John Y. Bonds, III
State Bar I.D. No. 02589100
Joshua N. Eppich
State Bar I.D. No. 24050567
H. Brandon Jones
State Bar I.D. No. 24060043
Paul M. Lopez
State Bar I.D. No. 24076516
Shannon, Gracey, Ratliff & Miller, L.L.P.
420 Commerce Street, Suite 500
Fort Worth, Texas 76102
(817) 336-9333 telephone
(817) 336-3735 facsimile

ATTORNEYS FOR DEBTORS AND
DEBTORS-IN-POSSESSION

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

IN RE:	§	CHAPTER 11
	§	
	§	JOINTLY ADMINISTERED
	§	
DUER WAGNER III OIL & GAS LP, et al.	§	CASE NO. 15-41961-11
	§	
Debtors.	§	

DEBTORS' DUER WAGNER III OIL & GAS LP; DUER WAGNER III & PARTNERS, LLC; DUER WAGNER III, LLC f/k/a DUER WAGNER III, INC.; DUER WAGNER III ENERGY, LLC; BODINE OIL & GAS, LP; JEFFCOAT LP; LETT OIL & GAS , LP; MODANO OIL & GAS, LP; NORTON OIL & GAS, LP; NOWITZKI OIL & GAS, LP; TEIXEIRA OIL & GAS, LP; AND WOODSON OIL & GAS, LP'S DISCLOSURE STATEMENT IN SUPPORT OF JOINT PLAN OF REORGANIZATION

THIS PROPOSED DISCLOSURE STATEMENT HAS NOT BEEN APPROVED BY THE BANKRUPTCY COURT AS CONTAINING "ADEQUATE INFORMATION" AS DEFINED IN SECTION 1125(A) OF THE BANKRUPTCY CODE FOR USE IN SOLICITATION OF ACCEPTANCES OR REJECTIONS OF A CHAPTER 11 PLAN. THE FILING AND DISSEMINATION OF THIS DISCLOSURE STATEMENT ARE NOT INTENDED TO BE, AND SHOULD NOT IN ANY WAY BE CONSTRUED AS, A SOLICITATION OF VOTES ON THE DEBTORS' JOINT PLAN OF REORGANIZATION, NOR SHOULD THE INFORMATION CONTAINED IN THIS PROPOSED DISCLOSURE STATEMENT BE RELIED UPON FOR ANY PURPOSE BEFORE THE BANKRUPTCY COURT DETERMINES THAT THE PROPOSED DISCLOSURE STATEMENT CONTAINS ADEQUATE INFORMATION OF A KIND, AND IN SUFFICIENT DETAIL, AS FAR AS IS REASONABLY PRACTICABLE IN LIGHT OF THE NATURE AND HISTORY OF THE DEBTORS AND THE CONDITION OF THE DEBTORS' BOOKS AND RECORDS, THAT WOULD ENABLE A HYPOTHETICAL INVESTOR OR CREDITOR OF THE RELEVANT CLASS TO MAKE AN INFORMED JUDGMENT ABOUT THE PLAN. THE DEBTORS RESERVE THE RIGHT TO AMEND OR SUPPLEMENT THIS PROPOSED DISCLOSURE STATEMENT AT ANY TIME BEFORE THE HEARING TO CONSIDER WHETHER THE SAME CONTAINS "ADEQUATE INFORMATION" AND AUTHORIZE THE SOLICITATION OF ACCEPTANCES AND REJECTIONS OF THE DEBTORS' JOINT PLAN OF REORGANIZATION.

A SEPARATE NOTICE OF HEARING WILL BE SERVED BY THE DEBTORS TO NOTIFY PARTIES IN INTEREST OF THE DATE AND TIME SCHEDULED FOR A HEARING ON THE APPROVAL OF THIS PROPOSED DISCLOSURE STATEMENT.

The Debtors[1] jointly submit this *Disclosure Statement In Support of Joint Plan of Reorganization* (the "Disclosure Statement") pursuant to 11 U.S.C. § 1125. This Disclosure Statement is to be used in connection with the solicitation of votes on the Debtors' *Joint Plan of Reorganization* (the "Plan"). A copy of the Plan is attached hereto as **Exhibit "A"**. Unless otherwise defined herein, terms used herein have the meanings ascribed thereto in the Plan (see Article I of the Plan entitled "Definitions").

I. NOTICE TO HOLDERS OF CLAIMS

A. Generally

The purpose of this Disclosure Statement is to enable creditors whose Claims are impaired to make an informed decision in exercising their right to vote to accept or reject the Plan.

THIS DISCLOSURE STATEMENT CONTAINS INFORMATION THAT MAY BEAR UPON YOUR DECISION TO ACCEPT OR REJECT THE PLAN. PLEASE READ THIS DOCUMENT WITH CARE.

On _____, the Bankruptcy Court entered an order pursuant to section 1125 of the Bankruptcy Code (the "Solicitation Order") approving this Disclosure Statement as containing information of a kind, and in sufficient detail, adequate to enable a hypothetical, reasonable investor, typical of the solicited Holders of Claims against and Interests in the Debtor, to make an informed judgment with respect to the acceptance or rejection of the Plan. A copy of the Solicitation Order is included in the materials accompanying this Disclosure Statement. APPROVAL OF THIS DISCLOSURE STATEMENT BY THE BANKRUPTCY COURT DOES NOT CONSTITUTE A DETERMINATION BY THE BANKRUPTCY COURT REGARDING THE FAIRNESS OR MERITS OF THE PLAN.

Each Holder of a Claim entitled to vote to accept or reject the Plan should read this Disclosure Statement and the Plan in their entirety before voting. No solicitation of votes to accept or reject the Plan may be made except pursuant to this Disclosure Statement and section 1125 of the Bankruptcy Code. No person has been authorized to use or promulgate any information concerning the Debtors, their businesses, or the Plan, other than the information contained herein, in connection with the solicitation of votes to accept or reject the Plan. No Holder of a Claim entitled to vote on the Plan should rely upon any information relating to the Debtors, their business, or the Plan other than that contained in the Disclosure Statement and the exhibits hereto. Unless otherwise indicated, the source of all information set forth herein is the Debtors.

After carefully reviewing this Disclosure Statement, including the attached exhibits, please indicate your acceptance or rejection of the Plan by voting in favor of, or against, the Plan

1 The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's federal tax identification number, are: Duer Wagner III Oil & Gas LP (Case No. 15-41961) [3782]; Duer Wagner III & Partners, LLC (Case No. 15-41962) [3782]; Duer Wagner III, LLC f/k/a Duer Wagner III, Inc. (Case No. 15-41963) [9555]; Duer Wagner III Energy, LLC (Case No. 15-41964) [9555]; Bodine Oil & Gas, LP (Case No. 15-41973) [9245]; Jeffcoat LP (Case No. 15-41967) [9560]; Lett Oil & Gas , LP (Case No. 15-41968) [9426]; Modano Oil & Gas, LP (Case No. 15-41970) [9520]; Norton Oil & Gas, LP (Case No. 15-41966) [9563]; Nowitzki Oil & Gas, LP (Case No. 15-41972) [4276]; Teixeira Oil & Gas, LP (Case No. 15-41971) [4312]; Woodson Oil & Gas, LP (Case No. 15-41969 [6067]. The Debtors' address is 301 Commerce Street, Suite 1830, Fort Worth, Texas 76102.

on the enclosed ballot and returning the same to the address set forth on the ballot, so that it will be received by the Balloting Agent, no later than 4:00 p.m., Central Time, on [_____, 2016] (the "Voting Deadline").

If you do not vote to accept the Plan, or if you are the Holder of an unimpaired Claim or Interest, you may be bound by the Plan if it is accepted by the requisite number of Claimants and amount of Claims. *See* Article X hereof.

TO BE SURE YOUR BALLOT IS COUNTED, YOUR BALLOT MUST BE RECEIVED NO LATER THAN 4:00 P.M., CENTRAL TIME, ON **[_____, 2016]**. For detailed voting instructions and the name, address, and phone number of the person you may contact if you have questions regarding the voting procedures, see Section A of Article X of this Disclosure Statement.

Pursuant to section 1128 of the Bankruptcy Code, the Bankruptcy Court has scheduled a hearing to consider confirmation of the Plan (the "Confirmation Hearing"), on **[_____, 2016 at _____.m.]**, Central Time, in the United States Bankruptcy Court for the Northern District of Texas, Fort Worth Division.

The Bankruptcy Court has directed that objections, if any, to confirmation of the Plan be filed and served on or before **[_____.m., on _____, 2016]**, in the manner described under Article X of this Disclosure Statement.

The Debtors support confirmation and urge all Claimants to vote to accept the Plan.

B. Summary Of the Plan

The following is an estimate of the numbers and amounts of classified Claims to receive treatment under the Plan, and a summary of the proposed treatment of such Claims and Interests under the Plan. Reference should be made to the entire Disclosure Statement and to the Plan for a complete description of the classification and treatment of Claims and Interests. To the extent of any inconsistency between this Disclosure Statement and the Plan, the Plan shall control.

The CLMG Settlement, the CLMG Settlement Order, and the Plan propose to transfer the Transferred Assets to the Senior Secured Parties. This Plan is based in part on that transfer. Most, if not all of those transfers to the Senior Secured Parties have already occurred. In conjunction with the assignment of the Transferred Assets, the applicable contracts, whether or not executory, shall be assigned to the Senior Secured Parties. Executory Contracts that are assumed and assigned to the Senior Secured Parties shall be cured in accordance with settlements reached with the applicable counter-party or pursuant to the CLMG Settlement. Assets retained by the Debtors and revested in the Reorganized Debtors and subject to liens will be assigned to the applicable Allowed Secured Claim Holder in full satisfaction of its Allowed Claim. Allowed Unsecured Claim Holders shall be satisfied through a pro-rata distribution made from the available Cash and in accordance with the terms of the CLMG Settlement. Taking into consideration anticipated settlements with claimants and objections to claims, it is expected that an eighty-five to one hundred cent distribution will be made to Holders of Allowed Unsecured Claims.

II. EXPLANATION OF CHAPTER 11

A. Overview of Chapter 11

The commencement of a chapter 11 case creates an estate comprising all the legal and equitable interests of the debtor in property as of the date the petition is filed. Sections 1101, 1107, and 1108 of the Bankruptcy Code provide that a debtor may continue to operate its business and remain in possession of its property as a "debtor in possession" unless the Bankruptcy Court orders the appointment of a Trustee. In the present Chapter 11 Cases, the Debtors have remained in possession of their property and have continued to function as debtors-in-possession.

The filing of a chapter 11 petition also triggers the automatic stay provisions of the Bankruptcy Code. Section 362 of the Bankruptcy Code provides, *inter alia,* for an automatic stay of all attempts to collect pre-petition claims from the debtor or otherwise interfere with its property or business. Except as otherwise ordered by the Bankruptcy Court, the automatic stay remains in full force and effect until the effective date of a confirmed plan for the Debtors.

The formulation of a plan of reorganization is the principal purpose of a chapter 11 case. The plan sets forth the means for satisfying the claims against and interests in the debtor. Unless a trustee is appointed, only the debtor may file a plan during the first 120 days of a chapter 11 case (the "Exclusive Period"). However, section 1121(d) of the Bankruptcy Code permits the court to extend or reduce the Exclusive Period upon a showing of "cause." In this matter, the Exclusive Period was extended through and including March 12, 2016 [Docket No. 259] and has not been extended. The Debtors filed its Plan contemporaneously with the filing of the Disclosure Statement. No other plan has been proposed.

B. Plan of Reorganization

Although referred to as a plan of reorganization, a plan may provide anything from a complex restructuring of a debtor's business and its related obligations to a simple liquidation of the debtor's assets. In this case, the Plan proposes to and in large part already has, transferred the Transferred Assets to an entity controlled by the Senior Secured Parties as directed by the Senior Secured Parties pursuant to the terms of the CLMG Settlement. All contracts associated with the Transferred Assets will be assigned pursuant to the CLMG Settlement. All Executory Contracts related to the assets associated with the assets that revest in the Reorganized Debtors shall be rejected. In satisfaction of claims associated with the rejection of Executory Contracts, the associated working interest will be assigned to the applicable Holder of the Allowed Secured Claim. Holders of Allowed Unsecured Claims will be satisfied by receiving a pro-rata payment from the Debtors' available Cash on hand following all payments required under the terms of the CLMG Settlement.

