UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION

In re:	§	Chapter 11
	§	
ULTRA PETROLEUM CORP., *et al.*,[1]	§	Case No. 16-32202 (MI)
	§	
Debtors.	§	(Jointly Administered)
	§	
	§	**Re: Docket Nos. 818, 958 & 1083**

NOTICE OF FILING OF CLEAN AND BLACKLINE VERSIONS OF THE DISCLOSURE STATEMENT FOR THE DEBTORS' SECOND AMENDED JOINT CHAPTER 11 PLAN OF REORGANIZATION

PLEASE TAKE NOTICE THAT on December 6, 2016, the above-captioned debtors and debtors in possession (collectively, the "Debtors") filed the *Disclosure Statement for Debtors' Joint Chapter 11 Plan of Reorganization* [Docket No. 818] (the "Disclosure Statement") with the United States Bankruptcy Court for the Southern District of Texas, Houston Division (the "Court").

PLEASE TAKE FURTHER NOTICE THAT on January 17, 2017, the Debtors filed the *Disclosure Statement for Debtors' First Amended Joint Chapter 11 Plan of Reorganization* [Docket No. 958] (the "First Amended Disclosure Statement").

PLEASE TAKE FURTHER NOTICE THAT the on February 8, 2017, the Debtors filed the *Disclosure Statement for Debtors' Second Amended Joint Chapter 11 Plan of Reorganization* [Docket No. 1083] (the "Second Amended Disclosure Statement").

PLEASE TAKE FURTHER NOTICE THAT the Debtors' hereby file a revised version of the *Disclosure Statement for Debtors' Second Amended Joint Chapter 11 Plan of Reorganization* attached hereto as **Exhibit A** (the "Revised Second Amended Disclosure Statement").

PLEASE TAKE FURTHER NOTICE THAT attached as **Exhibit B** is a blackline of the Revised Second Amended Disclosure Statement, showing changes made from the Second Amended Disclosure Statement.

[1] The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's federal tax identification number (if any), are: Ultra Petroleum Corp. (3838); Keystone Gas Gathering, LLC; Ultra Resources, Inc. (0643); Ultra Wyoming, Inc. (6117); Ultra Wyoming LGS, LLC (0378); UP Energy Corporation (4296); UPL Pinedale, LLC (7214); and UPL Three Rivers Holdings, LLC (7158).

PLEASE TAKE FURTHER NOTICE THAT attached as **Exhibit C** is a blackline of the Revised Second Amended Disclosure Statement, showing changes made from the First Amended Disclosure Statement.

Houston, Texas
February 13, 2017

/s/ *David R. Seligman, P.C.*

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<u>Exhibit A</u>

Revised Second Amended Disclosure Statement

THIS DISCLOSURE STATEMENT IS BEING SUBMITTED FOR APPROVAL BUT HAS NOT BEEN APPROVED BY THE BANKRUPTCY COURT. THIS IS NOT A SOLICITATION OF ACCEPTANCE OR REJECTION OF THE PLAN. ACCEPTANCE OR REJECTION MAY NOT BE SOLICITED UNTIL A DISCLOSURE STATEMENT HAS BEEN APPROVED BY THE BANKRUPTCY COURT. THE INFORMATION IN THE DISCLOSURE STATEMENT IS SUBJECT TO CHANGE. THIS DISCLOSURE STATEMENT IS NOT AN OFFER TO SELL ANY SECURITIES AND IS NOT SOLICITING AN OFFER TO BUY ANY SECURITIES.

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION

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In re:	)	Chapter 11
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ULTRA PETROLEUM CORP., *et al.*,[1]	)	Case No. 16-32202 (MI)
	)	
Debtors.	)	(Jointly Administered)
	)	

DISCLOSURE STATEMENT FOR DEBTORS' SECOND AMENDED JOINT CHAPTER 11 PLAN OF REORGANIZATION

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THE DEBTORS ARE PROVIDING THE INFORMATION IN THIS DISCLOSURE STATEMENT TO HOLDERS OF CLAIMS AND INTERESTS FOR PURPOSES OF SOLICITING VOTES TO ACCEPT OR REJECT THE *DEBTORS' SECOND AMENDED JOINT CHAPTER 11 PLAN OF REORGANIZATION*. NOTHING IN THIS DISCLOSURE STATEMENT MAY BE RELIED UPON OR USED BY ANY ENTITY FOR ANY OTHER PURPOSE. BEFORE DECIDING WHETHER TO VOTE FOR OR AGAINST THE PLAN, EACH HOLDER ENTITLED TO VOTE SHOULD CAREFULLY CONSIDER ALL OF THE INFORMATION IN THIS DISCLOSURE STATEMENT, INCLUDING THE RISK FACTORS DESCRIBED IN ARTICLE X HEREIN.

THE PLAN IS SUPPORTED BY THE DEBTORS, THE CONSENTING HOLDCO NOTEHOLDERS, THE CONSENTING HOLDCO EQUITYHOLDERS, BIG WEST OIL, LLC, PINEDALE CORRIDOR L.P., AND ROCKIES EXPRESS PIPELINE LLC. THE DEBTORS URGE HOLDERS OF CLAIMS OR INTERESTS WHOSE VOTES ARE BEING SOLICITED TO ACCEPT THE PLAN.

THE DEBTORS URGE EACH HOLDER OF A CLAIM OR INTEREST TO CONSULT WITH ITS OWN ADVISORS WITH RESPECT TO ANY LEGAL, FINANCIAL, SECURITIES, TAX, OR BUSINESS ADVICE IN REVIEWING THIS DISCLOSURE STATEMENT, THE PLAN, AND THE PROPOSED TRANSACTIONS CONTEMPLATED THEREBY. FURTHERMORE, THE BANKRUPTCY COURT'S APPROVAL OF THE ADEQUACY OF THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT DOES NOT CONSTITUTE THE BANKRUPTCY COURT'S APPROVAL OF THE PLAN.

THIS DISCLOSURE STATEMENT CONTAINS, AMONG OTHER THINGS, SUMMARIES OF THE PLAN, CERTAIN STATUTORY PROVISIONS, AND CERTAIN ANTICIPATED EVENTS IN THE DEBTORS' CHAPTER 11 CASES. ALTHOUGH THE DEBTORS BELIEVE THAT THESE SUMMARIES ARE FAIR AND ACCURATE, THESE SUMMARIES ARE QUALIFIED IN THEIR ENTIRETY TO THE EXTENT THAT THEY DO NOT SET FORTH THE ENTIRE TEXT OF SUCH DOCUMENTS OR STATUTORY PROVISIONS OR EVERY DETAIL OF SUCH ANTICIPATED EVENTS. IN THE EVENT OF ANY INCONSISTENCY OR DISCREPANCY BETWEEN A DESCRIPTION IN THIS DISCLOSURE STATEMENT AND THE TERMS AND PROVISIONS OF THE PLAN OR ANY OTHER DOCUMENTS INCORPORATED HEREIN BY REFERENCE, THE PLAN OR SUCH OTHER DOCUMENTS WILL GOVERN FOR ALL PURPOSES. FACTUAL INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT HAS BEEN PROVIDED BY THE DEBTORS' MANAGEMENT EXCEPT WHERE OTHERWISE SPECIFICALLY NOTED. THE DEBTORS DO NOT REPRESENT OR WARRANT THAT THE INFORMATION CONTAINED HEREIN OR ATTACHED HERETO IS WITHOUT ANY MATERIAL INACCURACY OR OMISSION.

THIS DISCLOSURE STATEMENT HAS BEEN PREPARED IN ACCORDANCE WITH SECTION 1125 OF THE BANKRUPTCY CODE AND BANKRUPTCY RULE 3016(b) AND IS NOT NECESSARILY PREPARED IN ACCORDANCE WITH FEDERAL OR STATE SECURITIES LAWS OR OTHER SIMILAR LAWS.

THIS DISCLOSURE STATEMENT WAS NOT FILED WITH THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE AUTHORITY AND NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE AUTHORITY HAVE PASSED UPON THE ACCURACY OR ADEQUACY OF THIS DISCLOSURE STATEMENT OR UPON THE MERITS OF THE PLAN.

IN PREPARING THIS DISCLOSURE STATEMENT, THE DEBTORS RELIED ON FINANCIAL DATA DERIVED FROM THE DEBTORS' BOOKS AND RECORDS AND ON VARIOUS ASSUMPTIONS REGARDING THE DEBTORS' BUSINESSES. WHILE THE DEBTORS BELIEVE THAT SUCH FINANCIAL INFORMATION FAIRLY REFLECTS THE FINANCIAL CONDITION OF THE DEBTORS AS OF THE DATE HEREOF AND THAT THE ASSUMPTIONS REGARDING FUTURE EVENTS REFLECT REASONABLE BUSINESS JUDGMENTS, NO REPRESENTATIONS OR WARRANTIES ARE MADE AS TO THE ACCURACY OF THE FINANCIAL INFORMATION CONTAINED HEREIN OR ASSUMPTIONS REGARDING THE DEBTORS' BUSINESSES AND THEIR FUTURE RESULTS

AND OPERATIONS. THE DEBTORS EXPRESSLY CAUTION READERS NOT TO PLACE UNDUE RELIANCE ON ANY FORWARD LOOKING STATEMENTS CONTAINED HEREIN.

THIS DISCLOSURE STATEMENT DOES NOT CONSTITUTE, AND MAY NOT BE CONSTRUED AS, AN ADMISSION OF FACT, LIABILITY, STIPULATION, OR WAIVER. THE DEBTORS MAY SEEK TO INVESTIGATE, FILE, AND PROSECUTE CLAIMS AND MAY OBJECT TO CLAIMS AFTER THE CONFIRMATION OR EFFECTIVE DATE OF THE PLAN IRRESPECTIVE OF WHETHER THIS DISCLOSURE STATEMENT IDENTIFIES ANY SUCH CLAIMS OR OBJECTIONS TO CLAIMS.

