenses of all such professionals shall be charged as expenses of the Creditor Trust and be shall paid upon approval of the Creditor Trustee;
- (viii) Exercise any and all powers granted to the Creditor Trustee by any agreements or by Texas common law or any statute that serves to increase the extent of the powers granted to the Creditor Trustee hereunder;
- (ix) Take any action required or permitted by this Plan or the Creditor Trust Agreement;
- (x) Execute obligations, whether negotiable or non-negotiable;
- (xi) Sue and be sued;
- (xii) Settle, compromise or adjust by arbitration, or otherwise, any disputes or controversies in favor of or against the Creditor Trust;
- (xiii) Waive or release rights of any kind;
- (xiv) Appoint, remove and act through agents, managers and employees and confer upon them such power and authority as may be necessary or advisable;
- (xv) Negotiate, renegotiate or enter into any contracts or agreements binding the Creditor Trust, and to execute, acknowledge and deliver any and all investments that are necessary, required or deemed by the Creditor Trustee to be advisable in connection with the performance of his/her duties;
- (xvi) Have instituted and prosecute all assigned Estate Actions on behalf of the Creditor Trust and prosecute or defend all appeals on behalf of the Creditor Trust;
- (xvii) In general, without in any manner limiting any of the foregoing, deal with the Trust Property or any part or parts thereof in all other ways as would be lawful for any person owing the same to deal therewith, whether similar to or different from the ways above specified, at any time or times hereafter;
- (xviii) The Creditor Trustee will be a representative of the Debtors' Estates pursuant to Bankruptcy Code section 1123(b)(3) and as such will have the power to prosecute all Creditor Trust Claims in the name of the Creditor Trust or as necessary in the name of the Debtors. Additionally, the Creditor Trustee will have power to (1) do all acts contemplated by the Plan to be done by the Creditor Trustee and (2) do all other acts that may be necessary or appropriate for the final liquidation and

distribution of the Trust Property;

- (xix) The Creditor Trustee will review all fee applications filed by Professional Persons employed during the Bankruptcy Case and shall have authority to object to same;
- (xx) The Creditor Trustee will review all Claims asserted by the Creditors and shall have the right to object to same; and
- (xxi) The Creditor Trustee shall be responsible for filing a post-confirmation report with the Bankruptcy Court.

15.4 Proceeds of Litigation.

Proceeds of any litigation conducted by the Creditor Trustee will be added to the assets of the Creditor Trust.

15.5 Indemnification and Limitation of Liability.

The Creditor Trustee shall not be liable for actions taken or omitted in his capacity as the Creditor Trustee, except those acts arising out of his own fraud, willful misconduct, or gross negligence. The Creditor Trustee shall be entitled to indemnification and reimbursement for all losses, fees, and expenses in defending any and all of his actions or inactions in his capacity as the Creditor Trustee, except for any actions or inactions involving his own fraud, willful misconduct, or gross negligence. Any indemnification claim of the Creditor Trustee shall be satisfied from the assets of the Creditor Trust.

15.6 Monitoring, Auditing, and Bonding.

The Creditor Trustee will not be required to post bond or be audited or monitored except as otherwise expressly provided in the Creditor Trust Agreement.

15.7 Distributable Cash; Investment.

The Creditor Trustee shall collect all funds constituting Trust Property and, pending distribution, shall deposit such funds with a federally insured financial institution that has a minimum of \$200 million in capital and provides banking services. The Creditor Trustee will deposit funds so that they are adequately insured. Notwithstanding the foregoing, the Creditor Trustee may invest all Cash funds received into the Creditor Trust (including any earnings thereon or proceeds therefrom) in the same manner as chapter 7 trustees are required to invest funds pursuant to the guidelines of the United States Trustee's Office, provided that the Creditor Trustee shall invest funds held in only demand and time deposits, such as short-term certificates of deposit, in banks or savings institutions, or other temporary, liquid and low-risk investments, such as Treasury bills. The Creditor Trustee shall hold all such funds until they are distributed pursuant to the Plan to Creditors with Allowed Claims.

15.8 Resignation.

The Creditor Trustee may resign at any time by giving written notice to the Bankruptcy Court and such resignation shall be effective upon the date provided in such notice. In the case of the resignation of the Creditor Trustee, a successor Creditor Trustee shall thereafter be appointed, whereupon such resigning Creditor Trustee shall convey, transfer and set over to such successor Creditor Trustee by appropriate instrument or instruments all of the Trust Property then unconveyed or otherwise undisposed of and all other assets then in his possession and held under the Plan or the Creditor Trust Agreement. Without further act, deed or conveyance, a successor Creditor Trustee shall be vested with all the rights, privileges, powers and duties of the Creditor Trustee, except that the successor Creditor Trustee shall not be liable for the acts or omissions of his predecessor(s). Each succeeding Creditor Trustee may in like manner resign and another may in like manner be appointed in his place.

15.9 Trust Implementation.

On the Effective Date, the Creditor Trust will be established and become effective. The Debtor shall execute any documents or other instruments as may be necessary to cause title to the Assets to be transferred to the Creditor Trust, however, notwithstanding the execution of such documents, title to the Trust Property will automatically vest in the Creditor Trust on the Effective Date.

15.10 Termination of Creditor Trust.

The Creditor Trust shall become effective upon the Effective Date. Thereupon, the Creditor Trust shall remain and continue in full force and effect until the Trust Property has been wholly converted to Cash or abandoned and all costs, expenses, and obligations incurred in administering the Creditor Trust have been fully paid and all remaining income and proceeds of the Trust Property have been distributed in payment of Allowed Claims and, if applicable, Allowed Interests pursuant to the provisions of the Plan. The Creditor Trust will terminate at the end of five years from the Effective Date; provided, that upon complete liquidation of the Trust Property and satisfaction as far as possible of all remaining obligations, liabilities and expenses of the Creditor Trust pursuant to the Plan prior to such date, and upon the conclusion of the prosecution of all Causes of Action by the Creditor Trust and all Claim objections brought by the Creditor Trustee or the Debtor, the Creditor Trustee may, with approval of the Bankruptcy Court, sooner terminate the Creditor Trust; and provided further, that prior to the end of five years from the Effective Date the Creditor Trustee or any beneficiary of the Creditor Trust may move the Bankruptcy Court to extend the termination date of the Creditor Trust after notice to interested parties and an opportunity for hearing. On the termination date of the Creditor Trust, the Creditor Trustee will execute and deliver any and all documents and instruments reasonably requested to evidence such termination. Upon termination and complete satisfaction of its duties under the Creditor Trust Agreement, the Creditor Trustee will be forever discharged and released from all powers, duties, responsibilities and liabilities pursuant to the Creditor Trust other than those attributable to the fraud, gross negligence or willful misconduct of the Creditor Trustee.

15.11 Tax Treatment of the Creditor Trust.

The Creditor Trust to be established for the benefit of Creditors is intended to qualify as a liquidating trust for federal income tax purposes. All items of income, deduction, credit or loss of the Creditor Trust shall be allocated for federal, state and local income tax purposes among the Holders of Allowed Claims and Interests.

15.12 Effectuating Documents; Further Transactions.

On the Effective Date, the Creditor Trust, the Creditor Trustee, and the employees, agents, attorneys and professionals of the Creditor Trust shall be authorized and directed, without further Order of the Bankruptcy Court, to execute, deliver, file, and record all agreements, instruments and contracts, and take such actions as may be necessary or appropriate to effectuate and further evidence the terms and conditions, and consummate, the Plan or to otherwise comply with applicable law.