Generally, after a plan of reorganization has been filed, the holders of claims against or interests in a debtor are permitted to vote to accept or reject the plan. Before soliciting acceptances of the proposed plan, section 1125 of the Bankruptcy Code requires the debtor to prepare a disclosure statement containing adequate information of a kind, and in sufficient detail, to enable a hypothetical reasonable investor to make an informed judgment about the plan. This Disclosure Statement is presented to holders of Claims against and Interests in the Debtors to satisfy the requirements of section 1125 of the Bankruptcy Code.

If all classes of claims and interests accept a plan of reorganization, the bankruptcy court may nonetheless still not confirm the plan unless the court independently determines that the requirements of section 1129 of the Bankruptcy Code have been satisfied. Section 1129 sets forth the requirements for confirmation of a plan and, among other things, requires that a plan meet the "best interest" test and be "feasible." The "best interests" test generally requires that the value of the consideration to be distributed to the holders of claims and interests under a plan may not be less than those parties would receive if the debtor were liquidated pursuant to a hypothetical liquidation occurring under chapter 7 of the Bankruptcy Code. Under the "feasibility" requirement, the court generally must find that there is a reasonable probability that the debtor will be able to meet its obligations under its plan without the need for further financial reorganization.

The Debtors believe that the Plan satisfies all the applicable requirements of section 1129(a) of the Bankruptcy Code, including, in particular, the "best interests of creditors" test and the "feasibility" requirement. The Debtors support confirmation of the Plan and urge all holders of Impaired Claims entitled to vote to accept the Plan.

Chapter 11 does not require that each holder of a claim against or interest in a debtor vote in favor of a plan of reorganization in order for the bankruptcy court to confirm the plan. At a minimum, however, the plan must be accepted by a majority in number and two-thirds in amount of those claims actually voting in at least one class of impaired claims under the plan. The Bankruptcy Code also defines acceptance of the plan by a class of interests (equity securities) as acceptance by holders of two-thirds of the number of shares actually voting. In the present case, only the holders of Claims or Interests who actually vote will be counted as either accepting or rejecting the Plan.

In addition, classes of claims or interests that are not "impaired" under a plan of reorganization are conclusively presumed to have accepted the plan and thus are not entitled to vote. Accordingly, acceptances of a plan will generally be solicited only from those persons who hold claims or interests in an impaired class. A class is "impaired" if the legal, equitable, or contractual rights attaching to the claims or interests of that class are modified in any way under the plan. However, if holders of the claims or interests in a class do not receive or retain any property on account of such claims or interests, then each such holder is deemed to have voted to reject the plan and does not actually cast a vote to accept or reject the plan.

Class 1 (Priority Claims) are unimpaired under the Plan and, thus, deemed to accept the Plan. Classes 2 (Secured Claims of the DIP Lender), 3 (Operator Claims), 4 (Secured Claims of the Senior Secured Parties), 5 (Deficiency Claim), 6 (General Unsecured Claims), and 7 (Interests) are impaired under the Plan and are entitled to vote to accept or reject the Plan.

The Bankruptcy Court may also confirm a plan of reorganization even though fewer than all the classes of impaired claims and interests accept it. For a plan of reorganization to be confirmed despite its rejection by a class of impaired claims or interests, the proponents of the plan must show, among other things, that the plan does not "discriminate unfairly" and that the plan is "fair and equitable" with respect to each impaired class of claims or interests that has not accepted the plan.

Under section 1129(b) of the Bankruptcy Code, a plan is "fair and equitable" as to a class of rejecting claims if, among other things, the plan provides: (a) with respect to secured claims,

that each such holder will receive or retain on account of its claim property that has a value, as of the effective date of the plan, equal to the allowed amount of such claim; and (b) with respect to unsecured claims and interests, that the holder of any claim or interest that is junior to the claims or interests of such class will not receive or retain on account of such junior claim or interest any property at all unless the senior class is satisfied to the full extent of the claims or interests.

A plan does not "discriminate unfairly" against a rejecting class of claims if (a) the relative value of the recovery of such class under the plan does not differ materially from that of any class (or classes) of similarly situated claims, and (b) no senior class of claims is to receive more than 100% of the amount of the claims in such class.

The Debtors believe that the Plan has been structured so that it will satisfy these requirements as to any rejecting Class of Claims, and can therefore be confirmed, if necessary, over the objection of any Classes of Claims. The Debtors reserve the right to request confirmation of the Plan under the "cramdown" provisions of section 1129 of the Bankruptcy Code.

III. THE DEBTORS AND ITS BUSINESS

A. Brief History of the Chapter 11 Case

On May 15, 2015 (the "Petition Date"), the Debtors each filed a voluntary petition for relief under Chapter 11 of Title 11 of the United States Code (as amended, the "Bankruptcy Code").

On May 18, 2015, the Debtors applied to the Court to employ counsel and the Court entered its order authorizing the employment of Shannon, Gracey, Ratliff & Miller, LLP as counsel of record for the Debtors on June 26, 2015 [Docket No. 109].

The Debtors continue to operate their business and manage their properties as debtors in possession pursuant to Sections 1107(a) and 1108 of the Bankruptcy Code. No request for the appointment of a trustee or examiner has been made in these Cases. These Cases have been consolidated for procedural purposes only and are being jointly administered pursuant to Bankruptcy Rule 1015. No committees have been appointed in these Cases.

Debtor Duer Wagner Oil & Gas, LP, as borrower, the other Debtors, as guarantors, CLMG Corp., as administrative agent (the "Administrative Agent"), and LNV Corporation, as lender (together with the Administrative Agent, the "Senior Secured Parties") are parties to that certain Credit Agreement, dated December 5, 2013 (as amended, restated, supplemented or otherwise modified through the Petition Date, the "Senior Secured Credit Agreement" and, together with all related credit and security documents, the "Senior Secured Credit Documents"). As of the Petition Date, the Debtors were indebted and liable to the Senior Secured Parties under the Senior Secured Credit Documents in the aggregate principal amount of not less than $120,000,000, plus any amounts unpaid, incurred, or accrued prior to the Petition Date in accordance with the Senior Secured Credit Documents (collectively, the "Prepetition Obligations"). To secure the Prepetition Obligations, the Debtors granted to the Senior Secured Parties liens on and security interests in substantially all of the Debtors' assets and property and the proceeds thereof as well as property owned by certain non-Debtor parties.

The Debtors sought the right to use Cash Collateral on May 19, 2015 [Docket No. 16]. The Debtors have been operating under extended Interim Cash Collateral Orders since May 22, 2015, when the First Interim Cash Collateral Order was entered [Docket No. 27].

On November 2, 2015 and November 3, 2015, the Debtors filed their *Motion for Entry of an Order (I) Approving Settlement with the Secured Parties Pursuant to Bankruptcy Rule 9019, (II) Authorizing Assumption and Assignment of Operating Agreements Pursuant to Section 365 of the Bankruptcy Code, (III) Authorizing Settlements with Counterparties to Operating Agreements Pursuant to Bankruptcy Rule 9019 and (IV) Approving Procedures with Respect Thereto* [Docket Nos. 240, 242] (the "Settlement Motion"). The Settlement Motion requested, among other things, approval by the Court of a settlement of the Senior Secured Parties' claims between and among the Debtors, the Senior Secured Parties and the Debtors' principal, Duer Wagner III (the "Proposed Settlement"), memorialized in the term sheet attached as Exhibit 1 to the Settlement Motion. Pursuant to the Proposed Settlement, among other things, (i) the Debtors and Mr. Wagner, individually and as the person in control of certain non-Debtors, have agreed to transfer, or cause to be transferred, the Transferred Assets (as defined in the Settlement Motion, but excluding any assets that the Senior Secured Parties in their sole discretion elect to exclude) to the Senior Secured Parties on a date no earlier than January 1, 2016 and no later than January 10, 2016 (the date of such transfer, the "Transfer Date") and (ii) the Senior Secured Parties have agreed to fund certain settlements approved by the Senior Secured Parties that the Debtors reach with counterparties to the Operating Agreements (as defined in the Settlement Motion) regarding outstanding joint interest billings owed to such counterparties (collectively, the "Operator Settlements") in conjunction with the Debtors' request to assume and assign certain Operating Agreements and transfer certain related assets to the Senior Secured Parties. As additional consideration, the Settlement Motion and Term Sheet require the transfer of a number of non-oil and gas assets owned by Mr. Wagner, or entities controlled Mr. Wagner to the Senior Secured Parties or their designee. The Settlement Motion requests approval procedures whereby Operator Settlements at or below a certain threshold can be effectuated on an expedited notice basis and Operator Settlements above such threshold can be effectuated by separate motion requesting Court approval. Under either approach, Operator Settlements would be paid prior to the Transfer Date. The Proposed Settlement provides that the Debtors shall retain 50% of the net savings achieved under the Operator Settlements (the "Debtors' Net Savings") to make distributions to creditors under a plan to be filed after the Transfer Date and that the savings will be funded via payment to the Debtors by the Senior Secured Parties.

The Court approved the Settlement Motion on November 19, 2015 by entering that *Order (I) Approving Settlement with the Secured Parties Pursuant to Bankruptcy Rule 9019, (II) Authorizing Assumption and Assignment of Operating Agreements Pursuant to Section 365 of the Bankruptcy Code, (III) Authorizing Settlements with Counterparties to Operating Agreements Pursuant to Bankruptcy Rule 9019 and (IV) Approving Procedures with Respect Thereto* [Docket No. 261] (the "LNV Settlement Order")

In accordance with the terms of the Settlement Motion, the Debtors sought the use of financing to fund the Operator Settlements. The *Final Order (I) Authorizing the Debtors to Obtain Postpetition Financing Pursuant to Sections 364(b) and 364(c)(1) of the Bankruptcy Code and (II) Scheduling Final Hearing* [Docket No. 292] was entered on December 9, 2015.

B. History of the Debtors and Entity Structure

As of the Petition Date, the Debtors owned and managed, but do not operate, approximately 1500 distinct oil and gas interests, including producing and non-producing acreage, non-operating working interests, royalty interests, and overriding royalty interests throughout Alabama, Arkansas, Colorado, Kansas, Louisiana, Mississippi, Montana, New Mexico, North Dakota, Oklahoma, Texas and Utah.

On a collective basis, the assets owned by the Debtors' on the Petition Dater were at one time valued as high as $150 million.

Duer Wagner III, LLC f/k/a DW III, Inc. ("DW3 LLC") is a Texas limited liability company and owns 100% of the membership interest of Duer Wagner III Energy, LLC ("DW3 Energy").

Duer Wagner III Energy, LLC is a Texas limited liability company and owns a 1% limited partnership interest in: Norton Oil & Gas, LP ("Norton"); Jeffcoat, LP ("Jeffcoat"); Lett Oil & Gas, LP ("Lett"); Woodson Oil & Gas, LP ("Woodson"); Modano Oil & Gas, LP ("Modano"); Teixeira Oil & Gas, LP ("Teixeira"); Nowitzki Oil & Gas, LP ("Nowitzki") and Bodine Oil & Gas, LP ("Bodine").

Duer Wagner III & Partners, LLC ("DW3 Partners") is a Texas limited liability company. DW3 Partners is non-owner, non-partner (0%) general partner of the following limited partnerships: Duer Wagner III Oil & Gas, LP ("DW3 O&G"); Norton, Jeffcoat; Lett; Woodson; Modano; Teixeira; Nowitzki and Bodine.

DW3 O&G is a Texas limited partnership and owns 99% of the limited partnership interests in: Norton, Jeffcoat, Lett, Woodson, Modano, Teixeira, Nowitzki and Bodine.

Duer Wagner, III ("Duer"), individually (a non-debtor) owns: 100% of the stock of DW3 Inc.; 100% of the membership interest of DW3 Partners; and 100% of the limited partnership interest of DW3 O&G.

For convenience, attached as Exhibit A is an accurate corporate entity flow chart.

C. Pre-Petition Financing Structure

All of the Debtors are obligors pursuant to that certain Senior Secured Credit Facility (as modified or amended) dated December 5, 2013 with LNV Corporation, a Nevada corporation, as the Lender and CLMG Corporation, a Texas corporation, as the Administrative Agent (the "Senior Secured Credit Facility").

Under the Senior Secured Credit Facility, DW3 O&G is the borrower (referred to as the "Company" therein) and the following entities (and person) are referred to as "Guarantors": DW3 Partners, DW3 Inc., DW3 Energy, Norton, Jeffcoat, Lett, Woodson, Modano, Teixeira, Nowitzki, Bodine, and Mr. Wagner, individually.

Approximately $120 million in principal amount was outstanding under the Senior Secured Credit Facility as of the Petition Date.