THE DEBTORS ARE MAKING THE STATEMENTS AND PROVIDING THE FINANCIAL INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT AS OF THE DATE HEREOF, UNLESS OTHERWISE SPECIFICALLY NOTED. ALTHOUGH THE DEBTORS MAY SUBSEQUENTLY UPDATE THE INFORMATION IN THIS DISCLOSURE STATEMENT, THE DEBTORS HAVE NO AFFIRMATIVE DUTY TO DO SO, AND EXPRESSLY DISCLAIM ANY DUTY TO PUBLICLY UPDATE ANY FORWARD LOOKING STATEMENTS, WHETHER AS A RESULT OF NEW INFORMATION, FUTURE EVENTS, OR OTHERWISE. HOLDERS OF CLAIMS OR INTERESTS REVIEWING THIS DISCLOSURE STATEMENT SHOULD NOT INFER THAT, AT THE TIME OF THEIR REVIEW, THE FACTS SET FORTH HEREIN HAVE NOT CHANGED SINCE THIS DISCLOSURE STATEMENT WAS FILED. INFORMATION CONTAINED HEREIN IS SUBJECT TO COMPLETION, MODIFICATION, OR AMENDMENT. THE DEBTORS RESERVE THE RIGHT TO FILE AN AMENDED OR MODIFIED PLAN AND RELATED DISCLOSURE STATEMENT FROM TIME TO TIME, SUBJECT TO THE TERMS OF THE PLAN.

THE DEBTORS HAVE NOT AUTHORIZED ANY ENTITY TO GIVE ANY INFORMATION ABOUT OR CONCERNING THE PLAN OTHER THAN THAT WHICH IS CONTAINED IN THIS DISCLOSURE STATEMENT. THE DEBTORS HAVE NOT AUTHORIZED ANY REPRESENTATIONS CONCERNING THE DEBTORS OR THE VALUE OF THEIR PROPERTY OTHER THAN AS SET FORTH IN THIS DISCLOSURE STATEMENT.

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

AS DESCRIBED IN THIS DISCLOSURE STATEMENT, CERTAIN PARTIES OBJECT OR INTEND TO OBJECT TO CONFIRMATION OF THE PLAN. THE RIGHT OF ANY PARTY IN INTEREST TO OBJECT TO CONFIRMATION OF THE PLAN FOR ANY BASIS IS FULLY RESERVED AND PRESERVED, AND THE ABSENCE OF ANY RESERVATION OF RIGHTS OR SIMILAR LANGUAGE WITH RESPECT TO ANY SUCH ISSUE IN THIS DISCLOSURE STATEMENT SHALL NOT PREJUDICE THE RIGHTS OF ANY PARTY TO OBJECT TO CONFIRMATION OF THE PLAN ON ANY GROUNDS WHATSOEVER.

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I. INTRODUCTION.

The Debtors submit this Disclosure Statement pursuant to section 1125 of the Bankruptcy Code to holders of Claims against and Interests in the Debtors in connection with the solicitation of acceptances with respect to the ***Debtors' Second Amended Joint Chapter 11 Plan of Reorganization*** (the "Plan"), dated February 8, 2017.[1] A copy of the Plan is attached hereto as **Exhibit A** and incorporated herein by reference. The Plan constitutes a separate chapter 11 plan for each of the Debtors.

THE DEBTORS BELIEVE THAT THE SETTLEMENT CONTEMPLATED UNDER THE PLAN IS FAIR AND EQUITABLE, MAXIMIZES THE VALUE OF THE DEBTORS' ESTATES AND PROVIDES THE BEST RECOVERY TO HOLDERS OF CLAIMS AND INTERESTS. AT THIS TIME, THE DEBTORS BELIEVE THIS IS THE BEST AVAILABLE ALTERNATIVE FOR COMPLETING THE CHAPTER 11 CASES. THE DEBTORS STRONGLY RECOMMEND THAT YOU VOTE TO ACCEPT THE PLAN.

II. PRELIMINARY STATEMENT.

The Debtors are a publicly traded, independent oil and natural gas exploration and production ("E&P") enterprise headquartered in Houston, Texas. Over the years, the Debtors have consistently demonstrated that they are one of the leanest and most efficiently operated E&P companies in the industry. The Debtors' principal assets are their Pinedale Field properties in Wyoming, which primarily produce natural gas. The Debtors also own properties in Utah, which produce primarily crude oil, and interests in properties in Pennsylvania, which produce natural gas. The Debtors manage their operations from an operations office in Denver, Colorado and two field offices, located in Pinedale, Wyoming and Vernal, Utah.

Prior to the filing of the Chapter 11 Cases, unexpected and historic declines in natural gas and crude oil prices as well as worsening conditions in capital markets serving the oil and gas industry created a challenging environment for all oil and gas companies, including the Debtors, and ultimately caused the Debtors' capital structure to become unsustainable.

Prepetition, the Debtors undertook a series of operational and financial actions in an attempt to improve their liquidity position and stabilize their capital structure. These actions included significantly reducing their capital expenditures, negotiating material cost reductions from key vendors, pursuing capital markets or asset sales transactions, and revising incentive compensation programs to emphasize debt reduction as a performance goal. Although the Debtors were successful at reducing their capital expenditures and negotiating material cost reductions from key vendors, due to the continued deterioration of commodity prices and market conditions in the oil and gas industry, the Debtors were unsuccessful at consummating suitable capital markets or asset sale transactions. As a result, on the Petition Date, the Debtors commenced the Chapter 11 Cases to effectuate a comprehensive balance sheet restructuring pursuant to chapter 11 of the Bankruptcy Code.

Since filing the Chapter 11 Cases, the Debtors and their advisors continued to engage the Debtors' key stakeholders regarding various possible restructuring alternatives to strengthen the Debtors' balance sheet and create a sustainable capital structure to position the Debtors for long-term success. More specifically, in July 2016, the Debtors presented a revised business outlook that set forth a strategy to invest in and provided an overview of the Debtors' core natural gas exploration and production business. Following the rollout of the Debtors' revised business outlook, the Debtors entered into informal discussions with two key stakeholders, the HoldCo Noteholder Committee and the Equityholder Committee, regarding a possible reorganization premised upon a new-money investment in the Debtors' business enterprise backstopped by certain of the Consenting HoldCo Noteholders and the Consenting HoldCo Equityholders, including their successors and assigns to the extent permitted under the Backstop Commitment Agreement, and a substantial deleveraging. On October 17, 2016, the Debtors determined

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[1] Capitalized terms used but not otherwise defined in this Disclosure Statement will have the meaning ascribed to such terms in the Plan. **The summary of the Plan provided herein is qualified in its entirety by reference to the Plan. In the case of any inconsistency between this Disclosure Statement and the Plan, the Plan will govern**.

that it was appropriate to enter into the next phase of their restructuring discussions and entered into confidentiality agreements with the members of the HoldCo Noteholder Committee and the Equityholder Committee to permit the parties to discuss and develop the terms of the Debtors' reorganization strategy.

The Debtors' discussions with their stakeholders during this period were ultimately successful. After extensive negotiations, on November 21, 2016, the Debtors and entities holding a majority of HoldCo's common stock and a substantial majority of HoldCo's outstanding unsecured notes agreed to the terms of the restructuring set forth in the Plan Support Agreement.[2] The transaction memorialized in the Plan contemplates a $580 million rights offering backstopped by certain of the Consenting HoldCo Noteholders and the Consenting HoldCo Equityholders, the equitization of $1.3 billion in HoldCo Notes, a significant recovery to holders of Existing HoldCo Common Stock in the form of equity, and the satisfaction in Cash of Allowed Administrative Claims and Allowed Priority Claims. On December 6, 2016, the Debtors filed a plan of reorganization consistent with the Plan Support Agreement.

Thereafter, in an effort to generate greater stakeholder consensus, the Debtors entered into the Exit Financing Agreements and obtained entry of the Exit Financing Order, which will clear the way for the Reorganized Debtors to enter into the Exit Facility (the proceeds of which will permit the Debtors or the Reorganized Debtors to satisfy all OpCo Funded Debt Claims in full in Cash). In connection therewith, the Debtors modified the Plan to provide for the Exit Facility and certain related transactions.

In the face of unprecedented upheaval in the E&P segment as well as the numerous filings by other E&P companies, there is no doubt that the bargain struck by the Debtors—the terms of which are summarized below and will result in a significant recovery to common stockholders—is unprecedented and will maximize value for the Debtors' economic stakeholders.

Settlement Plan Value. Under the Plan, the Settlement Plan Value of the Ultra Entities will be $6.0 billion; *provided* that if the average closing price of the 12-month forward Henry Hub natural gas strip price during the seven (7) trading days preceding the commencement of the Rights Offering solicitation is: (i) greater than $3.65/MMBtu, the Plan Value will be $6.25 billion; or (ii) less than $3.25/MMBtu, the Plan Value will be $5.5 billion.

Existing HoldCo Common Stock. Assuming a Settlement Plan Value of $6 billion, holders of Existing HoldCo Common Stock shall receive their Pro Rata share of 41 percent of the New Common Stock on the Effective Date, subject to adjustment as provided in the Plan if the Settlement Plan Value is $6.25 billion or $5.5 billion, and subject to dilution on account of the Management Incentive Plan, and rights to participate in the Rights Offering for 5.4 percent of the New Common Stock, exclusive of New Common Stock issued on account of the Commitment Premium and subject to dilution on account of the Management Incentive Plan.