15.13 Conditions Precedent to the Effective Date.

The occurrence of the Effective Date of the Plan is subject to the occurrence or waiver of the following conditions precedent:

All Plan Documents, including, without limitation, the Creditor Trust Agreement, shall be in form and substance reasonably acceptable to the Proponents and shall have been executed and delivered by the parties thereto, and all conditions to the effectiveness of such documents shall have been satisfied or waived as provided therein.

ARTICLE XVI

RETENTION OF JURISDICTION

16.1 Scope of Jurisdiction.

The Bankruptcy Court shall retain jurisdiction:

- (a) To hear and determine pending applications for the assumption or rejection of Contracts and the allowance of Claims resulting therefrom;
- (b) To hear and determine any and all adversary proceedings, applications, and contested matters, including any remands of appeals, and including any Estate Actions; provided, however, that the Reorganized Debtors shall not be required to seek or obtain approval of the Bankruptcy Court under Bankruptcy Rule 9019 or otherwise as to the settlement or compromise of any Estate Actions post-Effective Date;
- (c) To ensure that distributions to holders of Allowed Claims are accomplished as provided herein;
- (d) To hear and determine any timely objections to or applications concerning Claims or the allowance, classification, priority, estimation, or payment of any Claim or Interest, and to enter Estimation Orders;
- (e) To hear and determine all Fee Applications and Fee Claims; provided, however, that the Reorganized Debtors shall not be required to seek or obtain approval of the Bankruptcy Court under section 330 of the Bankruptcy Code or otherwise as to the allowance or payment of professional fees post-Effective Date;
- (f) To enter and implement such orders as may be appropriate in the event the Confirmation Order is for any reason stayed, revoked, modified, reversed, or vacated;
- (g) To hear and determine disputes arising in connection with the execution, interpretation, implementation, consummation, or enforcement of the Plan;
- (h) To enter and implement such orders as may be necessary or appropriate to execute, interpret, implement, consummate, or enforce the Plan and the transactions contemplated thereunder;
- (i) To consider any modification of the Plan pursuant to section 1127 of the Bankruptcy Code, to cure any defect or omission or to reconcile any inconsistency in any order of the Bankruptcy Court, including, without limitation, the Confirmation Order;
- (j) To enter and implement orders or take such other actions as may be necessary or appropriate to restrain interference by any entity with the consummation or implementation of the Plan, including, without limitation, to issue, administer and enforce injunctions provided for in the Plan and the Confirmation Order;
- (k) To recover all assets of the Debtors and property of the estates, wherever located;
- (l) To hear and determine matters concerning state, local, and federal taxes in accordance with sections 346, 505, and 1146 of the Bankruptcy Code;
- (m) To hear and determine any other matter not inconsistent with the Bankruptcy Code and title 28 of the United States Code that may arise in connection with or related to the Plan; and

- (n) To enter a final decree closing the Bankruptcy Case, or to reopen the Bankruptcy Case in conformance with the Bankruptcy Code and the Plan, including without limitation to allow for recovery of Estate Actions.

16.2 Failure of the Bankruptcy Court to Exercise Jurisdiction.

If the Bankruptcy Court abstains from exercising, or declines to exercise, jurisdiction or is otherwise without jurisdiction over any person or matter arising in, arising under, or related to the Bankruptcy Case, Article 14 of the Plan will have no effect upon and will not control, prohibit, or limit the exercise of jurisdiction by any other court having jurisdiction with respect to such person or matter.

ARTICLE XVII

MISCELLANEOUS PROVISIONS

17.1 Setoff and Other Rights.

In the event that the Debtors have claims of any nature whatsoever against the holder of a Claim, the Debtors may, but is not required to, setoff against the Claim (and any payments or other distributions to be made in respect of such Claim hereunder), subject to the provisions of section 553 of the Bankruptcy Code. Neither the failure to setoff nor the allowance of any Claim under the Plan shall constitute a waiver or release by the Debtors of any claim that the Debtors have against the holder of a Claim. It is the Debtors' position that a holder of a Claim who owes the Debtors a contract balance should not be entitled to setoff the amount owed to the Debtors if such contract balance is necessary for the Debtors' successful reorganization.

17.2 Injunctions.

The Confirmation Order shall contain such temporary and permanent injunctions as may be necessary and appropriate to enable the Plan Proponents to implement and perform under the Plan. Without limiting the generality of the foregoing, such injunctions shall include an absolute prohibition from collecting Claims against the Debtors in any manner other than as provided for in the Plan. The Confirmation Order shall contain such injunctions as may be necessary or helpful to effectuate the discharge of the Debtors provided herein. Without limiting the generality of the foregoing, such injunction shall include an absolute prohibition from pursuing or collecting Claims in any manner other than as provided for in the Plan, including any shareholder derivative claims, trust fund liabilities, constructive trusts, statutory trusts, or liabilities arising from contribution, subrogation, warranty, indemnification or guarantee agreements whether as a representative of the Debtors or on an individual basis, or any foreclosure actions by any Lien claimant. Nothing in this Plan enjoins parties from pursuing Debtors' employees, officers, directors, agents, shareholders, and affiliates, or any individual who at any time served as an officer, director, employee or shareholder of one or more of the Debtors, or any third party from any potential liability for any act or omission taken prior to the Petition Date.

17.3 Injunction Regarding Claims Against the Debtors.

From and after the Confirmation Date, all persons or entities that hold, have held, or may hold Claims against or Interests in the Debtors are permanently restrained and enjoined from, directly or indirectly:

- (a) *Commencing or continuing in any manner any action or other proceeding of any kind against the Debtors or the Reorganized Debtors, or Assets of the Debtors to collect or recover any property on account of any such Claim or Interest;*
- (b) *Enforcing, attaching, collecting, or recovering by any manner or means any judgment, award, decree, or order to collect or recover any property on account of any such Claim or Interest against the Debtors or the Reorganized Debtors, or Assets of the Debtors;*
- (c) *Creating, perfecting, or enforcing any Lien or encumbrance of any kind against the Debtors or the Reorganized Debtors, or the Assets of the Debtors;*

- (d) *Asserting any right of setoff, subrogation, or recoupment of any kind against any obligation due the Debtors or the Reorganized Debtors, or the Assets of the Debtors, except as otherwise allowed by the Bankruptcy Court or Bankruptcy Code;*
- (e) *Commencing or continuing any action against the Debtors or the Reorganized Debtors, or the Assets of the Debtors in any manner or forum in respect of such Claim or Interest that does not conform to or comply with or that is inconsistent with the Plan; and*
- (f) *Taking any action to interfere with the implementation or consummation of the Plan.*

Notwithstanding the foregoing, however, nothing herein shall prohibit any holder of a Claim or Interest from prosecuting a proof of Claim or Interest in the Bankruptcy Case or from enforcing such holder's rights under the Plan.