The Senior Secured Credit Facility required periodic debt payments consisting of interest and principal pay down amounts that varied according to a formulaic schedule.[2]

The debt owed under the Senior Secured Credit Facility was collateralized by a majority of the Debtors' oil and gas interests, and, pursuant to certain security documents CLMG Corporation asserted a security interest in specific real property interests owned by two non-borrower and non-debtor entities in Pitkin County, Colorado (collectively, the "Collateral"). LNV and/or CLMG claimed to hold a security interest in some or all of the equity interest of the Debtors; however, the Debtors disputed such interest. Further, one or all of the Debtors owned and held oil and gas assets as well as contracts that were excluded or not included as part of the Collateral—such assets were owned and held free and clear, save and except any trade debt owed under applicable joint operating agreements as to such specific assets.

D. Debtor's Management

As of the Petition Date, the officers of the Debtor were Duer Wagner, III, Steve Washuta, Roy Guinnup and Amy Flores.

Mr. Wagner has spent his life in and around the oil and gas business. He began his career as a driller and for more than thirty years has successfully owned, managed and controlled oil and gas interests throughout Texas, Louisiana, and North Dakota among other locations.

Throughout the Case, the Debtors made efforts to reduce their administrative expenses by continuing the employment of the Debtors' management team and reducing overhead expenses through the reduction of the number of the Debtors' employees and downsizing office space.

As of the Effective Date of the Plan, the Debtors will no longer continue to employ its officers or directors. However, it is contemplated that the Reorganized Debtors will employ Mr. Wagner and Mr. Washuta. Pursuant to the Plan, all Assets of the Debtors that are not Transferred Assets will be deemed transferred to, and vested in, the Reorganized Debtors, and the Reorganized Debtors will manage such Assets and administer all Claims. Also as provided for in the Plan, if a WI is a Non-Transferred Asset, the WI will be assigned to the applicable Operator in full satisfaction of is Allowed Claim pursuant to the terms of the Confirmation Order on the Effective Date.

[2] The Senior Secured Credit Facility, all Guaranty Agreements, Deeds of Trust, Mortgages, Pledge Agreements, Security Documents, Collateral Account Agreements, Security Agreements, Royalty Agreements and any and all other documents executed at or during the closing of the Senior Secured Credit Facility on or around December 5, 2013 and any and all amendments, supplements, forbearances, modifications, agreements, documents, instruments, and writings at any time delivered in connection therewith are collectively referred to herein as the "Loan Documents."

IV. THE CHAPTER 11 CASE

A. Factors Leading To Bankruptcy Filing

The nine months preceding the Petition Date saw a drastic reduction in the price per barrel of oil. The price going from a price per barrel in excess of $110 per barrel to approximately $37 per barrel, a decline of almost 66%.

On account of the steep and drastic drop of the price of oil, the Debtors' saw their revenue (and profits) decline sharply-by more than fifty percent, making the payments due CLMG and other creditors increasingly difficult to make.

The Debtors were parties to a small number of hedging agreements, but the hedge agreements were insufficient to counteract the drastic drop in market price of oil and gas driving down the overall revenues of the Debtors.

In late 2013 the refinancing agreement provided that LNV, a subsidiary of Beal Bank, would act as lender and CLMG would serve as the administration agent.

During late 2013, the Debtors (and the rest of the domestic oil and gas industry) were enjoying, what has been referred to as, oil and gas nirvana. The oil and gas industry saw more than 4.5 years of oil prices above $68.00 per barrel (WTI), increased exploration, improved technology, increased demand and drastically improved expertise and efficiencies. In fact, on the date that LNV and the Debtors closed on the Senior Secured Credit Facility, the spot price for WTI closed at $97.14.

At the time of entering into the Senior Secured Credit Facility, the Debtors' ability to continue operating their businesses in the ordinary course, and their ability to cover their debt service payments was unquestioned. In fact, even if the price of oil had suddenly dropped by 30%, the Debtors could have continued to operate their businesses in the ordinary course and made any and all debt service payments.

During the second half of 2014 the bottom started to fall out of the oil market. From the end of July 2014 to mid-March 2015 the spot market price for oil (WTI) dropped almost 60%. The Debtors' revenue dropped accordingly.

The Debtors timely made their 2014 third and fourth quarter payments to LNV and/or CLMG under the Senior Secured Credit Facility. However, the constriction in revenues from the unexpected, prolonged drop in the price of oil restrained the Debtors' ability to make the 2015 first quarter payment to LNVand/or CLMG under the Senior Secured Credit Facility.

Commencing in late December 2014 up to and through the Petition Date, Debtors entered into restructuring and workout discussions with LNV and CLMG. Though agreements were made with regards to the Senior Secured Credit Facility, a global restructuring agreement could not be reached. Up until the eve of bankruptcy the Debtors made numerous restructuring proposals and thought they had reached a global resolution on more than one occassion. Despite the best efforts of the Debtors, Mr. Wagner and the management team and, LNV Corporation, CLMG Corporation and CSG Investments were unable to agree to a global restructuring or

workout that would have allowed the Debtors to stay in business. In order to preserve the value of the Debtors' business and to preserve the Debtors' ability to pay all of its creditors and continue operating, the Debtors were forced to seek relief under the United States Bankruptcy Code and filed these cases under chapter 11.

B. The Debtor's Professionals

The Debtors are represented by Shannon, Gracey, Ratliff & Miller, LLP ("SGRM"). The Debtors have also retained Price Waterhouse Coopers as accounting professionals. No committee of unsecured creditors or financial advisors were appointed in this case.

C. Post-Petition Operations and Events

1. Use of Cash Collateral/Post-Petition Financing

The Debtors sought the use of Cash Collateral on May 19, 2015 [Docket No. 16]. Following extensive negotiations with the Senior Secured Parties, an agreement with respect to the use of Cash Collateral was reached. The Debtors have been operating under extended Interim Cash Collateral Orders since May 22, 2015, when the First Interim Cash Collateral Order was entered [Docket No.27].

2. Settlement With the Senior Secured Parties

On November 2, 2015 and November 3, 2015, the Debtors filed the Settlement Motion. The Settlement Motion set forth the terms of the proposed Term Sheet which provided for among other things that (i) the Debtors and Mr. Wagner, individually and as the person in control of certain non-Debtors, agreed to transfer, or cause to be transferred, the Transferred Assets (as defined in the Settlement Motion, but excluding any assets that the Senior Secured Parties in their sole discretion elected to exclude) to the Senior Secured Parties on a date no earlier than January 1, 2016 and no later than January 10, 2016 and (ii) the Senior Secured Parties agreed to fund certain settlements approved by the Senior Secured Parties that the Debtors would negotiate with counterparties to the Operating Agreements (as defined in the Settlement Motion) regarding outstanding joint interest billings owed to such counterparties in conjunction with the Debtors' request to assume and assign certain Operating Agreements and transfer certain related assets to the Senior Secured Parties. As additional consideration, the Settlement Motion and Term Sheet required the transfer of a number of non-oil and gas assets owned by Mr. Wagner, or entities controlled Mr. Wagner to the Senior Secured Parties or their designee. The settlement requested approval procedures whereby Operator Settlements at or below a certain threshold could be effectuated on an expedited notice basis and Operator Settlements above such threshold could be effectuated by separate motion requesting Court approval. Under either approach, Operator Settlements would be paid prior to the Transfer Date. The Proposed Settlement provided that the Debtors would retain 50% of the net savings achieved under the Operator Settlements (the "Debtors' Net Savings") to make distributions to creditors under a plan.

The Court entered the LNV Settlement Order approving the Settlement Motion on November 19, 2015.

In accordance with the terms of the Settlement Motion, the Debtors sought the use of financing to fund the Operator Settlements. The *Final Order (I) Authorizing the Debtors to Obtain Postpetition Financing Pursuant to Sections 364(b) and 364(c)(1) of the Bankruptcy Code and (II) Scheduling Final Hearing* [Docket No. 292] was entered on December 9, 2015.

3. Operator Settlements

In accordance with the Compromise, the Debtors have reached settlements with the majority of the most significant Operators thereby significantly reducing the cure costs associated with the assumption and assignment of the applicable operating agreements associated with those interests. These settlements have facilitated the Senior Secured Parties' desire to take possession of nearly all of the Debtors working interests and significantly reducing the general unsecured claims remaining in the cases. Operator Settlements have also increased the Cash available to satisfy Holders of Allowed Unsecured Claims. As of filing this Disclosure Statement, savings based on Operator Settlements total approximately $1,409,450.19. Cash available to satisfy Holders of Allowed Unsecured Claims is approximately $704,725.10. The Debtors are continuing to work to reach resolutions with certain Operators.

4. Payment of External Third Parties

In numerous instances, the Debtors acted as intermediaries for monies owed to third parties for working interests owned. The Debtors were able to secure Court approval verifying that the applicable working interests were not property of the Debtors' estates and to provide for payment of amounts owing to the owners of those working interests throughout the cases.

5. Transfer of Assets

One of the most significant endeavors undertaken by the Debtors has been the organizing, and negotiations regarding the actual transfer and continued operation of the Debtors' assets to CLMG pursuant to the terms of the Compromise. With approximately 1500 specific assets located throughout the United States, the transfer process has been a tremendous undertaking. It is expected that all assignments of the Transferred Assets will be executed just prior to or shortly after the Effective Date. In conjunction with the transfer of the Transferred Assets and pursuant to the CLMG Settlement, the Debtors, the Senior Secured Parties, Wagner, and the Affiliated Entities (as defined in the CLMG Settlement) will exchange releases. As of the date of filing this Disclosure Statement, the Debtors have executed assignments for assets located in Arkansas, Colorado, Kansas, Montana, New Mexico, Utah, and Wyoming.

D. Estimated Administrative Expenses, Including Professional Fees

As of the Petition Date, SGRM held in excess of $105,332.50 as pre-petition retainers.

In summary of the Monthly Operating Reports filed in this case, the Debtors have incurred the following administrative expenses in connection with the Case to date:

- Professional Fees and Costs: Pursuant to the Interim Fee Order [Docket No. 117], during the course of this Bankruptcy Case SGRM, as counsel for the Debtors, obtained payments from the Debtors on a monthly basis from June 2015 through current equal to 80% of the fees incurred. As of August 1, 2016 SGRM has been paid $1,582,949.91 in fees and $8,382.04 in

costs. As of August 1, 2016 SGRM is owed $395,737.48 in unpaid fees and $0.00 in unpaid costs. All payments of and awards for fees and expenses remain subject to final approval by the Bankruptcy Court.

- Employee wages and salaries: Since the Petition Date, the Debtors have paid its officers and employees' monthly salary, wages, corresponding employment taxes and benefits related thereto. As of August 1, 2016 the Debtors have paid $2,762,698.29 in salaries and wages, $155,201.52 in employment taxes and $428,946.57 for employee benefits.

- In addition to the foregoing, the Debtors have borrowed approximately $6,097,096.00 from the Secured Lenders during these Bankruptcy Cases to settle Operator Claims and fund the 50% savings to the Debtors as allowed under the LNV Settlement Order. Assuming there is not a default under the DIP Loan, the amount borrowed will be subordinated in accordance with the terms of the CLMG Settlement.

V. LITIGATION INVOLVING DEBTOR

A. Pre-Petition and Post-Petition Litigation

Prior to filing its petition for bankruptcy relief Woodson was a party in a state court action styled *Woodson Oil & Gas, L.P. v. Woodbine Production Corporation, Loin Energy Corporation, Activa Resources, L.L.C., Larry T. Long, The Long Trusts, Long Properties Trust and Five States Energy Capital Fund I, LLC; Cause No. 14-13580-012-10*, pending in the 12th Judicial District Court of Madison County (the "State Court Lawsuit") in which Woodson claimed that it had not been paid all monies due it from Woodbine Production Corp., Loin Energy Corporation, Larry T. Long, The Long Trusts, Long Properties Trust, Activa Resources, LLC and Five States Capital Funding I, LLC. (the "Obligors") pursuant to an Assignment with Reservation of Production Payment (the "Production Payment") relating to the OSR-Halliday Unit. According to the terms of the Production Payment the Obligors did not have an obligation to make payments until production from the OSR-Halliday Unit reached and exceeded seven million barrels of oil and/or liquids. That threshold was reached in June 2013.

The obligation to make the Production Payment to Woodson arose from the purchase by Woodson in 1998 of a thirty-three percent interest in the Production Payment. In September of 2014 Wagner purchased 78.375% of Woodson's interest in the Production Payment for two million seventy-nine thousand dollars ($2,079,000.00). Wagner then assigned the interest in the Production Payment to Sixty Nine Oil & Gas, LP ("69"). The State Court Lawsuit remained filed but inactive when Obligors began making payments to Woodson and 69. However, after making payments for a period of months, the Obligors ceased making payments. The Obligors maintained that they had overpaid Woodson and others, excusing them from making regular payments under the Note. Woodson and the others who owned the Production Payment disagreed with the Obligors.