HoldCo Note Claims. Assuming a Settlement Plan Value of $6 billion, holders of Allowed HoldCo Note Claims shall each receive their Pro Rata share of 36.2 percent of the New Common Stock on the Effective Date, subject to adjustment as provided in the Plan if the Settlement Plan Value is $6.25 billion or $5.5 billion, and subject to dilution on account of the Management Incentive Plan, and the right to participate in the Rights Offering for 16.1 percent of the New Common Stock, exclusive of New Common Stock issued on account of the Commitment Premium and subject to dilution on account of the Management Incentive Plan.

CERTAIN PARTIES ASSERT THAT THE DISCLOSURE STATEMENT LACKS ADEQUATE INFORMATION REGARDING THE VALUE ATTRIBUTABLE TO THE INDIVIDUAL ELEMENTS COMPRISING THE DISTRIBUTION TO HOLDCO NOTEHOLDERS INCLUDING THE FAILURE TO DISCLOSE THE AGREED TO RATE OF POSTPETITION INTEREST.

[2] The Debtors subsequently announced that the Holders of more than 66.67 percent in principal amount of the HoldCo Notes had agreed to support the Plan Support Agreement, the terms of which permit the Debtors to satisfy all OpCo Funded Debt Claims in full in Cash as provided in the Plan.

The Debtors disagree. Article III of the Plan provides that the HoldCo Note Claims shall be Allowed in the amount of $1.34 billion, plus all applicable postpetition interest, charges and fees (as determined by the Bankruptcy Court or as otherwise agreed by the relevant parties). Schedule A to the Plan Term Sheet annexed to the Plan Support Agreement contains a proposed equity split for purposes of the Plan's valuation and presumes that, for purposes of the Plan's valuation, that the amount of the HoldCo Note Claims shall total approximately $1.412 billion. Article III of the Plan further provides that on the Effective Date, each holder of an Allowed HoldCo Note Claim shall receive its Pro Rata share of the HoldCo Noteholder New Common Stock Distribution. In addition, each holder of an Allowed HoldCo Note Claim as of the Rights Offering Record Date shall receive its Pro Rata share of the HoldCo Noteholder Subscription Rights.

Any additional distributions made to holders of Allowed HoldCo Note Claims shall be made on account of their participation in the Rights Offering and/or their performance of the Backstop Commitment Agreement. More specifically, in connection with the Rights Offering and the Backstop Commitment Agreement, such holders are also entitled to receive their pro rata share of: (a) the Rights Offering Shares in connection with the Rights Offering, if applicable; (b) the New Common Stock, consisting of Unsubscribed Shares (as defined in the Backstop Commitment Agreement) not purchased in the Rights Offering to certain Consenting HoldCo Noteholders and Consenting HoldCo Equityholders, together with their permitted successors and assigns, that have committed to fund the Rights Offering and are signatories to the Backstop Commitment Agreement, if applicable; and (c) the New Common Stock issued to the Rights Offering Backstop Parties on account of the Commitment Premium, if applicable.

OpCo Funded Debt Claims. Holders of Allowed OpCo Funded Debt Claims shall be paid the amount of such Claim in full in Cash.

General Unsecured Claims. Holders of Allowed General Unsecured Claims shall be paid in full in Cash except to the extent that a holder of a General Unsecured Claim agrees to a less favorable treatment, in full and final satisfaction, settlement, release, and discharge of and in exchange for each General Unsecured Claim.

Rights Offering. Holders of Existing HoldCo Common Stock and Allowed HoldCo Note Claims shall also be entitled to participate in the Rights Offering in accordance with the Backstop Commitment Agreement, the Plan Support Agreement, the Plan, and the Rights Offering Procedures.

Management Incentive Plan. Under the Plan, 7.5 percent of the fully diluted, fully distributed shares of Reorganized HoldCo will be reserved for issuance to management under the Management Incentive Plan. 40 percent of such reserve will be granted to members of management identified by the pre-Effective Date HoldCo Board in the form of full shares (or equivalent) vesting on or after the Effective Date in accordance with certain time and/or valuation thresholds. The balance of such reserve will be available to be granted by the New Board from time to time to management in accordance with the Management Incentive Plan, which shall be included as part of the Plan Supplement. Aspects of the Management Incentive Plan were negotiated on behalf of the Debtors by Michael D. Watford and Garland R. Shaw, who also serve on the Board of Directors of OpCo.[3]

CERTAIN PARTIES HAVE RAISED QUESTIONS ABOUT THE ROLE OF MANAGEMENT IN THE DEVELOPMENT OF THE PLAN IN LIGHT OF MANAGEMENT'S POTENTIAL ABILITY TO PARTICIPATE IN THE MANAGEMENT INCENTIVE PLAN CONTEMPLATED BY THE PLAN, AS WELL AS WHETHER ALLOCATIONS UNDER THE MANAGEMENT INCENTIVE PLAN HAVE ALREADY BEEN DETERMINED.

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[3] **No individual awards under the Management Incentive Plan (including, for the avoidance of any doubt, with respect to any members of the New Board of the Reorganized Debtors' management) were determined in conjunction with the negotiations of the PSA or the preparation of the Plan, no awards have yet been determined with respect to any potential plan participant, and a portion of the awards, if any, will be determined post-emergence**.

THE DEBTORS STRONGLY DISAGREE WITH THIS CHARACTERIZATION. First, the Management Incentive Plan was approved by the Board of HoldCo—the entity that the Debtors assert will bear the costs of the Management Incentive Plan—in connection with HoldCo's entry into the Plan Support Agreement. Second, no individual awards under the Management Incentive Plan were determined in conjunction with the negotiations of the PSA or the preparation of the Plan, no awards have yet been determined with respect to any potential plan participant, and a portion of the awards, if any, will be determined post-emergence. Third, the cost of the proposed Management Incentive Plan will have no impact on the recoveries of OpCo creditors. Fourth, it is commonplace for a debtor in a complex chapter 11 case to propose a post-emergence Management Incentive Plan under a plan of reorganization. Finally, the equity-based compensation structure under the Management Incentive Plan is not a departure from the Debtors' prior compensation programs.

Secured Non-Tax Claims. Holders of Allowed Secured Non-Tax Claims shall receive such treatment as to render their claims Unimpaired.

Other Priority Claims. Holders of Allowed Other Priority Claims shall receive such treatment as to render their claims Unimpaired.

Intercompany Claims; Intercompany Interests. Intercompany Claims and Intercompany Interests shall be reinstated, canceled, or treated in such other manner as determined by the Debtors or the Reorganized Debtors.

Other Existing HoldCo Equity Interests. All Other Existing HoldCo Equity Interests shall be canceled and of no further force and effect, and the holders thereof shall not receive or retain any distribution on account of their Other Existing HoldCo Equity Interests.

In short, the Plan Support Agreement and the Plan provide the Debtors with the resources and flexibility to maximize the value of the Estates. In addition, the compromises and settlements embodied therein, and to be implemented pursuant to the Plan, preserve value and avoid potential litigation with the Equityholder Committee and HoldCo Noteholder Committee over potential recoveries.

Certain members of the Equityholder Committee and HoldCo Noteholder Committee have elected to enter into the Plan Support Agreement with the Debtors and to backstop the Rights Offering. As of the date hereof, holders of more than 66.67 percent in principal of HoldCo Note Claims and more than 55 percent of Existing HoldCo Equity Interests have agreed to support the restructuring contemplated by the Plan Support Agreement and Plan.

In addition, the Plan is supported by: (A) Rockies Express Pipeline LLC ("REX"), which will have an Allowed General Unsecured Claim in the amount of $150,000,000; (B) Pinedale Corridor L.P. ("Corridor"), lessor of a liquids gathering system used by the Debtors in Pinedale field; and (C) Big West Oil LLC ("Big West"), which will have an Allowed General Unsecured Claim against each of the Debtors in the amount of $17,350,000.

The formulation of the Plan Support Agreement and Plan is a significant achievement for the Debtors in the face of historic commodity price declines and a depressed operating environment. The Debtors strongly believe that the Plan is in the best interests of the Estates, represents the best available alternative, and significantly deleverages the Debtors' consolidated balance sheet at a critical time after the commodity cycle downturn has negatively affected many companies within the oil and natural gas industry. Given the Debtors' core strengths—including their experienced management team and the strategic location of their assets—the Debtors are confident that they can implement the Plan's balance sheet restructuring to ensure the long-term viability of their businesses.

III. QUESTIONS AND ANSWERS REGARDING THIS DISCLOSURE STATEMENT AND PLAN.

A. What is chapter 11?

Chapter 11 is the principal business reorganization chapter of the Bankruptcy Code. In addition to permitting debtor rehabilitation, chapter 11 promotes equality of treatment for creditors and similarly situated equity interest holders, subject to the priority of distributions prescribed by the Bankruptcy Code.

The commencement of a chapter 11 case creates an estate that comprises all of the legal and equitable interests of the debtor as of the date the chapter 11 case is commenced. The Bankruptcy Code provides that the debtor may continue to operate its business and remain in possession of its property as a "debtor in possession."

Consummating a plan of reorganization is the principal objective of a chapter 11 case. A bankruptcy court's confirmation of a plan binds the debtor, any person acquiring property under the plan, any creditor or equity interest holder of the debtor, and any other entity as may be ordered by the bankruptcy court. Subject to certain limited exceptions, the order issued by a bankruptcy court confirming a plan provides for the treatment of the debtor's liabilities in accordance with the terms of the confirmed plan.

B. Why are the Debtors sending me this Disclosure Statement?

The Debtors are seeking to obtain Bankruptcy Court approval of the Plan. Before soliciting acceptances of the Plan, section 1125 of the Bankruptcy Code requires the Debtors 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 regarding acceptance of the Plan. This Disclosure Statement is being submitted in accordance with these requirements.