17.4 Discharge.

Except as otherwise expressly provided in the Plan, the rights and treatment afforded in the Plan shall discharge all existing security interests, Liens, debts and Claims of any kind, nature, or description whatsoever against the Debtors or any of its assets or properties to the fullest extent permitted by section 1141 of the Bankruptcy Code; upon the Effective Date, all existing Claims against the Debtors shall be, and shall be deemed to be, discharged, and all holders of Claims shall be precluded from asserting against the Debtors, or any of its assets or properties, any other or further Claim based upon any act or omission, transaction, or other activity of any kind or nature that occurred prior to the Effective Date, whether or not such holder filed a proof of Claim. Confirmation of the Plan and the obligations imposed on the Debtors and/or the Reorganized Debtors herein shall be in complete satisfaction, discharge, and release of all Claims of any nature whatsoever against the Debtors and/or the Reorganized Debtors or any of its assets or properties; and, upon the Effective Date, the Debtors shall be deemed discharged and released from any and all Claims, including but not limited to demands and liabilities that arose before the Effective Date, and all debts of the kind specified in sections 502(g), 502(h), or 502(i) of the Bankruptcy Code that arose before the Effective Date, whether or not (a) a proof of Claim based upon such debt is filed or deemed filed under section 501 of the Bankruptcy Code, (b) a Claim based upon such debt is Allowed under section 502 of the Bankruptcy Code, or (c) the holder of a Claim based upon such debt has accepted the Plan. Except as provided herein, the Confirmation Order shall be a judicial determination of discharge of all liabilities of the Debtors. As provided in section 524 of the Bankruptcy Code, such discharge shall void any judgment against the Debtors at any time obtained, to the extent it relates to a Claim, discharged and operates as an injunction against the prosecution of any action against the Debtors, or its property, to the extent it relates to a Claim discharged. The discharge granted herein shall not discharge the Reorganized Debtors from the obligations in the Plan. In accordance with 11 U.S.C. § 524(e), the discharge of a debt of any or all of the Debtors does not affect the liability of any other entity on such debt.

17.5 Channeling Injunction.

The Bankruptcy Court shall retain exclusive jurisdiction over any case, suit, action or proceeding brought on any claim, counterclaim, cross claim or cause of action related in any way to the Bankruptcy Cases or Debtors that exists or may exist as of the Effective Date against Debtors, Reorganized Debtors, the Co-Proponent, the BTMK Released Parties, or any of their respective Representatives for any conduct or inaction pertaining to the Bankruptcy Cases or the Debtors during the Bankruptcy Cases, and any entity wishing to bring such case, suit, action or proceeding shall do so in the Bankruptcy Court. Additionally, nothing herein shall limit or affect the protections provided Debtors and Reorganized Debtors by sections 524 and 1141 of the Bankruptcy Code. Nothing in this paragraph shall act to override or modify the relief granted within the Debtors' agreed order lifting the automatic stay as entered on January 8, 2012 [Docket No. 442] to allow the English Family and Dodson Family to pursue resolution of their specific disputes in the state courts.

17.6 Lawsuits.

Upon entry of the Confirmation Order, all lawsuits, litigation, administrative, or other proceedings,

judicial or administrative, in connection with the assertion of a Claim or Lien against the Debtors or the Representatives or property of the Debtors' estates, shall be subject to the discharge, if any is applicable, and any other injunctions set forth in the Bankruptcy Code or the Court's Confirmation Order. Such discharge injunctions shall be with prejudice to the assertion of such Claim or Lien in any manner other than as prescribed by the Plan. All parties to any such action shall be enjoined by the Bankruptcy Court in the Confirmation Order from taking any action in violation of the Bankruptcy Code or the Confirmation Order. All lawsuits, litigation, administrative, or any other proceedings, judicial or administrative, in connection with the assertion of any Claims by the Debtors shall become property of the Reorganized Debtors to prosecute, settle, or dismiss as the Reorganized Debtors see fit. Nothing in this paragraph shall create or be deemed to create any additional discharges not provided in the Bankruptcy Code, the Plan, or Confirmation Order. Notwithstanding the foregoing, the Burlington Adversary shall not be enjoined by the Court's Confirmation Order. Nothing in this paragraph shall act to override or modify the relief granted within the Debtors' agreed order lifting the automatic stay as entered on January 8, 2012 [**Docket No. 442**] to allow the English Family and Dodson Family to pursue resolution of their specific disputes in the state courts.

17.7 Insurance.

Confirmation and consummation of the Plan shall have no effect on assumed insurance policies of the Debtors in which the Debtors are or were the insured party; the Reorganized Debtors shall become the insured party or parties under any such policies. Each insurance company is prohibited from, and the Confirmation Order shall include an injunction against, denying, refusing, altering, or delaying coverage on any basis regarding or related to the Debtors' bankruptcy, the Plan, or any provision within the Plan.

17.8 Post-Effective Date Fees and Expenses of Professional Persons.

The Reorganized Debtors shall, in the ordinary course of business and without the necessity for any notice, motion, Fee Application, or approval by the Bankruptcy Court, pay the reasonable fees and expenses arising post-Effective Date of the Professional Persons employed by the Reorganized Debtors. Any disputes regarding such fees and expenses shall be submitted to the Bankruptcy Court.

17.9 Bankruptcy Restrictions.

From and after the Effective Date, the Reorganized Debtors shall no longer be subject to the restrictions and controls provided by the Bankruptcy Code (e.g., section 327, 330, 363, 364) or Bankruptcy Rules (except with respect to Claim objections and avoidance or recovery of Estate Actions under bankruptcy law), the Bankruptcy Court, or the United States Trustee's guidelines (however, the Reorganized Debtors shall provide the United States Trustee such quarterly financial reports as are required until [conversion of the Bankruptcy Case to a case under another chapter, dismissal, or the entry of a final decree, as the case may be](#)). The Reorganized Debtors may compromise claims and controversies post-Effective Date without the need of notice or Bankruptcy Court approval. Post-Effective Date, the Reorganized Debtors may operate their business in such manner as is consistent with companies not in bankruptcy without the need of seeking Bankruptcy Court approval with regard to any aspect of the Reorganized Debtors' business, except that the Reorganized Debtors shall comply with all terms of this Plan.

17.10 Binding Effect.

Upon the occurrence of the Effective Date, the Plan shall be binding upon and inure to the benefit of the Debtors, the holders of Claims, the holders of Interests, and all of their respective successors and assigns; provided, however, that if the Plan is not confirmed and made effective by the Debtors, the Plan shall be deemed null and void and nothing contained herein shall be deemed (a) to constitute a waiver or release of any Claims by the Debtors or any other person, (b) to prejudice in any manner the rights of the Debtors or any other person or holders if any Claim or (c) to constitute any admission by the Debtors or any other person.

17.11 Governing Law.

Unless a rule of law or procedure is supplied by federal law (including the Bankruptcy Code and Bankruptcy Rules) or the law of the jurisdiction of organization of any entity, the internal laws of the State of Texas shall govern the construction and implementation of the Plan and any agreements, documents, and instruments

executed in connection with the Plan or the Bankruptcy Case, including the Plan Documents and any documents executed pursuant to the Plan.

17.12 Modification or Revocation of Plan.

Modifications of the Plan may be proposed in writing by the Debtors at any time before the Confirmation Date, provided that (a) the Plan, as modified, meets the requirements of sections 1122 and 1123 of the Bankruptcy Code; (b) the Debtors shall have complied with section 1125 of the Bankruptcy Code; (c) such modification otherwise complies with the Bankruptcy Code; and (d) the Co-Proponent consents to such modification in writing. The Plan may be modified at any time after the Confirmation Date and before substantial consummation by the Debtors, provided that (i) the Plan, as modified, meets the requirements of sections 1122 and 1123 of the Bankruptcy Code, (ii) the Bankruptcy Court, after notice and a hearing, confirms the Plan as modified under section 1129 of the Bankruptcy Code, and (iii) the Debtors serves creditors with any proposed modification and notice of hearing for same, (iv) the circumstances warrant such modifications, and (v) the Co-Proponent consents to such modification in writing. A holder of a Claim or Interest that has accepted or rejected the Plan shall be deemed to have accepted or rejected, as the case may be, such Plan as modified, unless, within the time fixed by the Bankruptcy Court, such holder changes its previous acceptance or rejection.