In November of 2015, after numerous attempts by Woodson and 69 to convince Obligors to resume payments to Woodson and 69 so each could obtain its share of the Production Payment, the Obligors filed Adversary No. 15-04092, styled *Woodbine Production Corp., Loin Energy Corporation, Larry T. Long, The Long Trusts, Long Properties Trust, Activa Resources, LLC and Five States Capital Funding I, LLC, v. Woodson Oil & Gas, L.P., Sixty Nine Oil & Gas,*

L.P. and Duer Wagner III (the "Woodbine Adversary"). Woodson asserted that the Woodbine Adversary was filed solely for the purpose of delay as it improperly sought to determine that the transfer from Woodson to Wagner, and subsequently to 69 was "valid or whether they are avoidable." After the exchange of Wagner's documents evidencing his payment for the interest in the Production Payment which had been paid to him, the Obligors entered into an agreed order dismissing the Woodbine Adversary. Consequently, Woodson's right to payment remains pending before the District Court of Madison County, Texas.

B. Causes of Action

The Reorganized Debtors expressly reserve the right to pursue any cause of action the Debtors may have arising out of pre or post-petition actions against the Debtors by any other party, Creditor or claimant.

C. Preference Actions and Fraudulent Transfer Claims

Section 547 of the Bankruptcy Code enables a debtor in possession to avoid a transfer to a creditor made within ninety days before the petition date (or within one year before the petition date in the case of a transfer to an insider) if the transfer was made on account of an antecedent debt and enabled the creditor to receive more than it would in a liquidation. A creditor has defenses to the avoidance of such a preferential transfer based upon, among other things, the transfer's occurring as part of the ordinary course of the debtor's business or that, subsequent to the transfer, the creditor provided the debtor with new value. To the extent that a Creditor had a right of setoff ninety (90) days prior to the Petition Date, the Secured Lenders assert that the determination of whether a preferential payment was made by the Debtor, and thus a "Preference Action" exists and may be reserved under the Plan, must include an analysis of: (a) the net obligation owing by the Debtor at the beginning of the application ninety (90) day period, with (b) the net obligations owed by the Debtor as of the Petition Date. This analysis may be particularly relevant for any Creditor that paid money to the Debtor during the same ninety (90) day period related to a rebate or similar program.

Section 548 of the Bankruptcy Code allows a debtor in possession to avoid a transfer to a creditor made within two years before the petition date if (i) the transfer was made with actual intent to hinder, delay, or defraud other creditors or (ii) the transfer was for less than reasonably equivalent value and the debtor was insolvent or undercapitalized at the time of the transfer or became insolvent or undercapitalized as a result of the transfer ("Fraudulent Transfer").

The Debtor has listed possible Preference Actions against insiders and non-insiders in the Statement of Financial Affairs, which is incorporated herein by reference. The exclusion of Preference Actions against Insiders shall not be construed as a waiver of such Preference Actions against Insiders. Such an exclusion is intended to enable the Reorganized Debtors to conduct additional due diligence following the Effective Date of the Plan in the investigation of Claims asserted by Insiders and Causes of Action against Insiders.

The Debtors reserve the right to amend or supplement the list of potential Causes of Action prior to the Voting Deadline and Confirmation. The failure to include a potential Preference Action, Fraudulent Transfer or other Cause of Action here by reference is not intended to be a waiver of any rights the Estates may have to recover such potentially preferential or fraudulent transfers. The Reorganized Debtors will continue to review and

analyze potential Avoidance Actions, including the Preference Actions and potential preferential transfers, and reserve all rights to pursue any and all Avoidance Actions following the Effective Date.

VI. THE PLAN

A. Classification and Treatment

THE FOLLOWING IS A SUMMARY OF THE MATTERS CONTEMPLATED TO OCCUR EITHER PURSUANT TO OR IN CONNECTION WITH THE CONSUMMATION OF THE PLAN. THIS SUMMARY HIGHLIGHTS THE SUBSTANTIVE PROVISIONS OF THE PLAN AND IS NOT, NOR IS IT INTENDED TO BE, A COMPLETE DESCRIPTION OR A SUBSTITUTE FOR A FULL AND COMPLETE REVIEW OF THE PLAN. THE FOLLOWING SUMMARY IS COMPLETELY QUALIFIED BY THE TERMS OF THE PLAN. IN THE EVENT OF ANY CONFLICT BETWEEN THE FOLLOWING SUMMARY AND THE PLAN, THE PLAN WILL CONTROL.

The Plan classifies the various Claims against and Interests in the Debtors. These Classes take into account the different nature and priority of Claims against the Debtors. In addition, in accordance with section 1123(a)(1) of the Bankruptcy Code, Administrative Expenses are not classified for purposes of voting or receiving distributions under the Plan. Rather, all such Claims are treated separately as unclassified Claims.

For the sole purposes of effectuating the Plan and making Distributions to all Holders of Allowed Claims, the Debtors are seeking authority under Bankruptcy Code section 105 to substantively consolidate the Debtors solely for the purposes of making distributions to Creditors, including for the payment of Administrative Claims (the "Consolidated Claims"). Accordingly, Holders of Allowed Consolidated Claims will share, in accordance with the waterfall provisions, on a Pro Rata basis all distributions without regard to the Debtor against which the Holder of that Allowed Consolidated Claim asserted such Claim. The Plan will serve as a motion seeking entry of an order (which may be the Confirmation Order) consolidating the Debtors for this purpose. Unless an objection to such consolidation is made in writing by a Claimant affected by the proposed consolidation, filed with the Bankruptcy Court and served on the Debtors and their counsel on or before ten (10) days before the Confirmation Hearing, the substantive consolidation order (which may be the Confirmation order) may be entered by the Bankruptcy Court. If any such objections are timely filed, a hearing with respect thereto will occur at or before the Confirmation Hearing. Only Claimants filing an objection will receive notice of any hearing on the limited substantive consolidation sought by the Debtors. Such consolidation (other than for purposes of effectuating the Plan) will not affect the legal and corporate structures of the Debtors. Although proposed jointly for administrative purposes and substantively for the satisfaction of claims, the Plan constitutes a separate Plan for each Debtor. Unless otherwise indicated in a particular Class, the classification of Claims and Interests set forth in Article 5 shall be deemed to apply separately with respect to each Plan proposed by each Debtor, as applicable.

1. Unclassified Claims Against the Debtor

Unclassified Claims against the Debtor consist of Administrative Expenses, including Professional Fee Claims and . The Bankruptcy Code requires that the Plan not classify

administrative expense claims. Thus, this section of the Disclosure Statement is merely a brief summary of the treatment for such claims. The provisions concerning allowance and treatment of such claims may be found in Articles II, III, IV, V and X of the Plan. The Plan proposes to pay all Allowed Administrative Claims in full on the dates set forth in the Plan. Each Holder of an Allowed Priority Tax Claim, on or as soon as practicable after the Effective Date, shall receive from their respective Debtor, in full satisfaction, release, and discharge thereof, (i) payment in full in Cash, (ii) other treatment consistent with section 1129(a)(9) of the Bankruptcy Code or (iii) such other terms as agreed to among the Debtor and such Holder.

Classified Claims and Interests

The Debtors propose seven separate Classes of Claim to be treated under the Plan. The proposed treatments for the seven Classes are as follows:

Class 1: Priority Claims.

Each Holder of an Allowed Priority Claim shall receive in full satisfaction, release and discharge of and in exchange for such Claim the amount of such Allowed Priority Claim, in Cash, on or as soon as practicable after the latest of (i) the Effective Date; (ii) the date that is ten (10) Business Days after the date such Claim is Allowed; or (iii) such other date as may be agreed upon in writing by the Holder of such Claim and the Debtor, or after the Effective Date, the Reorganized Debtors.

Class 2: Secured Claim of the DIP Lender with respect to the DIP Loan.

The DIP Loan and all outstanding amounts owing thereunder shall be satisfied, compromised, settled, and released in full in exchange for the transfer of the Transferred Assets.

Class 3: Operator Claims.

Holders of Allowed Operator Claims shall be treated in accordance with any Operator Settlement reached between the applicable Holder of such Operator Claims and the applicable Debtors, as approved by the Senior Secured Parties and the Bankruptcy Court in accordance with the terms of the CLMG Settlement, the DIP Order and/or the assumption and assignment of such Holder's applicable executory contracts. If a WI is a Non-Transferred Asset, the WI will be assigned to the applicable Operator in full satisfaction of its Allowed Claim pursuant to the Confirmation Order on the Effective Date.

Class 4: Secured Claims of the Senior Secured Parties.

The Allowed Secured Claims of the Senior Secured Parties shall be satisfied, compromised and settled as follows in accordance with the terms of the CLMG Settlement:[3]

All Transferred Assets together with all rights, claims, causes of action and remedies related thereto or in connection therewith shall transfer or cause to be transferred to or for

3 The Senior Secured Claims of the Senior Secured Parties will be satisfied in accordance with the terms of the CLMG Settlement.

the benefit of the Senior Secured Parties or their designees by the Debtors on or before the Transfer Date.

All cash in the Debtors' possession as of the Transfer Date, except as provided herein, plus accounts receivable and rights to receive payment from any source belonging to the Debtors shall transfer or cause to be transferred to or for the benefit of the Senior Secured Parties or their designees by the Debtors on the Transfer Date. Notwithstanding anything to the contrary herein, accounts receivable and the right to receive payment therefrom generated from Non-Transferred Assets following the Effective Date, will not be transferred to the Senior Secured Parties.

All operating agreements entered into by the Debtors in connection with the WIs transferred to the Senior Secured Parties and all agreements with Operators related thereto have been assigned to the Senior Secured Parties or their designees on or before the Transfer Date.

[Assignment of certain non-JOA executory contracts].

Class 5: Deficiency Claim

In full satisfaction of the Senior Secured Creditor's Deficiency Claim, the Senior Secured Parties shall be paid any remaining cash of the Debtors following the full satisfaction of all other Allowed Claims under the Plan, except for (i) claims of insiders and entities related to any of the Debtors or to Wagner and (ii) Class 7 Interests.

Class 6: General Unsecured Claims.

Holders of Allowed Class 6 General Unsecured Claims shall be paid, pro rata, with all other General Unsecured Claims from the remaining cash held by the Debtors.

Class 7: Interests.

All Allowed Interests as of the Effective Date shall continue in their same form and percentage in the Reorganized Debtors.

B. Estimation of Amounts of Claims

The amounts of all Claims contained herein are estimated as of the date of this Disclosure Statement. The Debtors have begun, but not completed, the process of verifying proofs of Claim and reconciling the amounts sought therein with the Debtors' books and records. The Debtors anticipate that adjustments in the amounts of the Claims set forth herein may be necessary after the claim verification process is completed. Pursuant to the Plan, the Reorganized Debtors will retain the right to object to Claims.

VII. MEANS FOR IMPLEMENTATION OF THE PLAN

A. No Substantive Consolidation

The Plan is a joint plan that provides for limited substantive consolidation of the Debtors' estates as specifically provided for herein, and on the Effective Date, the Debtors' estates shall not be deemed to be substantively consolidated for purposes hereof except as specifically provided for herein. Except as specifically set forth herein, nothing in the Plan, the Disclosure Statement or otherwise shall constitute or be deemed to constitute an admission that any one of the Debtors is subject to or liable for any Claim against any other Debtor. Creditors holding Claims against multiple Debtors, to the extent Allowed in each Debtor's Chapter 11 Case, will be treated as holding a separate Claim against each Debtor's estate, provided, however, that no Holder of an Allowed Claim shall be entitled to receive more than payment in full of such Allowed Claim (plus post-petition interest, if and to the extent provided for in the Plan), and such Claims will be administered and treated in the manner provided in the Plan

A. Transfer of the Transferred Assets

The Debtors will transfer the Transferred Assets to the Senior Secured Parties, or their designees on the Transfer Date. The Senior Secured Parties or their designees shall be entitled to section 363(m) good faith purchaser status and shall be deemed to have received the Transferred Assets Free and Clear except with respect to ongoing and unresolved rights and claims of Operators.