C. Am I entitled to vote on the Plan?

Your ability to vote on, and your distribution under, the Plan (if any) depend on what type of Claim or Interest you hold. Each category of holders of Claims or Interests, as set forth in Article III of the Plan pursuant to section 1122(a) of the Bankruptcy Code, is referred to as a "Class." Each Class's respective voting status is set forth below.

Class	Claim or Interest	Status	Voting Rights
1	Other Priority Claims	Unimpaired	Presumed to Accept
2	Secured Non-Tax Claims	Unimpaired	Presumed to Accept
3	HoldCo Note Claims	Impaired	Entitled to Vote
4	OpCo Funded Debt Claims	Unimpaired	Presumed to Accept
5	General Unsecured Claims	Unimpaired	Presumed to Accept
6	Intercompany Claims	Impaired or Unimpaired	Presumed to Accept or Deemed to Reject
7	Intercompany Interests	Impaired or Unimpaired	Presumed to Accept or Deemed to Reject

Class	Claim or Interest	Status	Voting Rights
8	Existing HoldCo Common Stock	Impaired or Unimpaired[4]	Entitled to Vote
9	Other Existing HoldCo Equity Interests	Impaired	Deemed to Reject

D. What will I receive from the Debtors if the Plan is consummated?

The following chart provides a summary of the anticipated recovery to holders of Claims and Interests under the Plan. Any estimates of Claims and Interests in this Disclosure Statement may vary from the final amounts Allowed by the Bankruptcy Court. Your ability to receive distributions under the Plan depends upon the ability of the Debtors to obtain Confirmation and meet the conditions necessary to cause the Effective Date to occur.

CERTAIN PARTIES ASSERT THAT THE DISCLOSURE STATEMENT IS DEFICIENT BECAUSE IT DOES NOT ADDRESS THE TREATMENT OF GENERAL UNSECURED CLAIMS THAT ARE DISPUTED AS OF THE EFFECTIVE DATE, AND THE MANNER IN WHICH SUCH CLAIMS WILL BE SATISFIED PURSUANT TO THE PLAN. The Plan provides that all Causes of Action shall vest in the Reorganized Debtors and that the Debtors and Reorganized Debtors, as applicable, may continue to reconcile and, if necessary, object to, Proofs of Claims asserted against the Estates following the Effective Date. To the extent that any Disputed Claim becomes an Allowed Claim after the Effective Date, such Allowed Claim will be paid in Cash after the date that such Claim becomes Allowed, in each case, as provided in the Plan. As demonstrated by the Financial Projections for the Reorganized Debtors to be attached as Exhibit D to the Disclosure Statement, the Debtors believe that the Reorganized Debtors will have sufficient liquidity to make distributions (if any) on account of any such Claims that are Disputed as of the Effective Date without reserving Cash for such Claims.

CERTAIN PARTIES ALSO ASSERT THAT THE PLAN IS NOT CONFIRMABLE AND THAT HOLDERS OF CLAIMS IN CLASS 4 ARE IMPAIRED BECAUSE THERE IS A RISK THAT PORTIONS OF THE OPCO FUNDED DEBT CLAIMS THAT ARE NOT ALLOWED AS OF THE EFFECTIVE DATE MAY NOT RECEIVE A DISTRIBUTION AS PROVIDED IN THE PLAN TO THE EXTENT SUCH CLAIMS BECOME ALLOWED AFTER THE EFFECTIVE DATE. THESE PARTIES ASSERT THAT THERE IS AN ALLEGED RISK OF NON-PAYMENT BECAUSE THE PLAN DOES NOT PROVIDE FOR A CASH RESERVE FOR DISPUTED CLAIMS. With respect to the objecting parties' request for an explanation how and where the Debtors intend to reserve for proposed deferred cash distributions, the Debtors note that, based on the Financial Projections for the Reorganized Debtors attached as Exhibit D to this Disclosure Statement, the Debtors expect to have sufficient liquidity to make these distributions without reserving Cash for such Claims. The rights of all parties are fully preserved with respect to such matters.

THE PROJECTED RECOVERIES SET FORTH IN THE TABLE BELOW ARE ESTIMATES ONLY AND THEREFORE ARE SUBJECT TO CHANGE. FOR A COMPLETE DESCRIPTION OF THE DEBTORS' CLASSIFICATION AND TREATMENT OF CLAIMS AND INTERESTS, REFERENCE SHOULD BE MADE TO THE ENTIRE PLAN.[5]

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4 As provided under Section 3.2(h) of the Plan, the Debtors reserve the right to dilute the holders of Existing HoldCo Common Stock by issuing additional Existing HoldCo Common Stock rather than cancelling the Existing HoldCo Common Stock. To the extent the Debtors determine to issue additional Existing HoldCo Common Stock, Class 8 will be Unimpaired under the Plan, though the Debtors will still solicit the votes of Holders of Class 8 Existing HoldCo Common Stock.

5 The recoveries set forth below may change based upon changes in the amount of Claims that are "Allowed" as well as other factors related to the Debtors' business operations and general economic conditions. "Allowed" means, with respect to any Claim, except as otherwise provided herein: (a) a Claim that is evidenced by a Proof of Claim Filed by the Claims Bar Date or a request for payment of an Administrative Claim Filed by the Administrative Claims Bar Date, as applicable (or for which Claim under the Plan, the Bankruptcy Code, or pursuant to a Final Order, a Proof of Claim or request for payment of Administrative Claim is not or shall not be required to be Filed); (b) a Claim that is listed in the Schedules as not contingent,

SUMMARY OF EXPECTED RECOVERIES				
Class	**Claim/Equity Interest**	**Treatment of Claim/Equity Interest**	**Projected Amount of Claims**	**Projected Recovery Under the Plan**
Unclassified Non-Voting Claims Against the Debtors				
N/A	Administrative Claims	Except with respect to Administrative Claims that are Professional Fee Claims and except to the extent that an Administrative Claim has already been paid during the Chapter 11 Cases or a holder of an Allowed Administrative Claim and the applicable Debtor agrees to less favorable treatment, each holder of an Allowed Administrative Claim shall be paid in full in Cash on the unpaid portion of its Allowed Administrative Claim on the latest of: (a) on the Effective Date if such Administrative Claim is Allowed as of the Effective Date; (b) on or as soon as reasonably practicable after the date such Administrative Claim is Allowed; and (c) the date such Allowed Administrative Claim becomes due and payable, or as soon thereafter as is reasonably practicable; *provided* that Allowed Administrative Claims that arise in the ordinary course of the Debtors' businesses shall be paid in the ordinary course of business in accordance with the terms and subject to the conditions of any agreements and/or arrangements governing, instruments evidencing, or other documents relating to such transactions. Notwithstanding the foregoing, no request for payment of an Administrative Claim need be Filed with respect to an Administrative Claim previously Allowed by Final Order.	$60 million	100%
N/A	Priority Tax Claims	Except to the extent that a holder of an Allowed Priority Tax Claim agrees to a less favorable treatment, in full and final satisfaction, settlement, release, and discharge of and in exchange for each Allowed Priority Tax Claim, each holder of such	$0 to $50,000	100%

not unliquidated, and not disputed, and for which no Proof of Claim, as applicable, has been timely Filed; or (c) a Claim that becomes Allowed pursuant to the Plan or a Final Order of the Bankruptcy Court; provided, that with respect to a Claim described in clauses (a) and (b) above, such Claim shall be considered Allowed only if and to the extent that with respect to such Claim no objection to the allowance thereof is interposed within the applicable period of time fixed by the Plan, the Bankruptcy Code, the Bankruptcy Rules, or the Bankruptcy Court, or such an objection is so interposed and the Claim has been Allowed by a Final Order. Except for Claims that become allowed pursuant to Section 3.2(d)(2) of the Plan, any Claim that has been or is hereafter listed in the Schedules as contingent, unliquidated, or disputed, and for which no Proof of Claim is or has been timely Filed, is not considered Allowed and shall be expunged without further action by the Debtors and without further notice to any party or action, approval, or order of the Bankruptcy Court. Notwithstanding anything to the contrary herein, no Claim of any Entity subject to section 502(d) of the Bankruptcy Code shall be deemed Allowed unless and until such Entity pays in full the amount that it owes the applicable Debtor or Reorganized Debtor, as applicable. For the avoidance of doubt, a Proof of Claim Filed after the Claims Bar Date or a request for payment of an Administrative Claim Filed after the Administrative Claims Bar Date, as applicable, shall not be Allowed for any purposes whatsoever absent entry of a Final Order allowing such late-filed Claim, provided, that this clause shall not affect any Claim that becomes Allowed pursuant to Section 3.2(d)(2) of the Plan. "Allow," "Allowing," and "Allowance" shall have correlative meanings.