The Plan Proponents reserve the right to revoke and/or withdraw the Plan prior to entry of the Confirmation Order. If the Plan Proponents revoke and/or withdraw the Plan, or if confirmation of the Plan does not occur, then the Plan shall be deemed null and void and nothing contained herein shall be deemed (a) to constitute a waiver or release of any Claims by the Debtors or any other person, (b) to prejudice in any manner the rights of the Debtors or any other person, or (c) to constitute an admission by the Debtors or any other person.

17.13 Creditor Defaults.

Any act or omission by a creditor in contravention of a provision within the Plan shall be deemed an event of default under the Plan. Upon an event of default that remains uncured after notice and opportunity to cure, sufficient under the circumstances, the Reorganized Debtors may seek to hold the defaulting party in contempt of the Confirmation Order. If such creditor is found to be in default under the Plan, such party may be required to pay the reasonable attorneys' fees and costs of the Reorganized Debtors in pursuing such matter. Furthermore, upon the finding of such a default by a creditor, the Bankruptcy Court may (a) designate a party to appear, sign and/or accept the documents required under the Plan on behalf of the defaulting party, in accordance with Rule 70 of the Federal Rules of Civil Procedure, or (b) issue and enter such other order as may be equitable which does not materially alter the terms of the Plan as confirmed.

17.14 Debtors' Defaults.

In the event that the holder of an Allowed Claim asserts that a default under the Plan has occurred, such person must provide the Reorganized Debtors and their counsel with written notice of such default and a reasonable opportunity to cure. If the default asserted in the notice remains uncured after the thirtieth (30th) day from the date on which such notice is received by the Debtors and their bankruptcy counsel, the holder of such Allowed Claim may pursue any rights or remedies it may have under the Plan, applicable non-bankruptcy law, whether state, federal, or otherwise, including in the Bankruptcy Court.

17.15 Disallowance, Recharacterization, and Subordination of Subordinated Claims and Penalty Claims.

With the exception of claims objections and rights expressly compromised herein with respect to the settlement with the BTMK Released Parties, the Debtors reserve all rights to seek disallowance, recharacterization, and/or subordinated classification of any and all Claims or Interests to Subordinated Claims, Penalty Claims, and Subordinated Interests pursuant to any applicable bankruptcy or non-bankruptcy law or agreement, whether in law or in equity. Disallowance and/or subordination of Claims shall require notice and opportunity for a hearing on the merits. The Reorganized Debtors and Creditor Trust shall constitute the representatives of the estates for purposes of prosecuting Estate Actions and pursuant to section 1123(b)(2)(B) of the Bankruptcy Code.

17.16 Release of Claims.

Upon final payment required by the Plan, the Debtors shall be released from any and all Claims and causes of action of the Reorganized Debtors or the Debtors' estates that could be asserted against such pursuant to the Plan, and the Reorganized Debtors shall be discharged from their duties and powers under the Plan.

17.17 Integration Clause.

The Plan, along with each of the Plan Documents which are incorporated fully herein by this reference, is a complete, whole, and integrated statement of the binding agreement between the Debtors, creditors, and the parties-in-interest upon the matters herein.

17.18 Retention of Causes of Action.

With the exception of claims expressly compromised herein with respect to the settlement with the BTMK Released Parties, the Reorganized Debtors shall retain all rights, claims, defenses, and causes of action including, but not limited to, the Estate Actions not assigned to the Creditor Trust, and shall have sole authority to prosecute and/or settle such actions without approval of the Bankruptcy Court under Bankruptcy Rule 9019 or otherwise.

17.19 Severability.

Should the Bankruptcy Court determine that any provision of the Plan is unenforceable either on its face or as applied to any Claim or Interest or transaction, the Debtors may modify the Plan in accordance with Article 17.12 of the Plan so that such provision shall not be applicable to the holder of any Claim or Interest. Such a determination of unenforceability shall not (a) limit or affect the enforceability and operative effect of any other provision of the Plan or (b) require the re-solicitation of any acceptance or rejection of the Plan.

17.20 Notice to the Reorganized Debtors.

Notice required by the Plan shall be sent as follows:

with copy to:

Jon B. "Brett" Bennett, President
brett@reoenergy.com
ReoStar Energy Corporation
3880 Hulen Street, Suite 500
Fort Worth, Texas 76107
Telephone: (817) 732-8739 x-106
Facsimile: (817) 732-8762

Perry Cockerell
pcockerell@canteyhanger.com
CANTEY HANGER LLP
1999 Bryan Street, Suite 3330
Dallas, Texas 75201
Telephone: (214) 978-4129
Facsimile: (214) 978-4150

and to:

COUNSEL FOR THE
DEBTORS-IN-POSSESSION

R. Kevin Russell, COO
toledogas@msn.com
Russco Energy LLC
515 N. Fredonia
Longview, Texas 75601
Telephone: (903) 753-0242
Facsimile: (903) 753-3738

Stephanie D. Curtis
scurtis@curtislaw.net
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mcastillo@curtislaw.net
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Bank of America Plaza
901 Main Street, Suite 6515
Dallas, Texas 75202
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Facsimile: 214.752.0709

COUNSEL FOR CO-PROPONENT
RUSSCO ENERGY LLC

17.21 Substantial Consummation and Closing the Case.

Upon commencement of the actions to be taken pursuant to Article 2 of the Plan and transfer of all estate assets to the Reorganized Debtors, the Plan shall be deemed substantially consummated and, upon motion by the Reorganized Debtors, a final decree entered containing such provisions as may be equitable. The Court may retain jurisdiction to hear and decide: (a) any and all pending adversary proceedings, applications, and contested matters, including any remands of appeals; (b) any and all pending objections to Claims or the allowance, including with respect to the classification, priority, estimation, or payment of any Claim; and (c) any and all pending Fee Applications.

17.22 Confirmation Requirements.

As stated within the Disclosure Statement, the Court shall confirm the Plan pursuant to the Bankruptcy Code, which requires, to the extent applicable to these Bankruptcy Cases, that:

- The Plan complies with the applicable provisions of the Bankruptcy Code.
- The proponent of the Plan has complied with the applicable provisions of the Bankruptcy Code.
- The Plan has been proposed in good faith and not by any means forbidden by law.
- Any payment made or to be made by the proponent, by the debtor, or by a person issuing securities or acquiring property under the plan, for services or for costs and expenses in or in connection with the case, or in connection with the plan and incident to the case, has been approved by, or is subject to the approval of, the court as reasonable.
- The proponent of the Plan has disclosed the identity and affiliation of any individual proposed to serve, after confirmation of the Plan, as director, officer or voting trustee of the Debtors, any affiliate of the Debtors participating in a plan with the Debtors, or a successor to the Debtors under the Plan, and the appointment to, or the continuance in, such office of such individual, is consistent with the interests of holders of Claims and Interests and with public policy.
- The proponent of the Plan has disclosed the identity of any Insider that will be employed or retained by the Reorganized Debtors and the nature of the compensation for such Insider.
- Any governmental regulatory commission with jurisdiction, after confirmation of the Plan, over the rates of the Debtors has approved any rate change provided for in the Plan, or such rate change is expressly conditioned on such approval.
- With respect to each Class of impaired Claims, either each holder of a Claim in such Class has accepted the Plan, or will receive or retain under the Plan on account of such Claim property of a value, as of the Effective Date of the Plan, that is not less than the amount such Claim holder would receive or retain if the Debtors were liquidated on such date under Chapter 7 of the Bankruptcy Code.
- Subject to the Plan proponent's "cramdown" right described in Article III.C.4., which follows, each Class of Claims or Interests has either accepted the Plan or is not impaired under the Plan.
- Except to the extent that the holder of a particular Claim has agreed to a different treatment of such Claim, the Plan provides that Administrative Claims will be paid in Cash in full on the Effective Date and that any tax Claim entitled to priority under section 507(a)(8), the holder of such Claim will receive on account of such Claim regular installment payments, (i) of a total value, as of the Effective Date of the Plan, equal to the Allowed amount of such Claim; (ii) over a period ending not later than 5 years after the date of the order for relief; and (iii) in a manner not less favorable than the most favored nonpriority unsecured Claim provided for by the Plan.
- At least one impaired Class of Claims has accepted the Plan, determined without including any acceptance of the Plan by any Insider holding a Claim in such Class.
- Confirmation of the Plan is not likely to be followed by the liquidation of the Debtors or the need for further financial reorganization of the Debtors or any successors to the Debtors under the Plan, unless such liquidation or reorganization is proposed in the Plan.
- All fees payable under 28 U.S.C. § 1930 have been paid (or the Plan has provided for payment of such fees) on the Effective Date of the Plan.
- The Plan provides for continuation after its Effective Date of retiree benefits, if any, for the duration of the period the Debtors have obligated themselves to provide such benefits.

- All transfers of property of the Plan shall be made according to applicable non-bankruptcy law governing property transfers by a corporation that is not a moneyed, business, or commercial corporation.

Nothing in this Plan shall create any additional confirmation requirements other than as stated in the Bankruptcy Code, which statute shall control in the event of any inconsistency with the Disclosure Statement or Plan.

DATED: July 20, 2012 (as modified on August 24, 2012)
Fort Worth, Texas.

REOSTAR ENERGY CORPORATION, ET AL.

By: /s/ M.O. Rife, III

Its: CEO

AND

RUSSCO ENERGY LLC

By: /s/ R. Kevin Russell

Its: authorized representative

Respectfully submitted by:

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RUSSCO ENERGY LLC**

“ANNEX 1” TO THIRD AMENDED PLAN

Glossary of Defined Terms

1. “Administrative Claim” shall mean any Claim, including all Fee Claims, for the payment of an Administrative Expense.
2. “Administrative Claims Bar Dates” shall mean the dates established pursuant to Article 2.1(a) and (b) of the Plan, as may be extended from time to time by order of the Court, as the deadline for filing Administrative Claims.
3. “Administrative Expense” shall mean any cost or expense of administration of the Bankruptcy Case incurred on or before the Effective Date entitled to priority under section 507(a)(1) and allowed under section 503(b) of the Bankruptcy Code, including allowances of compensation or reimbursement of expenses to the extent allowed by the Bankruptcy Court under the Bankruptcy Code.
4. “Allowed,” when used with respect to any Claim, except for a Claim that is an Administrative Expense, shall mean: (a) such Claim to the extent it is not a Contested Claim; (b) such Claim to the extent it may be set forth pursuant to any stipulation or agreement that has been approved by Final Order; or (c) a Contested Claim, proof of which was filed timely with the Bankruptcy Court and (i) as to which no objection was filed by the Objection Deadline, unless such Claim is to be determined in a forum other than the Bankruptcy Court, in which case such Claim shall not become Allowed until determined by Final Order of such other forum and Allowed by Final Order of the Bankruptcy Court, or (ii) as to which an objection was filed by the Objection Deadline, to the extent Allowed by Final Order. When used only in the context of determining whether a Claim is a Voting Claim, and a proof of Claim has been filed in the Bankruptcy Case, then only for purposes of voting on the Plan, the Claim asserted thereby shall be deemed Allowed to the extent that the proof of Claim reflects a fixed, liquidated amount; *provided, however*, that if an objection has been lodged against the Claim, then only the amount of the Claim that is not objected to shall be deemed Allowed for purposes of voting on the Plan unless, after notice and a hearing, the Court temporarily allows the Claim in a different amount pursuant to Fed. R. Bankr. P. 3018. Any Claim of a claimant whose proceeds to pay its Claim were collected through legal action may be reduced by the amount of collection costs required to recover such proceeds.
5. “Assets” means, with respect to the Debtors, all of the right, title, and interest in and to property of whatsoever type or nature owned by the Debtors as of the Petition Date, together with property subsequently acquired by the Debtors (including any recoveries arising from any restitution order), and including, but not limited to, the Estate Actions, and all other property defined in section 541 of the Bankruptcy Code, any proceeds derived therefrom, the available insurance or insurance policies, or any right, claim or cause of action of the estate including without limitation any asset wherever located or pursued.
6. “Assumed Agreements” shall mean all Contracts of the Debtors listed or otherwise described on their Schedules G.
7. “Ballot” shall mean the Ballot to be used by holders of Claims to cast their votes to accept or reject the Plan.
8. “Balloting Agent” shall mean the Person designated by the Debtors to receive Ballots as reflected on the face of the Ballot. Unless expressly stated otherwise on the Ballots, the Balloting Agent shall be Debtors’ bankruptcy counsel.
9. “Bankruptcy Case(s)” shall mean the cases commenced under Chapter 11 of the Bankruptcy Code on the Petition Date and styled *In re ReoStar Energy Corporation*, Case No. 10-47176, *In re ReoStar Gathering, Inc.*, Case No. 10-7198, *In re ReoStar Leasing, Inc.*, Case No. 10-7201, and *In re ReoStar Operating, Inc.*, Case No. 10-7203, which are jointly administered under Case No. 10-47176.
10. “Bankruptcy Code” shall mean the Bankruptcy Reform Act of 1978, as amended, and codified at Title 11 of the United States Code.