B. Use of Cash on Hand

As a part of the settlement reached with the Senior Secured Parties and approved by the Court, and in accordance with the terms of the CLMG Settlement and the DIP Order, payments to certain Operators shall be made if the applicable WIs are assigned as directed by the Senior Secured Parties. Additionally, savings to the Debtors associated with Operator Settlements, to the extent the 50% savings exceed $600,000.00, shall be made available to satisfy Allowed Claims, as provided for above from cash on hand. Nonetheless, at least $600,000.00 of the Debtors' cash on hand will be available to satisfy Allowed Claims. As of filing of this Disclosure Statement, approximately, $1,409,450.19 in savings have been realized from Operator Settlements resulting in up to $704,725.10 in Cash on hand being available to fund the payment of Allowed Unsecured Claims, including Professional Fees. The Debtors believe that number will increase during the next month.

C. Other Assets

Any Non-Transferred Assets shall revest or vest in the appropriate Reorganized Debtor except as otherwise provided for in the Plan.

D. Funding of the Administrative Claims

Upon the Effective Date, Allowed Administrative Expense Claims, Allowed Priority Tax Claims and Allowed Priority Claims shall be paid from the cash on hand of the Reorganized Debtors. Neither the Debtors nor the Reorganized Debtors shall have any liability for any Allowed Administrative Expense Claims, Allowed Priority Tax Claims and Allowed Priority

Claims beyond the cash possessed by the Debtors on the Effective Date. Upon final resolution of all Administrative Expense Claims, Priority Tax Claims and Priority Claims in accordance with the Plan, any surplus funds remaining and not distributed on account of such claims shall be used to fund all other Allowed Claims. Any cash remaining following the payment of all Allowed Claims, other than the Allowed Senior Secured Parties' Unsecured Claim, shall be paid to the Senior Secured Parties in satisfaction of the Senior Secured Parties' Unsecured Claim.

E. Revesting of Interests

On the Effective Date, all Interests in the Debtors shall revest in the Reorganized Debtors without any alteration of the ownership of the Interests.

F. Distribution Procedures

Any payments or distributions to be made by the Debtors or the Reorganized Debtors as required by the Plan shall be made only to the Holders of Allowed Claims. Any payments or distributions to be made pursuant to the Plan shall be made on or about the Effective Date of such Plan, or as soon thereafter as practicable, except as otherwise provided for in the Plan. Any payment, delivery or distribution pursuant to the Plan, to the extent delivered by the United States mail, shall be deemed made when deposited by the Debtors or the Reorganized Debtors into the United States mail. Distributions or deliveries required to be made by the Plan on a particular date shall be deemed to have been made on such date if actually made on such date or as soon thereafter as practicable taking into account the need to establish reserves and account for Disputed Claims. No payments or other distributions of property shall be made on account of any Claim or portion thereof unless and until such Claim or portion thereof is Allowed. The Reorganized Debtors will establish reserves for Disputed Claims, and defer or delay distributions to ensure an equitable and ratable distribution to Holders of Allowed Claims, in accordance with the terms of the Plan. Neither the Debtors nor the Reorganized Debtors will make distributions upon a Claim held by a party against whom any cause of action asserted under chapter 5 of the United States Bankruptcy Code is asserted until resolution of the avoidance action by settlement or judgment or as otherwise provided by Bankruptcy Court order.

G. Directors and Officers

With the exception of the Chief Financial Officer, the positions of the current members and managers (such Persons collectively, the "Governors") of each Debtor shall not be eliminated on the Effective Date, so that the Governors may take any actions consistent with the provisions of the Plan. The Chief Financial Officer may be retained as a financial consultant on a go forward basis, but shall not be an officer or a director of any of the Debtors.

H. Preservation of Rights of Action

1. Generally

In accordance with section 1123(b) of the Bankruptcy Code, and except as expressly provided herein, the Reorganized Debtors shall retain all Causes of Action, if any, of the Debtors. Nothing contained in this Plan or the Confirmation Order shall be deemed a waiver or relinquishment of any claim, Cause of Action, right of setoff, or other legal or equitable defense of any Debtor that is not specifically waived or relinquished by the Plan. The Reorganized

Debtors have, retain, reserve, and are entitled to assert, all such claims, Causes of Action, rights of setoff, and other legal or equitable defenses that any Debtor had immediately before the Effective Date as fully as if these Chapter 11 Cases had not been commenced, and all of the Reorganized Debtors' legal and equitable rights respecting any claim that are not specifically waived or relinquished by this Plan may be asserted after the Effective Date to the same extent as if these Chapter 11 Cases had not been commenced. No Person may rely on the absence of a specific reference in the Plan or the Disclosure Statement to any Cause of Action against it as any indication that the Debtors or the Reorganized Debtors, as applicable, will not pursue any and all available Causes of Action against such Person. The Debtors or the Reorganized Debtors, as applicable, expressly reserve all rights to prosecute any and all Causes of Action against any Person, subject to the terms of the Plan. From and after the Effective Date, the Reorganized Debtors shall have the exclusive right, authority, and discretion to determine and to initiate, file, prosecute, enforce, abandon, settle, compromise, release, withdraw, or litigate to judgment any Cause of Action and to decline to do any of the foregoing without further notice to or action, order, or approval of the Court. The Reorganized Debtors are deemed representatives of the Estates for the purpose of prosecuting any Claim or Cause of Action and any objections to Claims pursuant to 11 U.S.C. § 1123(b)(3)(B). None of the foregoing shall in any way modify or otherwise impact the terms of the Mutual Release as outlined in the Plan.

VIII. PROCEDURES FOR RESOLVING AND TREATING CONTESTED AND CONTINGENT CLAIMS

A. Objections to Claims

The Debtors and, after the Effective Date, the Reorganized Debtors shall have authority to file objections to Claims, and to withdraw any objections to such Claims that the Debtors or the Reorganized Debtors file. The Debtors and, after the Effective Date, the Reorganized Debtors, respectively, shall have authority to settle, compromise, or litigate to judgment any objections to Claims that they file. The Debtors, and after the Effective Date, the Reorganized Debtors may settle or compromise any Disputed Claim outside the Bankruptcy Court under applicable governing law.

As soon as practicable, but no later than the Claims Objection Deadline, the Debtors and, after the Effective Date, the Reorganized Debtors, as applicable, may file objections with the Bankruptcy Court and serve such objections on the Creditors holding the Claims to which such objections are made. Nothing contained herein, however, shall limit the right of the Debtors or the Reorganized Debtors, as applicable, to object to Claims, if any, filed or amended after the Claims Objection Deadline. The Claims Objection Deadline may be extended by the Bankruptcy Court upon motion by the Debtors or the Reorganized Debtors, as applicable.

Unless otherwise agreed to in writing by the Debtors, any proof of claim filed more than ninety (90) days after the Claims Bar Date shall be of no force and effect and need not be objected to by the Reorganized Debtors except as allowed by applicable law or the Bankruptcy Court.

B. Disputed Claims and Estimation of Claims

Notwithstanding any other provision of the Plan, no payments or distributions shall be made with respect to any disputed portion of a Claim unless and until all objections to such

disputed portion of the Claim have been settled or withdrawn or have been determined by Final Order.

The Debtors and the Reorganized Debtors may at any time request that the Bankruptcy Court estimate for all purposes any contingent or unliquidated Claim pursuant to Bankruptcy Code section 502(c), regardless of whether any Reorganized Debtor or any Debtor has previously objected to such Claim or whether the Bankruptcy Court has ruled on any objection, and the Bankruptcy Court will retain jurisdiction to estimate any Claim at any time during litigation concerning any objection to any Claim, including during the pendency of any appeal related to any such objection. In the event the Bankruptcy Court estimates any contingent or unliquidated Claim, that estimated amount will constitute either the Allowed amount of such Claim or a maximum limitation on such Claim, as determined by the Bankruptcy Court. If the estimated amount constitutes a maximum limitation on such Claim, the Debtors or the Reorganized Debtors may elect to pursue any supplemental proceedings to object to any ultimate payment of such Claim. All of the aforementioned objection, estimation and resolution procedures are cumulative and are not necessarily exclusive of one another.

C. Schedules Deemed Amended to Reflect Payments Made

Notwithstanding the contents of the Bankruptcy Schedules, Claims listed therein as undisputed, liquidated and not contingent shall be reduced by the amount, if any, that was paid by the Debtors prior to the Effective Date including pursuant to orders of the Bankruptcy Court. To the extent such payments are not reflected in the Bankruptcy Schedules, such Bankruptcy Schedules will be deemed amended and reduced to reflect that such payments were made. Nothing in the Plan shall preclude the Plan Agent from paying Claims that the Debtor was authorized to pay pursuant to any Final Order entered by the Bankruptcy Court prior to the Effective Date.

D. Offsets and Defenses

The Debtors and the Reorganized Debtors, as applicable, shall be vested with and retain all Estate Defenses against any Claim, including without limitation all rights of Setoff or recoupment and all counterclaims against any Claimant. Assertion of any Estate Defenses by the Plan Agent shall constitute a "core" proceeding to the extent allowed under applicable law.

E. Distributions After Allowance

The Reorganized Debtors shall make payments and distributions from a distribution reserve to each Holder of a Disputed Claim that has become an Allowed General Unsecured Claim in accordance with the provisions of the Plan. As soon as reasonably practicable after the date that the order or judgment of the Bankruptcy Court allowing all or part of any General Unsecured Claim that is a Disputed Claim becomes a Final Order, the Reorganized Debtors shall distribute to the Holder of such Claim the distribution (if any) that would have been made to such Holder had such Allowed General Unsecured Claim been allowed when distributions were made. After a Disputed Claim becomes an Allowed General Unsecured Claim or is otherwise resolved, the excess Cash or other property that was reserved on account of such Disputed Claim, if any, shall become property of the Debtors for the benefit of other Allowed General Unsecured Claims.

F. Compliance with Tax Requirements/Allocations

In connection with the Plan, to the extent applicable, the Reorganized Debtors shall comply with all tax withholding and reporting requirements imposed on them by any governmental unit, and all distributions pursuant hereto shall be subject to such withholding and reporting requirements. Notwithstanding any provision in the Plan to the contrary, the Reorganized Debtors shall be authorized to take all actions necessary or appropriate to comply with such withholding and reporting requirements, including liquidating a portion of a distribution to be made under the Plan to generate sufficient funds to pay applicable withholding taxes with respect to such distribution, withholding distributions pending receipt of information necessary to facilitate such distribution, or establishing any other mechanisms it believes are reasonable and appropriate. The Reorganized Debtors reserve the right to allocate all distributions made under the Plan in compliance with all applicable wage garnishments, alimony, child support, and other spousal awards, liens and encumbrances. Unless otherwise provided in the Plan, distributions in respect of Allowed Claims shall be allocated first to the principal amount (as determined for U.S. federal income tax purposes) of such Allowed Claims, and then, to the extent the consideration exceeds the principal amount of such Allowed Claims, to any portion of such Allowed Claims for accrued, but unpaid interest.

G. Expunging of Certain Claims

Any Claim that is in the amount of $0.00 or designated as "contingent, unliquidated or disputed" on the Debtor's Schedules and for which no proof of claim has been timely filed, shall be deemed disallowed and such claim may be expunged without the necessity of filing a claim objection and without any further notice to, or action, order or approval of the Bankruptcy Court.

H. Rights Under Section 505

The Debtors and to the extent applicable, the Reorganized Debtors, shall retain and be entitled to assert all rights pursuant to section 505 of the Bankruptcy Code.

IX. TREATMENT OF EXECUTORY CONTRACTS AND UNEXPIRED LEASES

A. Assumption/Rejection

On the Effective Date, and to the extent permitted by applicable law, all of the Debtors' executory contracts and unexpired leases not previously assumed or assumed and assigned will be rejected.

B. Pass-Through

Except as otherwise provided in the Plan, any rights or arrangements necessary or useful to the consummation of the Plan not otherwise addressed as a Claim or Interest, and other executory contracts not assumable under Bankruptcy Code section 365(c), shall, in the absence of any other treatment under the Plan or Confirmation Order, be passed through the Chapter 11 Cases for the benefit of the Reorganized Debtors and the counterparty unaltered and unaffected by the bankruptcy filings or Chapter 11 Cases.

C. Claims Based on Rejection of Executory Contracts and Unexpired Leases

Unless otherwise provided by a Bankruptcy Court order, any Proof of Claim asserting Claims arising from the rejection of the Debtors' executory contracts and unexpired leases pursuant to the Plan or otherwise must be filed no later than thirty (30) days after the later of the Effective Date or the effective date of rejection. Any Proof of Claim arising from the rejection of the Debtors' executory contracts or unexpired leases that are not timely filed shall be disallowed automatically, forever barred from assertion, and shall not be enforceable against any Debtor or the Reorganized Debtors without the need for any objection by any Person or further notice to or action, order, or approval of the Bankruptcy Court, and any Claim arising out of the rejection of the executory contract or unexpired lease shall be deemed fully satisfied, released, and discharged, notwithstanding anything in the Bankruptcy Schedules or a Proof of Claim to the contrary. All Allowed Claims arising from the rejection of the Debtors' executory contracts and unexpired leases shall be classified as General Unsecured Claims for the particular Debtor in question and shall be treated in accordance with the particular provisions of the Plan for such Debtor.