		Allowed Priority Tax Claim shall be treated in accordance with the terms set forth in section 1129(a)(9)(C) of the Bankruptcy Code. In the event an Allowed Priority Tax Claim is also a Secured Tax Claim, such Claim shall, to the extent it is Allowed, be treated as an Secured Claim if such Claim is not otherwise paid in full.		
Classified Claims and Interests of the Debtors				
1	Other Priority Claims	Each holder of an Allowed Other Priority Claim shall receive payment in full, in Cash, of the unpaid portion of its Allowed Other Priority Claim on the latest of: (i) on or as soon as reasonably practicable after the Effective Date if such Allowed Other Priority Claim is Allowed as of the Effective Date; (ii) on or as soon as reasonably practicable after the date such Other Priority Claim is Allowed; and (iii) the date such Allowed Other Priority Claim becomes due and payable, or as soon thereafter as is reasonably practicable.	N/A	100%
2	Secured Non-Tax Claims	Each holder of an Allowed Secured Non-Tax Claim shall receive, at the Debtors' option, either (i) Reinstatement of its Allowed Secured Non-Tax Claim or (ii) payment in full, in Cash, of the unpaid portion of its Allowed Secured Non-Tax Claim on the latest of: (a) on or as soon as reasonably practicable after the Effective Date if such Allowed Secured Non-Tax Claim is Allowed as of the Effective Date; (b) on or as soon as reasonably practicable after the date such Secured Non-Tax Claim is Allowed; and (c) the date such Allowed Secured Non-Tax Claim becomes due and payable, or as soon thereafter as is reasonably practicable.	N/A	100%
3	HoldCo Note Claims	On the Effective Date, each holder of an Allowed HoldCo Note Claim shall receive its Pro Rata share of the HoldCo Noteholder New Common Stock Distribution. In addition, each holder of an Allowed HoldCo Note Claim as of the Subscription Commencement Date shall receive its Pro Rata share of the HoldCo Noteholder Subscription Rights.	$1.34 billion	100%
4	OpCo Funded Debt Claims	Notwithstanding Section 7.8 of the Plan, on the Effective Date or as soon as reasonably practicable thereafter, each holder of a Class 4 Claim shall be paid cash equal to the amount of the portion of such Claim that has been Allowed as of the Effective Date. As soon as reasonably practicable after determination by a Final Order of the Bankruptcy Court as to the Allowed amount of any other portion of such Class 4 Claim, each such holder shall be paid cash equal to the amount of such portion of such Claim that is Allowed by such Final Order.	$2.523 billion[6]	100%

6 The OpCo Group asserts that the full amount of the OpCo Funded Debt Claims is no less than $2,936,021,181, which assertion is based on several assumptions including, without limitation, an assumed Effective Date of April 15, 2017 and

5	General Unsecured Claims	Except to the extent that the holder of an Allowed General Unsecured Claim and the Debtor(s) agree to different treatment, as soon as reasonably practicable after a General Unsecured Claim becomes Allowed, each holder of an Allowed General Unsecured Claim shall either (a) be paid in full in Cash or (b) receive such other treatment rendering such Claim Unimpaired.	$190 million to $255 million	100%
6	Intercompany Claims	Each Intercompany Claim shall be, at the option of the Debtors or Reorganized Debtors, either (a) Reinstated as of the Effective Date; (b) cancelled, in which case no distribution shall be made on account of such Intercompany Claims; or (c) treated in such other manner as determined by the Debtors or Reorganized Debtors.	N/A	100%
7	Intercompany Interests	Each Intercompany Interest shall be, at the option of the Debtors or Reorganized Debtors, either (a) Reinstated as of the Effective Date or (b) cancelled, in which case no distribution shall be made on account of such interests.	N/A	100%
8	Existing HoldCo Common Stock	On the Effective Date, each holder of Existing HoldCo Common Stock shall receive its Pro Rata share of the HoldCo Equityholder New Common Stock Distribution. In addition, each holder of Existing HoldCo Common Stock as of the Subscription Commencement Date shall receive its Pro Rata share of the HoldCo Equityholder Subscription Rights.	N/A	N/A
9	Other Existing HoldCo Equity Interests	On the Effective Date, each Other Existing HoldCo Equity Interest shall be cancelled and of no further force and effect, and the holders thereof shall not receive or retain any distribution on account of their Other Existing HoldCo Equity Interests.	N/A	N/A

The Debtors shall seek Confirmation of the Plan pursuant to section 1129(b) of the Bankruptcy Code with respect to any rejecting Class of Claims or Interests. The Debtors reserve the right, to the extent permitted or required by the Bankruptcy Code to modify the Plan in accordance with Article X of the Plan to the extent, if any, that Confirmation (including Confirmation pursuant to section 1129(b) of the Bankruptcy Code) requires modification of any provision of the Plan, including, without limitation, by (a) modifying the treatment applicable to a Class of Claims or Interests to render such Class of Claims or Interests Unimpaired to the extent permitted by the Bankruptcy Code and the Bankruptcy Rules, (b) reclassifying any Claim or Interest in one particular Class together with any substantially similar Claim or Interest in a different Class, as applicable, to the extent permitted by the Bankruptcy Code and the Bankruptcy Rules, and/or (c) withdrawing the Plan as to an individual Debtor at any time before the Confirmation Date.

calculation of postpetition interest only through such assumed Effective Date. Further such assertion is claimed to include estimates for the OpCo Group's expenses to date (and not other fees and expenses that may be asserted to be due under the OpCo MNPA and the OpCo RCF, or additional interest that may be asserted to be due thereon). The OpCo Group states that this estimate remains subject to change in all respects. Other than as set forth in Section 3.2(d) of the Plan, the Allowed amount of the OpCo Funded Debt Claims will be determined by a Final Order of the Bankruptcy Court in accordance with the Plan, and all rights of all parties with respect thereto are expressly reserved and preserved.

The rights of all parties in interest with respect to any modification of the Plan, including the right to object to confirmation of the Plan on the grounds that any such modification is impermissible under the Bankruptcy Code or was insufficiently described in this Disclosure Statement, are fully reserved and preserved in all respects.

E. What will I receive from the Debtors if I hold an Allowed Administrative Claim or a Priority Tax Claim?

In accordance with section 1123(a)(1) of the Bankruptcy Code, Administrative Claims and Priority Tax Claims have not been classified and, thus, are excluded from the Classes of Claims and Interests set forth in Article III of the Plan. Administrative Claims will be satisfied as set forth in Article II.1 of the Plan, and Priority Tax Claims will be satisfied as set forth in Article II.3 of the Plan.

F. What are the settlements contemplated by the Plan?

As described in this Disclosure Statement, the principal settlement contemplated by the Plan is the Debtors' settlement with their HoldCo stakeholders. The Debtors believe that this settlement, which will fund all distributions under the Plan, is in the best interests of all stakeholders because it will: (1) permit the Debtors to satisfy all Claims against the Debtors in full; (2) permit the Debtors to provide a significant recovery to HoldCo's equityholders; and (3) permit the Debtors to expeditiously emerge from chapter 11 and eliminate the need to continue to pay significant professional fees and expenses.

In addition to the Debtors' settlement with their HoldCo stakeholders, the Plan contemplates a settlement of the $303 million General Unsecured Claim asserted by REX against OpCo [Claim No. 279]. The compromise contemplated by the REX Settlement Letter Agreement is beneficial to the OpCo Estate because it reduces by more than half the significant Claim asserted by REX against OpCo and clears the way for the Debtors to enter into a new, seven-year contract with REX on favorable terms.

Finally, the Plan contemplates treatment for the OpCo funded debt creditors that pays Allowed OpCo Funded Debt Claims in full in Cash. No settlement has been reached with the holders of the OpCo Funded Debt Claims (excepting any Plan Support Parties who hold OpCo Funded Debt Claims) with respect to the Plan, and all such parties' rights with respect to the Plan are reserved and preserved.

The Debtors remain engaged in discussions with the Committee and their stakeholders regarding other potential settlements and will seek approval of any such settlements in accordance with the Bankruptcy Code and the Bankruptcy Rules.

G. Are any regulatory approvals required to consummate the Plan?

Other than approvals which may be required under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, there are no known regulatory approvals that are required to consummate the Plan.

H. What happens to my recovery if the Plan is not confirmed or does not go effective?

In the event that the Plan is not Confirmed or the Effective Date does not occur, there is no assurance that the Debtors will be able to reorganize their businesses. It is possible that any alternative transaction may provide holders of Claims and Interests with less than they would have received pursuant to the Plan. For a more detailed description of the consequences of an extended chapter 11 case, or of a liquidation scenario, *see* "*Confirmation of the Plan - Best Interests of Creditors/Liquidation Analysis*," which begins on page 58 of this Disclosure Statement, and the Liquidation Analysis attached as **Exhibit F**.

I. If the Plan provides that I get a distribution, do I get it upon Confirmation or when the Plan goes effective, and what is meant by "Confirmation," "Effective Date," and "Consummation?"

"Confirmation" of the Plan refers to approval of the Plan by the Bankruptcy Court. Confirmation of the Plan does not guarantee that you will receive the distribution indicated under the Plan. After Confirmation of the Plan by the Bankruptcy Court, there are conditions that need to be satisfied or waived so that the Plan can go effective. Initial distributions to holders of Allowed Claims and Existing HoldCo Common Stock will only be made on the date the Plan becomes effective—the "Effective Date"—or as soon as practicable thereafter, as specified in the Plan. *See* "*Confirmation of the Plan*," which begins on page 58 of this Disclosure Statement, for a discussion of the conditions precedent to consummation of the Plan.

J. What are the sources of Cash and other consideration required to fund the Plan?

The Debtors intend to fund distributions under the Plan with: (a) the Debtors' Cash on hand; (b) Reorganized HoldCo's issuance of the New Common Stock; (c) the proceeds of the Exit Facility; and (d) the proceeds of the Rights Offering.

CERTAIN PARTIES ASSERT THAT THE PLAN IS NOT CONFIRMABLE BECAUSE THE REORGANIZED DEBTORS MAY NOT HAVE THE FINANCIAL WHEREWITHAL TO SATISFY THE CURRENTLY DISPUTED PORTIONS OF THE OPCO NOTE CLAIMS (WHICH DISPUTED PORTIONS ARE BASED ON, WITHOUT LIMITATION, ASSERTED CLAIMS ON ACCOUNT OF A MAKEWHOLE AMOUNT, POSTPETITION INTEREST THEREON AT THE CONTRACTUAL DEFAULT RATE, AND OTHER AMOUNTS ASSERTED TO BE DUE AND OWING UNDER THE OPCO NOTES MNPA, THE OPCO NOTES, AND THE OPCO RCF, INCLUDING WITHOUT LIMITATION, POSTPETITION INTEREST AT THE CONTRACTUAL DEFAULT RATE AND ALL FEES AND EXPENSES) IN FULL IN CASH TO THE EXTENT THAT ANY PORTION OF SUCH CLAIMS IS ALLOWED AFTER THE EFFECTIVE DATE.