11. “Bankruptcy Court” shall mean the Bankruptcy Court unit of the United States District Court for the Northern District of Texas, Fort Worth Division, or such other court having jurisdiction over the Bankruptcy Case.
12. “Bankruptcy Rules” shall mean the Federal Rules of Bankruptcy Procedure, as prescribed by the United States Supreme Court pursuant to section 2075 of Title 28 of the United States Code.
13. “Burlington Adversary” shall mean that litigation commenced by Burlington Resources Oil and Gas Company, LP, an oil and gas company that claims to have a leasehold in certain oil and gas interests on 710 acres in Cooke County, Texas (the “Burlington Lease”), on October 11, 2011, styled Burlington Resources Oil and Gas Company, LP v. Reostar Energy Corporation and BT and MK Energy and Commodities, LLC, Adversary Proceeding No. 11-04184, seeking, among other things, declaratory relief including declarations that: 1) the Top Lease is void and/or invalid; 2) alternatively, that the Top Lease expired; and 3) that there is no lien or other secured interest encumbering the Top Lease.
14. “BT & MK” or “BTMK” shall mean BT and MK Energy and Commodities, LLC, a Creditor and named defendant in the BT & MK Adversary Proceeding.
15. “BT & MK Adversary Proceeding” shall mean that litigation commenced by the Debtors on February 17, 2011 in the Bankruptcy Cases, as subsequently amended, and removed to the U.S. District Court for the Northern District of Texas, styled as of April 12, 2012, *ReoStar Energy Corporation v. BT and MK Energy and Commodities, LLC, et al.*, assigned District Court Case No. 4:12-cv-00046-A.
16. “BT & MK Claims” shall mean any and all claims asserted by BT & MK against the Debtors or their estates or property, including the following proofs of claim BT & MK filed in the Bankruptcy Cases: proof of claim no. 10 filed against ReoStar Energy, proof of claim 1 filed against ReoStar Gathering, proof of claim no. 1 filed against ReoStar Leasing, and proof of claim no. 2 filed against ReoStar Operating.
17. “BTMK Released Parties” shall mean BTMK, BancTrust & Co., BancTrust International, Inc., Carlos Fuenmayor, Christian Lovera, Cesar Jimenez, John J. Carney, Receiver to The Michael Kenwood Group, LLC, Highview Point Partners, MK Master Investments LP, MK Investments, Ltd., MK Oil Ventures LLC., The Michael Kenwood Group, LLC, Michael Kenwood Capital Management, LLC; Michael Kenwood Asset Management, LLC; MK Energy and Infrastructure, LLC; MKEI Solar, LP; MK Automotive, LLC; MK Technology, LLC; Michael Kenwood Consulting, LLC; MK International Advisory Services, LLC; MKGAtlantic Investment, LLC; Michael Kenwood Nuclear Energy, LLC; MyTcart, LLC; TUOL, LLC; MK Capital Merger Sub, LLC; MK Special Opportunity Fund; MK Venezuela, Ltd.; Short Term Liquidity Fund, I, Ltd., Thomas Lionelli and Ronald Percival, including the agents, counsel, and representatives of each of the above, all collectively.
18. “Business Day” shall mean any day that is not a Saturday, Sunday, or one of the legal holidays listed in Bankruptcy Rule 9006(a).
19. “Cash” shall mean legal tender of the United States of America or cash equivalents.
20. “Claim” shall have the meaning given in section 101 of the Bankruptcy Code.
21. “Claims Bar Date” shall mean March 10, 2011 for non-governmental entities, April 30, 2011 for governmental entities, and July 15, 2011 for Mark Zouvas and Tritaurian Capital, Inc., and shall expressly include, without limitation, any lien asserted against the Debtors or property of the Debtors, the final date for holders of Claims to have filed their Claims for amounts owed and Interests held prepetition against the Debtors, or such other date as may apply to a particular Claim pursuant to a duly-entered order of the Bankruptcy Court.
22. “Class” shall mean a category of Claims or Interests, as classified in Article 3 of the Plan.

23. “Class 4 Distribution Date” shall mean the date for monthly distributions to holders of Allowed General Unsecured Claims made pursuant to the Plan, beginning on the later of the Effective Date or thirty (30) days after which such holder’s Claim becomes an Allowed Claim, and continuing on the first business day of each month thereafter for thirty six (36) consecutive months.
24. Intentionally deleted.
25. “Collateral” shall mean any property of the Debtors subject to a valid, perfected, and enforceable lien to secure the payment of a Claim.
26. “Confirmation Date” shall mean the date on which the Clerk of the Bankruptcy Court enters the Confirmation Order.
27. “Confirmation Hearing” shall mean the hearing held by the Bankruptcy Court pursuant to section 1128 of the Bankruptcy Code, scheduled for August 28, 2012 at 9:30 a.m. and as it may be continued from time to time, on confirmation of the Plan. Unless expressly stated otherwise in the Plan, all references to the Confirmation Hearing or the date of the Confirmation Hearing shall mean the date the Confirmation Hearing commences.
28. “Confirmation Order” shall mean the order of the Bankruptcy Court confirming the Plan.
29. “Contested,” when used with respect to a Claim, shall mean: a Claim against a Debtor (1) that is listed in the Debtors’ Schedules as disputed, contingent, or unliquidated regardless of whether a proof of Claim has been filed or not; (2) that is listed in the Debtor’s Schedules as undisputed, liquidated, and not contingent and as to which a proof of Claim has been filed with the Bankruptcy Court, to the extent the proof of Claim amount exceeds the Debtor’s scheduled amount; (3) that is not listed in the Debtor’s Schedules, but as to which a proof of Claim has been filed with the Bankruptcy Court; or (4) as to which an objection has been filed. Notwithstanding the foregoing, after the Objection Deadline, only (a) Claims to which an Objection has been filed, including but not limited to Claims listed on the Debtor’s Schedules, and (b) Claims that were not timely filed shall be deemed Contested Claims with respect to Claims for which a proof of Claim has been filed.
30. “Contested-Claim Reserve” shall mean the reserve account established by the Reorganized Debtor for Contested Class 4 General Unsecured Claims.
31. “Contracts” shall mean all “leases” and “executory contracts” as such terms are used within section 365 of the Bankruptcy Code to which a Debtor was a party as of the Petition Date.
32. “Creditors” shall mean parties holding or asserting Claims against the Debtors.
33. “Creditor Trust” means that certain trust directed by the Court to be established by the Examiner pursuant to the Plan and the Creditor Trust Agreement for the purposes, *inter alia*, of prosecuting or otherwise recovering, developing, and liquidating the Creditor Trust Claims assigned by the Plan and making Distributions to Holders of Allowed Claims therefrom, in accordance with the Plan.
34. “Creditor Trust Agreement” means that certain trust agreement to be entered into pursuant to the Plan, under which the Creditor Trust will be established. The Creditor Trust Agreement will be filed with the Bankruptcy Court no later than ten (10) days before the commencement of the Confirmation Hearing.
35. “Creditor Trust Claims” means all Estate Actions brought in the BT & MK Adversary Proceeding against former officers and directors of the Debtors, which Estate Actions are to be transferred to the Creditor Trust for prosecution and/or settlement.
36. “Creditor Trustee” means the person appointed as Creditor Trustee by the Examiner, as directed by the Court pursuant to this Plan or the terms of the Creditor Trust Agreement.