D. Reservation of Rights

Nothing contained in the Plan shall constitute an admission by the Debtors that any particular contract is in fact an executory contract or unexpired lease or that the Debtors have any liability thereunder. If there is a dispute regarding whether a contract or lease is or was executory or unexpired at the time of assumption or rejection, the Debtors or the Reorganized Debtors, as applicable, shall have thirty (30) days following entry of a Final Order resolving such dispute to alter and to provide appropriate treatment of such contract or lease.

X. CONFIRMATION AND CONSUMMATION OF THE PLAN

A. Solicitation of Votes; Voting Procedures

1. Ballots and Voting Deadlines

A ballot to be used for voting to accept or reject the Plan is enclosed with all copies of this Disclosure Statement mailed to all holders of Claims and Interests entitled to vote. BEFORE COMPLETING YOUR BALLOT, PLEASE READ CAREFULLY THE INSTRUCTION SHEET THAT ACCOMPANIES THE BALLOT.

The Bankruptcy Court has directed that, in order to be counted for voting purposes, ballots for the acceptance or rejection of the Plan must be received no later than **4:00 p.m., Central Time, on [_____]**, at the following address:

Shannon, Gracey, Ratliff & Miller, LLP
Attn: John Y. Bonds, III
Joshua N. Eppich
H. Brandon Jones
420 Commerce St., Suite 500
Fort Worth, Texas 76102

YOUR BALLOT MAY NOT BE COUNTED IF IT IS RECEIVED AT THE ABOVE ADDRESS AFTER 4:00 P.M., CENTRAL TIME, ON **[_____]**.

2. Parties in Interest Entitled to Vote

The Holder of a Claim may vote to accept or reject the Plan only if the Plan impairs the Class in which such Claim is classified. Under the Plan, Holders of Claims in Classes 2, 3, 4, 5, and 6 are impaired. Therefore, all holders of Claims in these Classes may vote to accept or reject the Plan, except to the extent a Claim has been disallowed or is otherwise disputed by the Debtor. Holders of Claims in Class 1 are unimpaired and are, therefore, deemed to accept the Plan.

Any Claim as to which an objection has been filed is not entitled to vote unless the Bankruptcy Court, upon application of the Holder to whose Claim an objection has been made, temporarily allows such Claim in an amount that it deems proper for the purpose of accepting or rejecting the Plan. Any such application must be heard and determined by the Bankruptcy Court on or before commencement of the Confirmation Hearing. A vote may be disregarded if the Bankruptcy Court determines, after notice and a hearing, that such vote was not solicited or procured in good faith or in accordance with the provisions of the Bankruptcy Code.

IF YOU HAVE ANY QUESTIONS REGARDING THE PROCEDURES FOR VOTING ON THE PLAN, PLEASE CONTACT DEBTORS' COUNSEL AT THE FOLLOWING ADDRESSES:

John Y Bonds, III,
Joshua N. Eppich, or
H. Brandon Jones
Shannon, Gracey, Ratliff & Miller, LLP
420 Commerce St., Suite 500
Fort Worth, Texas 76102
jbonds@shannongracey.com
jeppich@shannongracey.com
bjones@shannongracey.com
(817) 336-3735 (Fax)

COUNSEL FOR THE DEBTORS-IN-POSSESSION

3. Vote Required for Class Acceptance

The Bankruptcy Code defines acceptance of a plan by a class of claims as acceptance by holders of at least two-thirds in dollar amount, and more than one-half in number, of the claims of that class which actually cast ballots for acceptance or rejection of the Plan. Thus, class acceptance takes place only if at least two-thirds in amount and a majority in number of the holders of claims voting cast their ballots in favor of acceptance.

B. Confirmation Hearing

Section 1128(a) of the Bankruptcy Code requires the Bankruptcy Court, after notice, to hold a hearing on confirmation of a plan. By order of the Bankruptcy Court, the Confirmation

Hearing has been scheduled for **[2016 at .m.]**, Central Time, in the United States Bankruptcy Court for the Northern District of Texas, Fort Worth Division. The Confirmation Hearing may be adjourned from time to time by the Bankruptcy Court without further notice except for an announcement made at the confirmation hearing or any adjournment thereof.

Section 1128(b) of the Bankruptcy Code provides that any party in interest may object to confirmation of a plan. Any objection to confirmation of the Plan must be made in writing and filed with the Bankruptcy Court on or before **4:00 pm Central Time on [2016]**, in accordance with applicable local and federal rules and any Order of the Bankruptcy Court.

C. Objections to Confirmation

In addition, any such objection must be served upon the following parties, together with proof of service, on or before **4:00 pm Central Time on [, 2016]**:

John Y Bonds, III,
Joshua N. Eppich, or
H. Brandon Jones
Shannon, Gracey, Ratliff & Miller, LLP
420 Commerce St., Suite 500
Fort Worth, Texas 76102
jbonds@shannongracey.com
jeppich@shannongracey.com
bjones@shannongracey.com
(817) 336-3735 (Fax)

COUNSEL FOR THE DEBTORS-IN-POSSESSION

D. Conditions Precedent to Confirmation and Effectiveness

The following are conditions precedent to the occurrence of Confirmation, each of which must be satisfied or waived in accordance with Article 11 of the Plan:

- The Confirmation Order approving and confirming the Plan, as such Plan may have been modified, amended or supplemented, shall (i) be in form and substance reasonably acceptable to the Debtors and the Senior Secured Parties; and (ii) include a finding of fact that the Debtors, and their respective present members, officers, managers, employees, advisors, attorneys and agents, acted in good faith within the meaning of and with respect to all of the actions described in Bankruptcy Code section 1125(e) and are therefore not liable for the violation of any applicable law, rule, or regulation governing such actions;

- The Transfer Date shall have occurred and the Transferred Assets shall have been transferred or caused to be transferred to the Senior Secured Parties or their Designee.

- The Confirmation Order shall have been entered in form and substance reasonably acceptable to the Debtors and the Senior Secured Parties and such order shall have become a Final Order;

- Each of the conditions set forth above may be waived in whole or in part by the Debtors or the Senior Secured Parties, as applicable;

- A notice of the Effective Date shall have been filed and thereafter served upon all Creditors and parties in interest.

E. Revocation of Plan

The Debtors reserve the right to revoke or withdraw the Plan at any time prior to the Confirmation Date and to file subsequent plans of reorganization. If the Debtors revoke or withdraw the Plan, or if Confirmation or substantial consummation of the Plan does not occur, then (i) the Plan shall be null and void in all respects; (ii) any settlement or compromise embodied in the Plan, but specifically not the CLMG Settlement, (including the fixing or limiting to an amount certain of any Claim or Class of Claims) unless otherwise agreed to by the Debtors and any counterparty to such settlement or compromise, and any document or agreement executed pursuant to the Plan shall be deemed null and void; and (iii) nothing contained in the Plan, and no acts taken in preparation for Consummation of the Plan, shall (a) constitute or be deemed to constitute a waiver or release of any Claims by or against, or any Interests in, the Debtors or any other Person, (b) prejudice in any manner the rights of the Debtors or any Person in any further proceedings involving the Debtors, or (c) constitute an admission of any sort by the Debtors or any other Person.

F. Substantial Consummation

On the Effective Date, the Plan shall be deemed to be substantially consummated under sections 1101 and 1127(b) of the Bankruptcy Code.

G. Non-Material Modifications

The Debtors may alter, amend, or modify the Plan or any exhibits thereto under Bankruptcy Code section 1127(a) at any time prior to the Confirmation Date; provided, however, that where the Plan requires a document to be acceptable to, consented to, agreed to or otherwise satisfactory to the Senior Secured Parties. After the Confirmation Date and prior to "Substantial Consummation" of the Plan, as defined in Bankruptcy Code section 1101(2) the Reorganized Debtors may, under Bankruptcy Code section 1127(b), institute proceedings in the Bankruptcy Court to remedy any defect or omission or reconcile any inconsistencies in the Plan, the Disclosure Statement or the Confirmation Order, and such matters as may be necessary to carry out the purposes and effects of the Plan, so long as such proceedings do not (i) materially adversely affect the treatment of Holders of Claims or Interests under the Plan or (ii) modify any of the Senior Secured Parties' rights under the Settlement Agreement; provided, however, that prior notice of such proceedings shall be served in accordance with the Bankruptcy Rules or order of the Bankruptcy Court.

Notwithstanding the foregoing, all modifications made to the Plan after solicitation of votes on the Plan has commenced, as reflected in the Confirmation Order, as set forth on the record at the Confirmation Hearing, or as reflected in the Plan, satisfy the requirements of Bankruptcy Code § 1127(a) and Bankruptcy Rule 3019, are not material or do not adversely affect the treatment and rights of the Holders of any Claims or Interests under the Plan who have not otherwise accepted such modifications. Accordingly, the Debtors have satisfied Bankruptcy

Code § 1127(c) and Bankruptcy Rule 3019 with respect to the Plan, as modified; and Holders of Claims or Interests that have accepted or rejected the Plan (or are deemed to have accepted or rejected the Plan) are deemed to have accepted or rejected, as the case may be, the Plan as modified on the date of the Confirmation Order, pursuant to Bankruptcy Code § 1127(d) and Bankruptcy Rule 3019.

H. Requirements For Confirmation of the Plan

At the Confirmation Hearing, the Bankruptcy Court must determine whether the Bankruptcy Code's requirements for confirmation of the Plan have been satisfied, in which event the Bankruptcy Court will enter an order confirming the Plan. As set forth in section 1129 of the Bankruptcy Code, these requirements are as follows:

- The plan complies with the applicable provisions of the Bankruptcy Code;
- The Debtors 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 promised by the Debtors 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 Bankruptcy Court as reasonable;
- The Debtors have disclosed the identity and affiliations of any individual proposed to serve, after confirmation of the plan, as the director, officer, or a successor to the Debtors under the plan;
- 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 Impaired class of claims or interests:
    - each holder of a claim or interest of such class has accepted the plan or will receive or retain under the plan on account of such claim or interest property of a value, as of the effective date of the plan, that is not less than the amount that such holder would so receive or retain if the debtors were liquidated on such date under chapter 7 of the Bankruptcy Code on such date; or
    - if section 1111(b)(2) of the Bankruptcy Code applies to the claims of such class, the holder of a claim of such class 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 value of such holder's interest in the estate's interest in the property that secures such claims.
- With respect to each class of claims:

- such class has accepted the plan; or
- such class 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:
  - with respect to a claim of a kind specified in section 507(a)(1) or 507(a)(2) of the Bankruptcy Code, on the effective date of the plan, the holder of such claim will receive on account of such claim cash equal to the allowed amount of such claim;
  - with respect to a class of claims of a kind specified in section 507(a)(3), 507(a)(4), 507(a)(5) or 507(a)(6) of the Bankruptcy Code, each holder of a claim of such class will receive:
    - if such class has accepted the plan, deferred cash payments of a value, as of the effective date of the plan, equal to the allowed amount of such claim; or
    - if such class has not accepted the plan, cash on the effective date of the plan equal to the allowed amount of such claim; and
  - with respect to a claim of a kind specified in section 507(a)(7) of the Bankruptcy Code, the holder of a claim will receive on account of such claim deferred cash payments, over a period not exceeding six years after the date of assessment of such claim, of a value, as of the effective date of the plan, equal to the allowed amount of such claim.

- If a class of claims is impaired under the plan, at least one class of claims that is impaired has accepted the plan, determined without including any acceptance of the plan by any insider holding a claim of such class;

- Confirmation of the plan is not likely to be followed by the liquidation, or the need for further financial reorganization, of the Debtors or any successor 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, as determined by the Bankruptcy Court at the hearing on confirmation of the plan, have been paid or the plan provides for the payments of all such fees on the Effective Date of the plan.

- The Debtors had no retiree benefits obligations as that term is defined in section 1114 of the Bankruptcy Code.

The Debtors believe that the Plan satisfies all the statutory requirements of chapter 11 of the Bankruptcy Code, that it has complied or will have complied with all the requirements of chapter 11, and that the Plan is proposed in good faith.