The Debtors disagree. As set forth in this Disclosure Statement, based upon the Financial Projections, the Debtors believe that the Reorganized Debtors will have the financial wherewithal to satisfy any currently disputed portions of the OpCo Funded Debt Claims, in full and in Cash as provided in the Plan, to the extent that any such Claim is Allowed after the Effective Date. For this reason, the Debtors submit that the Plan is feasible notwithstanding the fact that the Debtors will not "reserve" for any such Claims that may become Allowed Claims after the Effective Date.

The rights of all parties are fully preserved with respect to such matters.

K. Are there risks to owning the New Common Stock upon emergence from chapter 11?

Yes. *See* "Risk Factors," which begins on page 44 of this Disclosure Statement. The Debtors will use commercially reasonable efforts to cause the New Common Stock to become publicly traded and listed on the Nasdaq Stock Market (the "Nasdaq"), the New York Stock Exchange (the "NYSE"), or another comparable national securities exchange on or as soon as reasonably practicable after the Effective Date.

L. Will the final amount of Allowed General Unsecured Claims affect my recovery under the Plan?

The Debtors do not anticipate at this time that Allowed General Unsecured Claims total will affect the ultimate distribution to any holder of an Allowed General Unsecured Claim given the valuation contemplated by the Plan. Although the Debtors' estimate of General Unsecured Claims is the result of the Debtors' and their advisors' careful analysis of available information, the Allowed amount of General Unsecured Claims actually asserted against the Debtors may be higher or lower than the Debtors' estimate provided herein, which difference could be material. Moreover, the Debtors may in the future reject certain Executory Contracts and Unexpired Leases, which may result in additional rejection damages claims not accounted for in this estimate. Further, the Debtors or other parties in interest may object to certain Proofs of Claim, and any such objections could ultimately cause the total amount of General Unsecured Claims to change.

M. Will there be releases and exculpation granted to parties in interest as part of the Plan?

Yes, Article VIII of the Plan proposes to release the Released Parties and to exculpate the Exculpated Parties. The Debtors' releases, third-party releases, and exculpation provisions included in the Plan are an integral part of the Debtors' overall restructuring efforts and were an essential element of the Plan.

All of the Released Parties and the Exculpated Parties have made substantial and valuable contributions to the Debtors' restructuring through efforts to negotiate and implement the Plan, which will maximize and preserve the going-concern value of the Debtors for the benefit of all parties in interest. Accordingly, each of the Released Parties and the Exculpated Parties warrants the benefit of the release and exculpation provisions.

All holders of Claims or Interests that (1) vote to accept or are presumed to accept the Plan or (2) are in voting Classes who abstain from voting on the Plan and who do not opt out of the release provisions contained in Article VIII of the Plan will be deemed to have expressly, unconditionally, generally, individually, and collectively released and discharged all Claims and Causes of Action against the Debtors and the Released Parties.

Based on the foregoing, the Debtors believe that the releases and exculpations in the Plan are necessary and appropriate and meet the requisite legal standard promulgated by the United States Court of Appeals for the Fifth Circuit. Moreover, the Debtors will present evidence at the Confirmation Hearing to demonstrate the basis for and propriety of the release and exculpation provisions.

CERTAIN PARTIES ASSERT THAT THE RELEASES UNDER ARTICLE VIII OF THE PLAN ARE NOT CONSISTENT WITH APPLICABLE LAW, INCLUDING THAT HOLDERS OF CLAIMS IN CLASSES THAT ARE PRESUMED TO ACCEPT THE PLAN CAN BE FORCED TO GRANT THE RELEASES CONTAINED IN THE PLAN. The Debtors disagree with this characterization of these matters.

The Debtors will demonstrate at the Confirmation Hearing that, given the significant consideration being provided by the Released Parties to the Debtors and other Releasing Parties, the Debtors' releases in favor of the Released Parties are appropriate and within their reasonable business judgment, particularly, as is the case here, where the Debtors are solvent and all claims against the Debtors are being satisfied in full (and the Debtors will satisfy all OpCo Funded Debt Claims in full in Cash). Accordingly, the Debtors believe that the releases under Article VIII of the Plan are consistent with applicable law and that the Bankruptcy Court should approve such releases.

N. What impact does the Claims Bar Date have on my Claim?

The Bankruptcy Court has established September 1, 2016, as the general Claims bar date and October 26, 2016, as the governmental Claims bar date (collectively, the "Bar Date") in the Chapter 11 Cases. The following Entities holding Claims against the Debtors that arose (or that are deemed to have arisen) prior to the Petition Date must file a Proof of Claim on or before the Bar Date: (1) any Entity whose Claim against a Debtor is not listed in the applicable Debtor's schedules of assets and liabilities ("Schedules") or is listed in the applicable Debtor's Schedules as contingent, unliquidated, or disputed if such Entity desires to participate in any of the Chapter 11 Cases or share in any distribution in any of the Chapter 11 Cases; (2) any Entity that believes its Claim is improperly classified in the Schedules or is listed in an incorrect amount and desires to have its Claim allowed in a different classification or amount from that identified in the Schedules; (3) any Entity that believes its Claim as listed in the Schedules is not an obligation of the specific Debtor against which the Claim is listed and that desires to have its Claim allowed against a Debtor other than that identified in the Schedules; and (4) any Entity that believes its Claim against a Debtor is or may be an administrative expense pursuant to section 503(b)(9) of the Bankruptcy Code (but not any Entity that believes it holds an Administrative Expense Claim under section 503(b)(1) of the Bankruptcy Code).

O. Does the Plan provide that the Debtors or Reorganized Debtors will Satisfy Makewhole Claims Under the OpCo Notes?

The OpCo Note Purchase Agreement contains a so-called "make-whole" provision, which, if enforceable in the Chapter 11 Cases, may entitle the OpCo Noteholders to an OpCo Note Makewhole Claim. Although the OpCo Note Makewhole Claims are Disputed under the Plan, the Plan expressly provides that such asserted Claims, if and to the extent Allowed (as determined by the Bankruptcy Court), will be satisfied in full in Cash. It is not expected that the Debtors will satisfy the OpCo Note Makewhole Claims on the Effective Date. The Debtors anticipate that such Claims will be subject to litigation following the Effective Date. The OpCo Group[7] has commenced an adversary proceeding seeking to litigate the allowance of the OpCo Note Makewhole Claims before or in connection with the Confirmation of the Plan. The OpCo Noteholder Group (as defined below) has intervened in this adversary proceeding. The Debtors have filed a motion to dismiss this adversary proceeding and the OpCo Group and the OpCo Noteholder Group have filed oppositions to the Debtors' motion to dismiss. The Bankruptcy Court has not yet ruled on the Debtors' motion to dismiss.

P. What is the deadline to vote on the Plan?

The deadline to vote on the Plan under the order approving the Disclosure Statement is **March 13, 2017 at 4:00 p.m.** (prevailing Central Time).

Q. How do I vote for or against the Plan?

Detailed instructions regarding how to vote on the Plan are contained on the ballots distributed to holders of Claims and Interests that are entitled to vote on the Plan. For your vote to be counted, your ballot must be completed and signed so that it is **actually received** by **March 13, 2017 at 4:00 p.m.** (prevailing Central Time) at the following address: Ultra Ballot Processing, c/o Epiq Bankruptcy Solutions, LLC, 777 Third Avenue, 3rd Floor, New York, NY 10017 (or returned in accordance with the instructions otherwise set forth on your ballot). *See* Article XI of this Disclosure Statement, which begins on page 56 of this Disclosure Statement.

R. Why is the Bankruptcy Court holding a Confirmation Hearing?

Section 1128(a) of the Bankruptcy Code requires the Bankruptcy Court to hold a hearing on confirmation of the Plan and recognizes that any party in interest may object to Confirmation of the Plan.

S. When is the Confirmation Hearing set to occur?

The Bankruptcy Court has scheduled the Confirmation Hearing for **March 14, 2017 at 9:00 a.m.** (prevailing Central Time). The Confirmation Hearing may be adjourned from time to time without further notice.

Objections to Confirmation of the Plan must be filed and served on the Debtors, and certain other parties, by no later than **March 6, 2017 at 4:00 p.m.** (prevailing Central Time) in accordance with the notice of the Confirmation Hearing that accompanies this Disclosure Statement and the Disclosure Statement Order attached hereto as **Exhibit C** and incorporated herein by reference.

The Debtors will publish the notice of the Confirmation Hearing, which will contain the deadline for objections to the Plan and the date and time of the Confirmation Hearing, in *The Houston Chronicle* and the *USA Today* to provide notification to those persons who may not receive notice by mail. The Debtors may also publish the notice of the Confirmation Hearing in such trade or other publications as the Debtors may choose.

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7 As used in this Disclosure Statement, "OpCo Group" means the ad hoc group of holders of OpCo Funded Debt Claims that is represented by Milbank, Tweed, Hadley & McCloy LLP.

T. What is the purpose of the Confirmation Hearing?

The confirmation of a plan of reorganization by a bankruptcy court binds the debtor, any issuer of securities under a plan of reorganization, any person acquiring property under a plan of reorganization, any creditor or equity interest holder of a debtor, and any other person or entity as may be ordered by the bankruptcy court in accordance with the applicable provisions of the Bankruptcy Code. Subject to certain limited exceptions, the order issued by the bankruptcy court confirming a plan of reorganization discharges a debtor from any debt that arose before the confirmation of such plan of reorganization and provides for the treatment of such debt in accordance with the terms of the confirmed plan of reorganization.