37. “Court” shall mean the Bankruptcy Court unit of the United States District Court for the Northern District of Texas, Fort Worth Division, or such other court having jurisdiction over the Bankruptcy Case. See also “District Court” below.
38. “Cure Payment” shall be the monetary payments required pursuant to Bankruptcy Code section 365(b)(1)(A) to cure defaults under Contracts to which the Debtors are parties and which will be assumed pursuant to the Plan as set forth on the Debtors’ Schedules G.
39. “Debtors” shall mean ReoStar Energy Corporation, ReoStar Gathering, Inc., ReoStar Leasing, Inc., and ReoStar Operating, Inc.
40. “Debtor Released Parties” shall mean the Debtors and their estates and the Representatives, all collectively.
41. “Deficiency Amount” shall mean, with respect to a Secured Claim, the amount by which the Allowed Claim exceeds the sum of (1) any set-off rights of the holder of such Claim against a Debtor under sections 506 and 553 of the Bankruptcy Code and (2) the net proceeds realized from the disposition of the Collateral securing such Claim or, if such Collateral is not liquidated to Cash, the value of the interest of the holder of the Claim in the Debtors’ interest in the Collateral securing such Claim, as determined by the Bankruptcy Court under section 506 of the Bankruptcy Code.
42. “Disallowed,” when used with respect to a Claim, shall mean a Claim that has been disallowed by Final Order.
43. “Disclosure Statement” shall mean the Debtors’ Third Amended Disclosure Statement Under 11 U.S.C. § 1125 in Support of Debtors’ Third Amended Joint Plan of Reorganization, dated July 20, 2012 (as modified on August 2, 2012), either in its present form or as it may hereafter be altered, amended, or modified from time to time.
44. “Disclosure Statement Order” shall mean the order of the Bankruptcy Court approving the Disclosure Statement and solicitation procedures, and setting the hearing on confirmation of the Plan.
45. “District Court” shall mean the U.S. District Court for the Northern District of Texas, having jurisdiction over the BT & MK Adversary Proceeding as of July 20, 2012, or such other court having jurisdiction over the BT & MK Adversary Proceeding.
46. “Effective Date” shall mean a Business Day selected by the Debtor or Reorganized Debtor, as the case may be, after both (i) the Confirmation Order has become a Final Order and is not stayed, and (ii) all conditions to the effectiveness of the Plan have been satisfied or waived as provided in Article 13 of the Plan. Unless the Court orders otherwise upon cause shown, in no event shall the Effective Date be later than thirty (30) days after the Confirmation Order has become a Final Order.
47. “Estate Actions” includes but is not limited to any causes of action described or referenced in any Plan Document, the BT & MK Adversary Proceeding, and shall mean any and all claims, causes of action and enforceable rights of the Debtors against third parties, or assertable by the Debtors on behalf of their creditors, their estates, or themselves, whether brought in the Bankruptcy Court or any other forum for recovery or avoidance, that has not been settled or resolved as of the Effective Date, of —
- (a) obligations, transfers of property or interests in property, offsets, debt forgiveness, Cash, and other types or kinds of property or interests in property or the value thereof, recoverable or avoidable pursuant to Chapter 5 or other sections of the Bankruptcy Code or any applicable law;
 - (b) damages, general or statutory or exemplary (or all) or other relief, including but not limited to actions relating to or based upon—
 - (i) indebtedness owing to the Debtors, (ii) fraud, negligence, gross negligence, willful injury or misconduct, acts or malice, or any other tort actions, including

but not limited to defamation, malicious prosecution, or tortious interference with contract, (iii) breaches of contract, (iv) violations of federal or state securities laws, (v) violations of applicable corporate laws, (vi) breaches of fiduciary or agency duties, (vii) causes of action based on disregard of the corporate form or piercing the corporate veil or other liability theories, (viii) any theory of recovery against a lending institution for any action causing harm to the Debtors, (ix) equitable or legal subordination, or (x) any other action listed in Bankruptcy Rule 7001;

- (c) damages or other relief based upon any other claim of Debtors to the extent not specifically compromised or released pursuant to this Plan or an agreement referred to, or incorporated into, this Plan; and
- (d) without limiting any of the foregoing, all claims referenced or described in the Plan Documents, including the Disclosure Statement, including against Peter Zouvas, Three Bar C, Inc., Mark Zouvas, Scott Allen, the English Family, and the Dodson Family.

For the avoidance of doubt, claims and causes of action against the BTMK Released Parties shall not be included among the Estate Actions.

- 48. “Estimation Order” shall mean any order of the Bankruptcy Court estimating a Claim pursuant to Bankruptcy Rule 3018 or pursuant to section 502(c) of the Bankruptcy Code.
- 49. “Examiner” shall mean Michael McConnell, appointed to serve as Examiner under section 1104 (c)(1) of the Bankruptcy Code, in the Debtors’ Bankruptcy Cases to investigate the Debtors’ current operations and make recommendations to assist Debtors’ restructuring efforts pursuant to the Order Approving Appointment of Examiner, entered January 10, 2011 [Docket No. 78].
- 50. “Fee Application” shall mean an application of a Professional Person under section 330, 331, or 503 of the Bankruptcy Code for a Fee Claim.
- 51. “Fee Claim” shall mean a Claim under section 330, 331, or 503 of the Bankruptcy Code for allowance of compensation and reimbursement of expenses in the Bankruptcy Case.
- 52. “Final Distribution Date” shall mean the date selected by the Reorganized Debtors as the last date for distributions to be made under the Plan after the provisions of the Plan have been met, including Article 10 of the Plan. No further distributions shall be required under the Plan after the Final Distribution Date, which is estimated to be in October 2015.
- 53. “Final Order” shall mean (1) an order as to which the time to appeal, petition for certiorari, or move for reargument or rehearing has expired and as to which no appeal, petition for certiorari, or other proceedings for reargument or rehearing shall then be pending, or (2) in the event that an appeal, writ of certiorari, reargument, or rehearing thereof has been sought, such order shall have been affirmed by the highest court to which such order was appealed, or certiorari has been denied, or from which reargument or rehearing was sought, and the time to take any further appeal, petition for certiorari, or move for reargument or rehearing shall have expired; provided, however, that no order shall fail to be a Final Order solely because of the possibility that a motion pursuant to Rule 60 of the Federal Rules of Civil Procedure may be filed with respect to such order.
- 54. “General Unsecured Claim” shall mean any Claim against a Debtor that is not a priority Claim, Secured Claim, an Administrative Claim, Penalty Claim, Disallowed Claim, or Subordinated Claim.
- 55. “Insider” shall have the meaning set forth in section 101(31) of the Bankruptcy Code.
- 56. “Interest” shall mean any “equity security” as defined in section 101(16) of the Bankruptcy Code.
- 57. “Lien” shall have the meaning set forth in section 101(37) of the Bankruptcy Code.

58. "Liquidation Analysis" shall mean the analysis set forth in Exhibit C to the Disclosure Statement.
59. "M&M Lien" shall mean a mechanic and materialman lien.
60. "M&M Lienholder" shall mean a holder of a M&M Lien asserted against a mineral interest owned by the Debtors.
61. "Interest Purchaser(s)" shall mean Russco Energy LLC or its designee(s) who shall pay the Interest Purchase Price, by the Effective Date, to purchase the new equity in the Reorganized Debtors to fund the Reorganized Debtors' ability to negotiate, prepare, solicit, prosecute, confirm, make Cash distributions under, and otherwise fulfill the Plan. Russco Energy LLC shall secure the infusion of funds for the Reorganized Debtors' working capital needs post-confirmation in exchange for its Interests and assist the Debtors in obtaining a loan, if necessary, for any ultimate payment of BT & MK's Allowed Secured Claims under the Plan. As such, Russco Energy LLC and its members and managers are integral to the successful implementation of the Plan.
62. "Interest Purchase Price" shall mean Russco Energy LLC's (a) payment to the Debtors on the Effective Date of the remaining balance of \$2.16 million, subject to release of the Russco Bond per section 6.5 of the Plan and net of payment to Russco of its attorney fees, costs, and expenses associated with the Bankruptcy Cases and BT & MK Adversary Proceeding, and (b) the receipt and confirmation of working capital commitments with funds to be available immediately on and after the Effective Date sufficient to fund the Plan payment obligations, subject to Court approval within the Confirmation Order of the priming lien defined and described in section 6.2 of the Plan.
63. Intentionally deleted.
64. "Net Proceeds" or "Net Recovery" shall mean amounts in Cash actually received by the Debtors as a result of litigation, excluding any amounts held in suspense or from well production or business operations and related liabilities, pursuant to a settlement or Final Order after reduction for costs of collection, including all attorneys', accountants', experts and other professionals' fees and expenses and costs of court.
65. "Objection Deadline" shall mean the date by which objections to Claims shall be filed with the Bankruptcy Court and served upon the respective holders of each of the Claims as provided in Article 11.1 of the Plan.
66. "Penalty Claims" shall mean Claims for penalties or punitive damages, including Claims denominated as "interest" which the Bankruptcy Court determines to be punitive in nature.
67. "Petition Date" shall mean November 1, 2010, the date the Debtors filed their voluntary chapter 11 petitions for relief under the Bankruptcy Code.
68. "Plan" or "Plan of Reorganization" shall mean the Debtors' Third Amended Joint Plan of Reorganization, dated July 20, 2012, either in its present form or as it may hereafter be altered, amended, or modified from time to time.
69. "Plan Documents" shall mean the Schedules, the Disclosure Statement, all exhibits thereto, and any other documents that aid in effectuating the Plan as specifically identified as such in the Plan or as attached as exhibits and schedules to the Plan, which will be substantially in the respective forms filed by the Debtors with the Bankruptcy Court prior to the conclusion of the Confirmation Hearing, and/or executed prior to the Effective Date.
70. "Priority Unsecured Claim" shall mean any Claim (other than an Administrative Claim or Priority Tax Claim) to the extent entitled to priority in payment under section 507(a) of the Bankruptcy Code.
71. "Priority Tax Claim" shall mean a Claim of a governmental unit of the kind specified in section 507(a)(8) of the Bankruptcy Code.