The Debtors further believe that Holders of all Allowed Claims and Interests impaired under the Plan will receive payments under the Plan having a present value as of the Effective

Date not less than the amounts likely to be received if the Debtors were liquidated in a case under chapter 7 of the Bankruptcy Code. At the Confirmation Hearing, the Bankruptcy Court will determine whether Holders of Allowed Claims or Allowed Interests would receive greater distributions under the Plan than they would receive in a liquidation under chapter 7.

The Proponents also believe that the feasibility requirement for confirmation of the Plan is satisfied by the fact that the majority of the Assets have been liquidated and therefore, the Cash On Hand, in accordance with the terms of the CLMG Settlement, are available for distribution. These facts and others demonstrating the confirmability of the Plan will be shown at the Confirmation Hearing.

I. Cramdown

Pursuant to § 1129(b) of the Bankruptcy Code, the Bankruptcy Court may confirm the Plan despite the non-acceptance of the Plan by an Impaired Class. This procedure is commonly referred to as a "cramdown." Section 1129(b) provides that, upon request of the proponent of the Plan, the Bankruptcy Court shall confirm the Plan despite the lack of acceptance by an Impaired Class or Classes if the Bankruptcy Court finds that (a) the Plan does not discriminate unfairly with respect to each non-accepting Impaired Class, (b) the Plan is "fair and equitable" with respect to each non-accepting Impaired Class, (c) at least one Impaired Class has accepted the Plan (without counting acceptances by insiders), and (d) the Plan satisfies the requirements set forth in section 1129(a) other than section 1129(a)(8). In general, section 1129(b) permits Confirmation notwithstanding non-acceptance by an Impaired Class if that Class and all more junior Classes are treated in accordance with the "absolute priority" rule, which requires that the dissenting Class be paid in full before a junior Class may receive anything under the Plan.

XI. EFFECT OF CONFIRMATION

A. Compromise and Settlement

Pursuant to Bankruptcy Code section 363 and Bankruptcy Rule 9019, and in consideration for the classification, distribution and other benefits provided under the Plan, the provisions of the Plan shall constitute a good faith compromise and settlement of all Claims, Interests and controversies resolved pursuant to the Plan, including, without limitation, all Claims arising prior to the Petition Date, whether known or unknown, foreseen or unforeseen, asserted or unasserted, arising out of, relating to or in connection with the business or affairs of, or transactions with, the Debtors. The entry of the Confirmation Order shall constitute the Bankruptcy Court's approval of each of the foregoing compromises or settlements, and all other compromises and settlements provided for in the Plan, and the Bankruptcy Court's findings shall constitute its determination that such compromises and settlements are in the best interests of the Debtors, the Estates, Creditors and other parties in interest, and are fair, equitable and within the range of reasonableness.

It is not the intent of the Debtor that confirmation of the Plan shall in any manner alter or amend any settlement and compromise that has been previously approved by the Bankruptcy Court between any of the Debtors and any Person (each, a "Prior Settlement"). To the extent of any conflict between the terms of the Plan and the terms of any Prior Settlement, the terms of the Prior Settlement shall control and such Prior Settlement shall be enforceable according to its terms.

B. Satisfaction of Claims

Except as otherwise provided in the Plan or any other Plan Document, the rights afforded in the Plan and the treatment of all Claims and Interests herein shall be in exchange for and in complete satisfaction, discharge, and release of all Claims and Interests of any nature whatsoever against the Debtors or their estate, Assets, properties, or interests in property. Except as otherwise provided in the Plan or any other Plan Document, on the Effective Date, all Claims against and Interests in the Debtors shall be satisfied, discharged, and released in full. Except as otherwise provided in the Plan or any other Plan Document, all Persons and Entities shall be precluded and forever barred from asserting against the Debtors and their Affiliates, successors or assigns, or their Estates, Assets, properties, or interests in property any event, occurrence, condition, thing, or other or further Claims or Causes of Action based upon any act, omission, transaction, or other activity of any kind or nature that occurred or came into existence prior to the Effective Date, whether or not the facts of or legal bases therefore were known or existed prior to the Effective Date.

C. Exculpation and Limitation of Liability

THE DEBTORS AND THEIR PROFESSIONALS SHALL NOT BE LIABLE FOR ANY CAUSE OF ACTION ARISING IN CONNECTION WITH OR OUT OF THE ADMINISTRATION OF THESE CHAPTER 11 CASES, THE PLANNING OF THESE CHAPTER 11 CASES, THE FORMULATION, NEGOTIATION OR IMPLEMENTATION OF THIS PLAN, THE GOOD FAITH SOLICITATION OF ACCEPTANCES OF THIS PLAN IN ACCORDANCE WITH BANKRUPTCY CODE § 1125(E), PURSUIT OF CONFIRMATION OF THIS PLAN, THE CONSUMMATION OF THIS PLAN, OR THE ADMINISTRATION OF THIS PLAN, EXCEPT FOR GROSS NEGLIGENCE OR WILLFUL MISCONDUCT AS DETERMINED BY A FINAL ORDER OF THE BANKRUPTCY COURT. ALL HOLDERS OF CLAIMS AND INTERESTS ARE ENJOINED FROM ASSERTING OR PROSECUTING ANY CLAIM OR CAUSE OF ACTION AGAINST ANY RELEASED PERSON FOR WHICH SUCH PARTY HAS BEEN EXCULPATED FROM LIABILITY PURSUANT TO THE PRECEDING SENTENCE.

D. Permanent Injunction

EXCEPT AS OTHERWISE EXPRESSLY PROVIDED IN THE PLAN OR ANY OTHER ORDER ENTERED PREVIOUSLY BY THIS COURT WITH RESPECT TO A COMPROMISE, ALL PERSONS WHO HAVE HELD, HOLD OR MAY HOLD CLAIMS AGAINST, OR INTERESTS IN, THE DEBTORS ARE PERMANENTLY ENJOINED, ON AND AFTER THE EFFECTIVE DATE, TO THE FULLEST EXTENT PERMISSIBLE UNDER APPLICABLE LAW, AS SUCH LAW MAY BE EXTENDED OR INTEGRATED AFTER THE EFFECTIVE DATE, FROM (A) COMMENCING OR CONTINUING IN ANY MANNER ANY ACTION OR OTHER PROCEEDING OF ANY KIND AGAINST THE DEBTORS, THE REORGANIZED DEBTORS, OR THEIR ASSETS WITH RESPECT TO ANY SUCH CLAIM OR INTEREST IN ANY VENUE OTHER THAN THE UNITED STATES BANKRUPTCY COURT FOR THE NORTHERN DISTRICT OF TEXAS; (B) THE ENFORCEMENT, ATTACHMENT, COLLECTION, OR RECOVERY BY ANY MANNER OR MEANS OF JUDGMENT, AWARD, DECREE OR ORDER AGAINST THE DEBTORS, THE REORGANIZED

DEBTORS, OR THEIR ASSETS ON ACCOUNT OF ANY SUCH CLAIM OR INTEREST IN ANY VENUE OTHER THAN THE UNITED STATES BANKRUPTCY COURT FOR THE NORTHERN DISTRICT OF TEXAS; (C) CREATING, PERFECTING, OR ENFORCING ANY ENCUMBRANCE OF ANY KIND AGAINST THE DEBTORS, THE REORGANIZED DEBTORS, OR THEIR ASSETS ON ACCOUNT OF ANY SUCH CLAIM OR INTEREST IN ANY VENUE OTHER THAN THE UNITED STATES BANKRUPTCY COURT FOR THE NORTHERN DISTRICT OF TEXAS; AND (D) ASSERTING ANY RIGHT OF SETOFF, RECOUPMENT OR SUBROGATION OF ANY KIND AGAINST ANY OBLIGATION DUE FROM THE DEBTORS, THE REORGANIZED DEBTORS, OR THEIR ASSETS ON ACCOUNT OF ANY SUCH CLAIM OR INTEREST IN ANY VENUE OTHER THAN THE UNITED STATES BANKRUPTCY COURT FOR THE NORTHERN DISTRICT OF TEXAS. THE FOREGOING INJUNCTION WILL EXTEND TO SUCCESSORS OF THE DEBTORS AND REORGANIZED DEBTORS AND THEIR RESPECTIVE PROPERTY AND INTERESTS IN THE PROPERTY

E. Release by the Debtors, their Estates and the Reorganized Debtors

PURSUANT TO SECTION 1123(B) OF THE BANKRUPTCY CODE, AND EXCEPT AS OTHERWISE SPECIFICALLY PROVIDED IN THE PLAN OR THE CONFIRMATION ORDER OR PURSUANT TO ANY OTHER ORDER PREVIOUSLY ENTERED BY THIS COURT, FOR GOOD AND VALUABLE CONSIDERATION, INCLUDING THE SERVICE OF THE PARTIES RELEASED HEREIN TO FACILITATE THE EXPEDITIOUS REORGANIZATION OF THE DEBTORS AND THE IMPLEMENTATION OF THE RESTRUCTURING CONTEMPLATED BY THE PLAN, ON AND AFTER THE EFFECTIVE DATE, ALL RELEASED PERSONS ARE DEEMED RELEASED AND DISCHARGED BY THE DEBTORS AND THEIR ESTATES AND THE REORGANIZED DEBTORS, FROM ANY AND ALL CLAIMS, OBLIGATIONS, RIGHTS, SUITS, DAMAGES, CAUSES OF ACTION, REMEDIES AND LIABILITIES WHATSOEVER, INCLUDING ANY DERIVATIVE CLAIMS, ASSERTED OR ASSERTABLE ON BEHALF OF THE DEBTORS OR THE REORGANIZED DEBTORS, WHETHER KNOWN OR UNKNOWN, FORESEEN OR UNFORESEEN, EXISTING OR HEREINAFTER ARISING, IN LAW, EQUITY OR OTHERWISE, THAT THE DEBTORS, THEIR ESTATES, THE REORGANIZED DEBTORS, OR THEIR RESPECTIVE AFFILIATES WOULD HAVE BEEN LEGALLY ENTITLED TO ASSERT IN THEIR OWN RIGHT (WHETHER INDIVIDUALLY OR COLLECTIVELY) OR ON BEHALF OF THE HOLDER OF ANY CLAIM OR INTEREST OR OTHER ENTITY, BASED ON OR RELATING TO, OR IN ANY MANNER ARISING FROM, IN WHOLE OR IN PART, THE DEBTORS, THE REORGANIZED DEBTORS, THESE CHAPTER 11 CASES, THE DEBTORS' RESTRUCTURING, THE DIP FACILITY, THE RSA AND RELATED AGREEMENTS, THE SUBJECT MATTER OF, OR THE TRANSACTIONS OR EVENTS GIVING RISE TO, ANY CLAIM OR INTEREST THAT IS TREATED IN THE PLAN, THE BUSINESS OR CONTRACTUAL ARRANGEMENTS BETWEEN THE DEBTORS AND ANY RELEASED PERSONS, THE RESTRUCTURING OF CLAIMS AND INTERESTS BEFORE OR DURING THESE CHAPTER 11 CASES, THE NEGOTIATION, FORMULATION OR PREPARATION OF THE PLAN AND DISCLOSURE

STATEMENT, OR RELATED AGREEMENTS, INSTRUMENTS OR OTHER DOCUMENTS, UPON ANY OTHER ACT OR OMISSION, TRANSACTION, AGREEMENT, EVENT OR OTHER OCCURRENCE TAKING PLACE ON OR BEFORE THE CONFIRMATION DATE, OTHER THAN CLAIMS OR LIABILITIES ARISING OUT OF OR RELATING TO ANY ACT OR OMISSION OF A RELEASED PERSON OR A FORMER OFFICER OR DIRECTOR OF THE DEBTORS THAT CONSTITUTES WILLFUL MISCONDUCT (INCLUDING FRAUD) OR GROSS NEGLIGENCE. THE FOREGOING RELEASE SHALL NOT APPLY TO ANY EXPRESS CONTRACTUAL OR FINANCIAL OBLIGATIONS OR ANY RIGHT OR OBLIGATIONS ARISING UNDER OR THAT IS PART OF THE PLAN OR ANY AGREEMENTS ENTERED INTO PURSUANT TO, IN CONNECTION WITH, OR CONTEMPLATED BY THE PLAN