U. What is the effect of the Plan on the Debtors' ongoing business?

The Debtors are reorganizing under chapter 11 of the Bankruptcy Code. As a result, Confirmation means that the Debtors will not be liquidated or forced to go out of business. Following Confirmation, the Plan will be consummated on the Effective Date, which is a date selected by the Debtors that is the first business day after which all conditions to Consummation have been satisfied or waived. *See* Article IX of the Plan. On or after the Effective Date, and unless otherwise provided in the Plan, the Reorganized Debtors may operate their businesses and, except as otherwise provided by the Plan, may use, acquire, or dispose of property and compromise or settle any Claims, Interests, or Causes of Action without supervision or approval by the Bankruptcy Court and free of any restrictions of the Bankruptcy Code or Bankruptcy Rules. Additionally, upon the Effective Date, all actions contemplated by the Plan will be deemed authorized and approved.

V. Will any party have significant influence over the corporate governance and operations of the Reorganized Debtors?

The Reorganized HoldCo Board shall have seven (7) members. The five (5) members of the Board of HoldCo as of the date prior to the Effective Date shall remain on the Board of HoldCo post-Effective Date and two (2) additional directors reasonably acceptable to the Chairman of the pre-Effective Date Board shall be selected by the pre-Effective Date Board after solicitation from a list of director candidates proposed by individual members of the HoldCo Noteholder Committee and the Equityholder Committee. These two (2) additional directors shall have a two-year term and the votes of such directors shall be required to approve any Material M&A Transaction during such two-year term. Michael D. Watford shall remain Chairman of the Board post-Effective Date.

W. What is the Rights Offering?

The Rights Offering is an opportunity for holders of Allowed HoldCo Note Claims and Existing HoldCo Common Stock to invest up to $580 million to acquire New Common Stock on the Effective Date through Subscription Rights issued under the Rights Offering.

X. What is the Exit Facility?

The Plan provides that prior to the Effective Date, the Reorganized Debtors will enter into the Exit Facility, which consists of a revolving credit facility, a secured term loan and an unsecured bridge facility (to the extent incurred) effective as of the Effective Date and/or unsecured notes (to the extent issued) issued on or prior to the Effective Date. The material terms of the agreements (which may include credit agreements, indentures, security, collateral or pledge agreements or documents and mortgages) or instruments to be executed or delivered in connection with the Exit Facility will be included as an exhibit to the Plan Supplement.

Y. Who do I contact if I have additional questions with respect to this Disclosure Statement or the Plan?

If you have any questions regarding this Disclosure Statement or the Plan, please contact the Notice and Claims Agent, Epiq Bankruptcy Solutions, LLC:

By regular mail at:
Ultra Ballot Processing
c/o Epiq, Bankruptcy Solutions, LLC
777 Third Avenue, 3rd Floor
New York, NY 10017

By hand delivery or overnight mail at:
Ultra Petroleum Ballot Processing
c/o Epiq Bankruptcy Solutions, LLC
777 Third Avenue, 3rd Floor
New York, NY 10017

By electronic mail at:
tabulation@epiqsystems.com (reference "Ultra Petroleum Corp." in the subject line)

By telephone at:
+1 (646) 282-2500 (ask for the Solicitation Group)

Copies of the Plan, this Disclosure Statement, and any other publicly filed documents in the Chapter 11 Cases are available upon written request to the Debtors' notice, claims, and solicitation agent at the address above or by downloading the exhibits and documents from the website of the Notice and Claims Agent at http://dm.epiq11.com/ultra (free of charge) or the Bankruptcy Court's website at www.txsb.uscourts.gov (for a fee).

Z. Do the Debtors recommend voting in favor of the Plan?

Yes. The Debtors believe the Plan provides for a larger distribution to the Debtors' creditors than would otherwise result from any other available alternative. The Debtors believe the Plan, which contemplates a significant deleveraging, is in the best interest of all holders of Claims and Interests, and that other alternatives fail to realize or recognize the value inherent under the Plan.

AA. Who supports the Plan?

As of the date of this Disclosure Statement, the Plan is supported by the Debtors, the Consenting HoldCo Noteholders, the Consenting HoldCo Equityholders, REX, Corridor, and Big West. The Debtors are engaged in discussions with their other stakeholders (including the Committee, the OpCo Group, an ad hoc group of approximately 28 OpCo Noteholders (the "OpCo Noteholder Group"), and Third Point Loan LLC ("Third Point") in the hopes of obtaining their support for the Plan.

AS OF THE DATE HEREOF, CERTAIN PARTIES—INCLUDING THE COMMITTEE, THE OPCO GROUP, THE OPCO NOTEHOLDER GROUP, AND THIRD POINT—DO NOT SUPPORT THE PLAN. The Debtors, the HoldCo Noteholder Committee, and the Equityholder Committee will address all arguments and assertions of these parties in connection with Confirmation of the Plan.

BB. What was the process underlying formulation of the Plan and related transactions?

Since the commencement of the Chapter 11 Cases, the Debtors and their advisers have engaged with the Debtors' stakeholders.

To facilitate those discussions, the Debtors entered into nondisclosure agreements with: (a) Milbank, Tweed, Hadley & McCloy LLP, counsel to the OpCo Group (June 8, 2016); (b) Moelis & Company LLC, financial adviser to the OpCo Group (July 5, 2016); (c) Paul, Weiss, Rifkind, Wharton & Garrison LLP, counsel to the HoldCo Noteholder Committee (June 20, 2016); (d) Houlihan Lokey, Inc., financial adviser to the HoldCo Noteholder Committee (June 22, 2016); (e) Brown Rudnick LLP, counsel to the Equityholder Committee (August 8, 2016); and (f) Peter J. Solomon Company, financial adviser to the Equityholder Committee (August 8, 2016). In addition, the Committee adopted confidentiality arrangements with respect to its professionals.

Furthermore, in anticipation of these efforts and discussions, the Debtors established a virtual data room, uploaded diligence materials, and provided access credentials to applicable professionals.

The Debtors and their professionals also participated in in-person meetings with their stakeholders and/or their respective professionals. For example, on July 14, 2016, the Debtors' management team and professionals participated in a meeting with the Committee's professionals in Houston, Texas. On October 27, 2016, the Debtors and their professionals participated in a second in-person meeting with the Committee and its professionals in Houston, Texas to discuss the Debtors' business outlook and other matters.

The Debtors also spent significant time seeking to engage in discussions with their stakeholders regarding the Debtors' long-term business plan, which the Debtors developed in accordance with the Final Order granting the KEIP Motion and the Exclusivity Order. On August 9, 2016, the Debtors invited the Committee, the HoldCo Noteholder Committee, the Equityholder Committee, and the OpCo Group and their respective professionals to participate in an in-person meeting in Houston, Texas to discuss the Debtors' revised business outlook and revenue forecast. On August 11, 2016, the Debtors—which have continued to satisfy their public reporting requirements under the securities laws—filed their updated business outlook presentation with the U.S. Securities and Exchange Commission and posted it to their corporate website. Finally, following that meeting, the Debtors responded to various due diligence requests from their stakeholders regarding the long-term business plan and certain related matters.

Thereafter, the Debtors, with the assistance of their professionals, began to review and assess potential reorganization alternatives predicated on the Debtors' long-term business plan. On September 27, 2016, the Debtors and their advisers met in person to discuss potential alternatives. Following that meeting, the Debtors directed their advisers to prepare a comprehensive restructuring proposal to serve as the basis of restructuring discussions. On October 4, 2016, the Debtors presented the key economic terms of a potential plan of reorganization to the advisers to the HoldCo Noteholder Committee and the Equityholder Committee and requested that the members of the HoldCo Noteholder Committee and the members of the Equityholder Committee become restricted to facilitate negotiations. At the time that the Debtors made this proposal, no party—including any of the Debtors' stakeholders—had submitted a comprehensive restructuring proposal to the Debtors since the Petition Date. Subsequently, after agreeing to certain restriction periods and cleansing materials, certain members of the HoldCo Noteholder Committee and the Equityholder Committee executed NDAs on October 17, 2016. Thereafter, the Debtors and the advisers to the HoldCo Noteholder Committee and the Equityholder Committee continued to engage in discussions regarding the Debtors' restructuring proposal on a regular basis.

These efforts led to a meeting at K&E's offices on October 18, 2016, with certain members of the HoldCo Noteholder Committee and the Equityholder Committee, whose ownership interests in HoldCo's funded indebtedness and HoldCo's equity represented at least 50% of the Debtors' HoldCo debt and 50% of HoldCo's equity. The purpose of the meeting was to present a framework for a consensual restructuring pursuant to a chapter 11 plan of reorganization that would pay all creditors in full.

Thereafter, these parties continued to engage in extensive, arm's-length discussions, at both the principal and adviser level. On November 4, 2016, these negotiations resulted in an agreement in principle among the Debtors, the members of the HoldCo Noteholder Committee, and the members of the Equityholder Committee on the plan term sheet for a consensual plan of reorganization that would provide a 100% recovery to all creditors and a distribution to the Debtors' common stockholders, to be effectuated through a fully committed $580 million rights offering.

Between November 4, 2016, and November 21, 2016, the Debtors and their advisors engaged in drafting negotiations with members of the HoldCo Noteholder Committee and members of the Equityholder Committee regarding the documentation of the Plan Support Agreement and Backstop Commitment Agreement, consistent with the framework agreed to in the November 4, 2016 plan term sheet. The negotiations included the exchange of multiple revised versions of the Plan Support Agreement and the Backstop Commitment Agreement among the parties, as well as meetings and discussions among the advisors and principals. These negotiations culminated in the Debtors' entry into the Plan Support Agreement and the Backstop Commitment Agreement on November 21, 2016. The Debtors entered into the Plan Support Agreement following approval by HoldCo's Board of Directors; the boards of directors of OpCo and UP Energy Corporation did not meet to consider or otherwise approve the Debtors' entry into the Plan Support Agreement. On the morning of November 22, 2016, the Debtors issued a news release describing the transactions and filed a Form 8-K with the U.S. Securities and Exchange Commission including copies of the executed agreements.