72. “Pro Rata Share” shall mean the proportion that the amount of an Allowed Claim in a particular Class of Claims bears to the aggregate amount of all Claims in such Class of Claims, including Contested Claims, but not including Disallowed Claims, unless the Plan expressly provides otherwise.
73. “Professional Person” shall mean a person retained or to be compensated pursuant to section 327, 328, 330, 331, 503(b), or 1103 of the Bankruptcy Code.
74. “Projections” shall mean the projected financial information contained in Exhibit B to the Disclosure Statement.
75. “ReoStar Energy” shall mean ReoStar Energy Corporation, a Nevada corporation, incorporated on November 29, 2004 that is the Debtor in Bankruptcy Case No. 10-47176, pending in the United States Bankruptcy Court for the Northern District of Texas, Fort Worth Division.
76. “ReoStar Gathering” shall mean ReoStar Gathering, Inc., a Texas corporation, incorporated on June 25, 2007, that is the Debtor in Bankruptcy Case No. 10-7198, pending in the United States Bankruptcy Court for the Northern District of Texas, Fort Worth Division.
77. “ReoStar Leasing” shall mean shall mean ReoStar Leasing, Inc., a Texas corporation, incorporated on July 2, 2007, that is the Debtor in Bankruptcy Case No. 10-7201, pending in the United States Bankruptcy Court for the Northern District of Texas, Fort Worth Division.
78. “ReoStar Operating” shall mean ReoStar Operating, Inc., a Texas corporation, incorporated on August 8, 2008, that is the Debtor in Bankruptcy Case No. , a 10-7203 pending in the United States Bankruptcy Court for the Northern District of Texas, Fort Worth Division.
79. “ReoStar Sale” shall mean the closing of the sale of ReoStar’s Ford Well Assets, comprised of certain of the Debtors’ Texas oil and gas properties approved by the Bankruptcy Court.
80. “Rejection Deadline” shall refer to the Effective Date and mean the date by which all Contracts to which the Debtor is a party shall be rejected unless there is pending with the Bankruptcy Court as of the Rejection Deadline either (a) a motion filed by the Reorganized Debtors to assume any such Contract, or (b) a motion filed by the Reorganized Debtors to extend the Rejection Deadline.
81. “Reorganized Debtors” shall mean the Debtors, as reorganized, on and after the Effective Date.
82. “Representatives” shall mean any principal, agent, responsible party, officer, director, shareholder, financial advisor, attorney, accountant, and other professional persons of the Debtors or the Co-Proponent Russco, including but not limited to M.O. Rife, III, Joe Bill Bennett, Jon Bretley Bennett, R. Kevin Russell, J. Benton Poole, Curtis | Castillo PC, Russco Energy LLC, Cantey Hanger LLP and his, her, or its employees, attorneys, assistants, and employees and contractors; *provided, however*, that “Representatives” expressly shall not include Mark Zouvas, Scott Allen, or any others named in the BT & MK Adversary Proceeding or that certain SEC Receivership, Case No. 3:11-CV-00078 (JBA), pending in the United States District Court for the District of Connecticut, or any of their agents, attorneys, officers or directors.
83. “Russco” shall mean Russco Energy LLC is a Texas limited liability company principally owned by R. Kevin Russell.
84. “Russco Cash Bond” shall mean the \$2.16 million cash bond obtained by Russco and commemorated by the Notice of Posting of Bond filed at Docket No. 477.
85. “Schedules” shall mean the schedules of assets and liabilities and the statements of financial affairs filed by the Debtors as required by section 521 of the Bankruptcy Code and Bankruptcy Rule 1007, as such schedules and statements have been or may be supplemented or amended.

86. “SEC Receivership” shall mean that certain action styled *Securities and Exchange Commission, Plaintiff v. Francisco Illarramendi and Michael Kenwood Capital Management, LLC, Defendants, and Michael Kenwood Asset Management, LLC, MK Energy and Infrastructure, LLC and MKEI Solar, LP, Relief Defendants*, C.A. No. 3:11-cv-00078(JBA), pending in the United States District Court for the District of Connecticut, and includes certain named defendants in the BT & MK Adversary Proceeding.
87. “Secured Claim” shall mean a Claim secured by a Lien on property of a Debtors, which Lien is valid, perfected, and enforceable under applicable law, is not subject to avoidance under the Bankruptcy Code or other applicable non-bankruptcy law, and that is duly established in the Bankruptcy Case, but only to the extent of the value of the Collateral that secures payment of such Claim.
88. “Secured Non-Tax Claim” shall mean a Secured Claim other than a Secured Tax Claim.
89. “Secured Tax Claim” shall mean a Secured Claim held by a taxing authority for taxes due by the Debtors.
90. “Subordinated Claim” shall mean any Claim (1) subordinated by contract or by order of the Bankruptcy Court to the right of payment of General Unsecured Claims, or (2) that would be paid pursuant to Bankruptcy Code section 726(a)(2)(c), (a)(3), (a)(4), or (a)(5).
91. “Tritaurian Capital Claim” shall mean proof of claim no. 19 filed by Tritaurian Capital, Inc. in the Bankruptcy Cases.
92. “Trust Property” means all property of the Creditor Trust, including without limitation, all property transferred to the Creditor Trust at any time and all other property incidental thereto that may be acquired by the Creditor Trust from time to time under the Creditor Trust Agreement or otherwise.
93. “Voting Claim” shall mean a Claim of a holder that is (i) Allowed, (ii) impaired, and (iii) receiving or retaining property on account of such Claim pursuant to the Plan.
94. “Voting Deadline” shall mean August 23, 2012 at 5:00 p.m. Central Time, the date set by the Bankruptcy Court by which Ballots for accepting or rejecting the Plan must be received by the Debtors’ counsel.
95. “Well Settlement Agreement” shall mean those certain Court-authorized settlement agreements regarding the settlement and compromise of Claims related to mineral interests of the Debtors that have been entered into on or before the Effective Date.
96. “Zouvas Claim” shall mean proof of claim no. 20 filed by Mark S. Zouvas in the Bankruptcy Cases.