F. Releases by Holders of Claims and Interests and Other Related Persons

EXCEPT AS OTHERWISE PROVIDED IN THE PLAN OR CONFIRMATION ORDER AND THE MUTUAL RELEASE, AS OF THE EFFECTIVE DATE, EACH HOLDER OF A CLAIM OR AN INTEREST THAT VOTED IN FAVOR OF THE PLAN OR HAS NOT OPTED OUT OF THE RELEASES AS PROVIDED ON THE BALLOT, WHETHER SUCH HOLDER OF A CLAIM OR AN INTEREST VOTES TO REJECT THE PLAN, AND EACH RELEASED PERSON SHALL BE DEEMED TO HAVE CONCLUSIVELY, ABSOLUTELY, UNCONDITIONALLY, IRREVOCABLY AND FOREVER, RELEASED AND DISCHARGED THE DEBTORS, THE REORGANIZED DEBTORS, AND THE RELEASED PERSONS FROM ANY AND ALL CLAIMS, INTERESTS, OBLIGATIONS, RIGHTS, SUITS, DAMAGES, CAUSES OF ACTION, REMEDIES AND LIABILITIES WHATSOEVER, INCLUDING ANY DERIVATIVE CLAIMS, ASSERTED ON BEHALF OF THE DEBTORS, WHETHER KNOWN OR UNKNOWN, FORESEEN OR UNFORESEEN, EXISTING OR HEREAFTER ARISING, IN LAW, EQUITY OR OTHERWISE, THAT SUCH ENTITY WOULD HAVE BEEN LEGALLY ENTITLED TO ASSERT (WHETHER INDIVIDUALLY OR COLLECTIVELY), BASED ON OR RELATING TO, OR IN ANY MANNER ARISING FROM, IN WHOLE OR IN PART, THE DEBTORS, THESE CHAPTER 11 CASES, THE DEBTORS' RESTRUCTURING, THE DIP LOAN, THE CLMG SETTLEMENT AND RELATED AGREEMENTS, THE SUBJECT MATTER OF, OR THE TRANSACTIONS OR EVENTS GIVING RISE TO, ANY CLAIM OR INTEREST THAT IS TREATED IN THE PLAN, THE BUSINESS OR CONTRACTUAL ARRANGEMENTS BETWEEN THE DEBTORS AND ANY RELEASED PERSONS, THE RESTRUCTURING OF CLAIMS AND INTERESTS BEFORE OR DURING THESE CHAPTER 11 CASES, THE NEGOTIATION, FORMULATION OR PREPARATION OF THE PLAN, THE DISCLOSURE STATEMENT, THE PLAN SUPPLEMENT OR RELATED AGREEMENTS, INSTRUMENTS OR OTHER DOCUMENTS, UPON ANY OTHER ACT OR OMISSION, TRANSACTION, AGREEMENT, EVENT OR OTHER OCCURRENCE RELATING TO THE DEBTORS TAKING PLACE ON OR BEFORE THE CONFIRMATION DATE, OTHER THAN CLAIMS OR LIABILITIES ARISING OUT OF OR RELATING TO ANY ACT OR OMISSION OF A RELEASED PERSON THAT CONSTITUTES WILLFUL MISCONDUCT (INCLUDING FRAUD) OR GROSS NEGLIGENCE. NOTWITHSTANDING

ANYTHING TO THE CONTRARY IN THE FOREGOING, THE RELEASE SET FORTH ABOVE DOES NOT RELEASE ANY POST-EFFECTIVE DATE OBLIGATIONS OF ANY PARTY UNDER THE PLAN OR ANY DOCUMENT, INSTRUMENT OR AGREEMENT (INCLUDING THOSE SET FORTH IN THE PLAN SUPPLEMENT) EXECUTED TO IMPLEMENT THE PLAN.

G. Setoffs

Except as otherwise expressly provided for in the Plan, pursuant to the Bankruptcy Code (including Bankruptcy Code section 553), applicable non-bankruptcy law, or as may be agreed to by the Holder of a Claim or Interest, the Reorganized Debtors may setoff against any Allowed Claim or Interest and the distributions to be made pursuant to the Plan on account of such Allowed Claim or Interest (before such distribution is made), any Claims, rights, and Causes of Action of any nature that the Reorganized Debtors, as applicable, may hold against the Holder of such Allowed Claim or Interest, to the extent such Claims, rights, or Causes of Action against such Holder have not been otherwise compromised or settled on or prior to the Effective Date (whether pursuant to the Plan or otherwise); provided, however, that neither the failure to effect such a setoff nor the allowance of any Claim or Interest pursuant to the Plan shall constitute a waiver or release by the Reorganized Debtors of any such Claims, rights, and Causes of Action that such Debtor may possess against such Holder. **In no event shall any Holder of Claims or Interests be entitled to setoff any Claim or Interest against any Claim, right, or cause of action of the Debtor or the Reorganized Debtors, as applicable, unless such Holder has filed a motion with the Bankruptcy Court requesting the authority to perform such setoff on or before the Confirmation Date, and notwithstanding any indication in any Proof of Claim or Interest or otherwise that such Holder asserts, has, or intends to preserve any right of setoff pursuant to Bankruptcy Code section 553 or otherwise.**

H. Recoupment

Any Holder of a Claim or Interest shall not be entitled to recoup any Claim or Interest against any Claim, right, or cause of action of the Debtors or the Reorganized Debtors, as applicable, unless such Holder actually has performed such recoupment and provided notice thereof in writing to the Debtors on or before the Confirmation Date, notwithstanding any indication in any Proof of Claim or Interest or otherwise that such Holder asserts, has, or intends to preserve any right of recoupment.

I. Automatic Stay

The automatic stay pursuant to section 362 of the Bankruptcy Code, except as previously modified by the Bankruptcy Court, shall remain in effect until the Effective Date of the Plan as to the Debtors and all Assets. Upon the Effective Date, the automatic stay shall be replaced by the injunction set forth herein.

XII. CERTAIN FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN

THE PLAN AND ITS RELATED TAX CONSEQUENCES ARE COMPLEX. MOREOVER, MANY OF THE INTERNAL REVENUE CODE PROVISIONS DEALING WITH THE FEDERAL INCOME TAX ISSUES ARISING FROM THE PLAN HAVE BEEN THE SUBJECT OF RECENT LEGISLATION AND, AS A RESULT, MAY BE SUBJECT TO

AS YET UNKNOWN ADMINISTRATIVE OR JUDICIAL INTERPRETATIONS. THE DEBTOR HAS NOT REQUESTED A RULING FROM THE INTERNAL REVENUE SERVICE (THE "IRS") OR AN OPINION OF COUNSEL WITH RESPECT TO THESE MATTERS. ACCORDINGLY, NO ASSURANCE CAN BE GIVEN AS TO THE INTERPRETATION THAT THE IRS WILL ADOPT. THERE ALSO MAY BE STATE, LOCAL OR OTHER TAX CONSIDERATIONS APPLICABLE TO EACH CREDITOR. CREDITORS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS AS TO THE CONSEQUENCES OF THE PLAN TO THEM UNDER FEDERAL AND APPLICABLE STATE, LOCAL AND OTHER TAX LAWS.

XIII. VALUES

A. Estimated Liquidation Value of the Debtor

As a condition to confirmation of a plan, section 1129(a)(7)(A)(ii) of the Bankruptcy Code requires that each impaired class of claims or interests must receive or retain at least the amount of value it would receive if the debtor were liquidated under chapter 7 of the Bankruptcy Code on the effective date of the plan. The Senior Secured Parties hold a properly perfected lien on nearly all of the Debtors' assets. The Senior Secured Parties assert that they hold a first priority lien on all of the Debtors' assets. To the extent the Senior Secured Parties do not a first lien on a mineral asset, the applicable Operator likely holds a lien on that asset. There at the time of filing this Disclosure Statement, the price per barrel of oil, WTI, was $45.61. There is little question that the assets have a value of significantly less than the $120 million owed to the Senior Secured Parties. The Senior Secured Parties assert that they are owed in excess of $120 million prior to consideration of the value of the non-Debtor assets that have already been transferred pursuant to the terms of the CLMG Settlement. Therefore, following a liquidation, it is believed that allowed secured claims would not be satisfied, leaving a 0 cent return to unsecured creditors. The Liquidation Analysis was prepared by the Debtors' management, and the Debtors' management believes it to be reasonably accurate.

In general terms, the liquidation analysis contemplates the liquidation of the Debtors' assets and a distribution of the proceeds thereof to the Debtors' creditors in accordance with the priorities set forth in the Bankruptcy Code.

XIV. RISK FACTORS

The following is intended as a summary of certain risks associated with the Plan, but it is not exhaustive and must be supplemented by the analysis and evaluation made by each holder of a Claim or Interest of the Plan and this Disclosure Statement as a whole with such holder's own advisors.

A. Expenses

The Reorganized Debtors will incur expenses relating to the Transfer of the Transferred Assets and objecting to Claims. It is difficult to estimate the post-confirmation expenses to be incurred by the Reorganized Debtors due to the size and complexity of the Debtors.

B. Bankruptcy Risks

There can be no assurance that any impaired Class of Claims under the Plan will accept the Plan or that the Proponents will be able to use the cramdown provisions of the Bankruptcy Code for confirmation of the Plan. The Debtors have made concerted efforts to propose a Plan that would be accepted by a sufficient number of Claimants and a sufficient amount of Claims to confirm the Plan.

C. Confirmation Risks

The following specific risks exist with respect to confirmation of the Plan:

- Any objection to confirmation of the Plan can either prevent confirmation of the Plan, or delay such confirmation for a significant period of time.

- Since the Debtors may be seeking to obtain approval of the Plan over the rejection of one or more impaired Classes of Claims, the cramdown process could delay confirmation.

D. Conditions Precedent

Confirmation of the Plan and occurrence of the Effective Date are subject to certain conditions precedent that may not occur. The Debtors, however, are working diligently with all parties in interest to ensure that all conditions precedent are satisfied.

XV. ALTERNATIVES TO CONFIRMATION AND CONSUMMATION OF THE PLAN

The Proponents have evaluated several alternatives to the Plan, including the liquidation of the Debtors through a chapter 7 case. After studying the alternatives, the Debtors have concluded that the Plan is the best alternative and will maximize recoveries by holders of Claims, assuming confirmation of the Plan and consummation of the transactions contemplated by the Plan. The following discussion provides a summary of the Debtors' analysis leading to its conclusion that the Plan will provide the highest value to holders of Claims.

A. Chapter 7 Liquidation Alternative

The Proponents' analysis reflects a liquidation value that is lower than the value that may be realized through the Plan. Conversion to a chapter 7 liquidation will not produce a greater recovery for Claimants because: (i) additional administrative expenses involved in the appointment of a trustee or trustees, attorneys, accountants, and other professionals to assist such trustee(s) in the case of a chapter 7 proceeding; (ii) additional expenses and claims, some of which would be entitled to priority in payments, which would arise by reason of the liquidation; (iii) substantial time which would elapse before creditors would receive any distribution in respect of their Claims; (iv) the Assets would likely be liquidated in a fire sale process; (v) no funds would be available to pay any remaining Allowed Unsecured Claims because the value of the Assets is less than the amount of the CLMG Secured Claim; and (vi) the Plan in conjunction with the CLMG Settlement provides for the satisfaction of all Operator Claims. Consequently, the Debtors believe that the Plan provides a greater return to Holders of Allowed Claims than would a chapter 7 liquidation.

B. Alternatives If Plan Is Not Confirmed

If the Plan is not confirmed, any other party in interest in the Bankruptcy Cases could attempt to formulate and propose a different plan or plans of reorganization. Further, if no plan of reorganization can be confirmed, the Bankruptcy Cases may be converted to a liquidation proceeding under chapter 7 of the Bankruptcy Code. In a chapter 7 case, a trustee would be elected or appointed to liquidate the assets of the Debtors. The proceeds of the liquidation would be distributed to the creditors of the Debtors in accordance with the priorities established by the Bankruptcy Code.

XVI. CONCLUSION

The Debtors urge holders of Claims in impaired Classes to vote to **ACCEPT** the Plan and to evidence such acceptance by returning their ballots so that they will be received on or before **4:00 p.m., Central Time, on [_____, 2016]**.

[*Remainder of this page intentionally left blank; signature page to follow*]

DATED: August 19, 2016

Respectfully Submitted,

SHANNON, GRACEY, RATLIFF & MILLER LLP

By: */s/ Joshusa N. Eppich*

John Y. Bonds, III
State Bar I.D. No. 02589100
Joshua N. Eppich
State Bar I.D. No. 24050567
H. Brandon Jones
State Bar I.D. No. 24060043
Paul M. Lopez
State Bar I.D. No. 24076516
Shannon, Gracey, Ratliff & Miller, L.L.P.
420 Commerce Street, Suite 500
Fort Worth, Texas 76102
(817) 336-9333 telephone
(817) 336-3735 facsimile

ATTORNEYS FOR DEBTORS AND DEBTORS-IN-POSSESSION