During the period between October 17, 2016, and November 22, 2016, the Debtors engaged in discussions regarding the Plan Support Agreement and the Plan exclusively with the members of the HoldCo Noteholder Committee and the Equityholder Committee. The Debtors believe that the structure of the transactions contemplated by the Plan Support Agreement and the Plan are substantially similar in nature to the structure of the transactions contemplated by the Debtors' original October 4, 2016 proposal.[8] Prior to November 22, 2016, the Debtors did not engage in discussions regarding the Plan Support Agreement and the Plan with any OpCo funded debt creditor other than any Backstop Commitment Parties that also held OpCo Funded Debt Claims during such period.

Thereafter, the Debtors, the Consenting HoldCo Noteholders, and the Consenting HoldCo Equityholders negotiated the proposed forms of the Plan and Disclosure Statement, as contemplated by the Plan Support Agreement, which the Debtors filed with the Bankruptcy Court on December 6, 2016.

Following the consensual adjournment of the January 19, 2017 hearing regarding approval of the adequacy of the Disclosure Statement, the Debtors began to explore potential Plan modifications that would permit the Debtors to satisfy OpCo Funded Debt Claims in full in Cash. On January 21, 2017 the Debtors' advisers solicited indications of interest for a proposed exit facility that would permit the Debtors to satisfy all Allowed Claims against OpCo in full in Cash. In addition, in an effort to forge greater stakeholder consensus, the Debtors held an in-person meeting with the advisors for the OpCo Group, the Committee, the OpCo Noteholder Group, and the Backstop Commitment Parties on January 25, 2017.

On February 8, 2017, the Debtors entered into the Exit Financing Agreements, pursuant to which, among other things, each Exit Commitment Party has committed to fund the Exit Facility, the proceeds of which will permit the Debtors to satisfy the OpCo Funded Debt Claims in full in Cash, in each case, solely as provided pursuant to the Plan. Thereafter, the Debtors modified the Plan to provide for the satisfaction of all Allowed OpCo Funded Debt Claims in full in Cash as provided in the Plan.

IV. THE DEBTORS' PLAN SUPPORT AGREEMENT AND PLAN.

A. The Plan Support Agreement.

On November 21, 2016, the Debtors, the Consenting HoldCo Noteholders, and the Consenting HoldCo Equityholders entered into the Plan Support Agreement. Since executing the Plan Support Agreement, the Debtors have documented the terms of the restructuring contemplated thereby, including the Plan.[9] The restructuring transactions contemplated by the Plan will significantly reduce the Debtors' funded-debt obligations and result in a stronger balance sheet for the Debtors. The Plan represents a significant step in the Debtors' restructuring process.

B. The Plan.

1. New Common Stock.

All existing Interests in HoldCo shall be cancelled as of the Effective Date and Reorganized HoldCo shall issue the New Common Stock to the holders of Claims and Interests entitled to receive New Common Stock pursuant to the Plan, the Rights Offering Procedures, and the Backstop Commitment Agreement. The issuance of New Common Stock shall be authorized without the need for any further corporate action and without any further action by the Debtors or Reorganized Debtors, as applicable. Reorganized HoldCo's New Organizational Documents shall authorize the issuance and distribution on the Effective Date of New Common Stock to the Distribution Agent for the benefit of holders of Allowed Claims in Class 3 and Interests in Class 8. All New Common Stock issued under the Plan shall be duly authorized, validly issued, fully paid, and non-assessable.

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[8] As noted herein, the Plan provides for certain modifications to the treatment of OpCo Funded Debt Claims and OpCo General Unsecured Claims.

[9] The key terms of the Plan are discussed in greater detail in Article IV.B of this Disclosure Statement, entitled "The Plan."

2. Exit Facility.

On or prior to the Effective Date, the Reorganized Debtors shall enter into the Exit Facility Documents, including, without limitation, any documents required in connection with the creation or perfection of Liens in connection therewith, in accordance with the Exit Financing Agreements and Exit Financing Order. The Confirmation Order shall include approval of the Exit Facility and the Exit Facility Documents, all transactions contemplated thereby, and all actions to be taken, undertakings to be made, and obligations to be incurred by the Reorganized Debtors in connection therewith, including the payment of all fees and expenses and provision of all indemnities provided for therein, authorization of the Reorganized Debtors to enter into and execute the Exit Facility Documents, and authorization for the Reorganized OpCo and the other Reorganized Debtors to create or perfect the Liens in connection therewith. The lenders under the Exit Facility shall have valid, binding and enforceable Liens on the collateral specified in the Exit Facility Documents. The guarantees, mortgages, pledges, Liens and other security interests granted pursuant to the Exit Facility Documents are granted in good faith as an inducement to the lenders under the Exit Facility to extend credit thereunder and shall be deemed not to constitute a fraudulent conveyance or fraudulent transfer, shall not otherwise be subject to avoidance, and the priorities of such Liens and security interests shall be as set forth in the Exit Facility Documents. The Exit Revolver and the Exit Term Loan shall be *pari passu* for all purposes; the provisions of the Exit Facility Documents setting forth the payment priority of each of the Exit Facilities shall be fully enforceable in accordance with their terms.

3. The Rights Offering.

The Debtors shall distribute the Subscription Rights and Rights Offering Shares to the Rights Offering Participants as set forth in the Plan and the Rights Offering Procedures. Pursuant to the Backstop Commitment Agreement and the Rights Offering Procedures, the Rights Offering shall be open to all Rights Offering Participants, and (a) Rights Offering Participants that are holders of Allowed HoldCo Note Claims shall be entitled to participate in the Rights Offering to receive up to a maximum amount of each holder's Pro Rata share of the HoldCo Noteholders Rights Offering Shares, and (b) Rights Offering Participants that are holders of Existing HoldCo Common Stock shall be entitled to participate in the Rights Offering to receive up to a maximum amount of each holder's Pro Rata share of the HoldCo Equityholders Rights Offering Shares.

Upon exercise of the Subscription Rights by the Rights Offering Participants pursuant to the terms of the Backstop Commitment Agreement and the Rights Offering Procedures, the Reorganized Debtors shall be authorized to issue the New Common Stock in accordance with the Plan, the Backstop Commitment Agreement, and the Rights Offering Procedures.

In addition, on the Effective Date, New Common Stock in an amount equal to the Commitment Premium shall be distributed to the Backstop Parties under and as set forth in the Backstop Commitment Agreement, the Backstop Approval Order, and the Plan Term Sheet.

CERTAIN PARTIES ASSERT THAT THE DISCLOSURE STATEMENT LACKS ADEQUATE INFORMATION REGARDING THE RIGHTS OFFERING, INCLUDING PRICING OF THE RIGHTS OFFERING SHARES AND ESTIMATES FOR THE EXPENSE REIMBURSEMENT.

The Debtors disagree. The Debtors have filed financial projections for the Reorganized Debtors as Exhibit D to the Disclosure Statement, including estimated sources and uses of cash on the Effective Date and the estimated pro forma capitalization for the Reorganized Debtors. The Rights Offering Procedures are also annexed to the Disclosure Statement as Exhibit G.

The Debtors believe that the pricing of the Rights Offering Shares and other consideration contemplated by the Backstop Commitment Agreement is appropriate because: (a) the Backstop Commitment Parties have committed the capital required to backstop the Rights Offering, which has necessarily precluded them from committing to or funding other investment opportunities to that extent; (b) approval of commitment fees of the sort contemplated in the Backstop Commitment Agreement is a common practice in complex chapter 11 cases; (c) the form and amount of such consideration was negotiated on an arm's-length basis in connection with the negotiation of the Plan Support Agreement; (d) the cost of such consideration is not borne by OpCo's creditors, as their Claims are being satisfied in full pursuant to the Plan; (e) the form and amount of such consideration is comparable to what courts have approved in other complex chapter 11 cases; and (f) in the Debtors' business judgment, the Rights Offering and the Debtors' entry into the Backstop Commitment Agreement are in the best interests of the Estates.

Finally, prior to the Voting Deadline, the Debtors will include an estimate of the Expense Reimbursement in the Plan Supplement. Accordingly, the Debtors submit that the Disclosure Statement contains adequate information regarding the Rights Offering.

4. Use of Proceeds.

The Debtors' Cash on hand, the Rights Offering proceeds, and the Exit Facility proceeds will be used to fund certain distributions under the Plan, the Debtors' operations, and for general corporate purposes.

5. Governance; Directors and Officers.

The Reorganized Debtors intend to adopt corporate governance practices that are consistent with the Debtors' prepetition practices and personnel; *provided* that the New Board shall have seven (7) members. The five (5) members of the HoldCo Board as of the date prior to the Effective Date shall remain on the New Board post-Effective Date and two (2) additional directors reasonably acceptable to the Chairman of the pre-Effective Date HoldCo Board shall be selected prior to the Effective Date by the existing board of directors after solicitation from a list of director candidates proposed by individual members of the HoldCo Noteholder Committee and the Equityholder Committee. These two (2) additional directors shall have a two-year term and the votes of such directors shall be required to approve any Material M&A Transaction during such two-year term. Michael D. Watford shall remain Chairman of the New Board post-Effective Date.

6. General Settlement of Claims and Interests.

Unless otherwise set forth in the Plan, pursuant to section 1123 of the Bankruptcy Code and Bankruptcy Rule 9019, and in consideration for the classification, distributions, releases, and other benefits provided under the Plan, on the Effective Date, the provisions of the Plan shall constitute a good-faith compromise and settlement of all Claims and Interests.

Unless otherwise set forth in the Plan, the Plan will be deemed a motion to approve the good-faith compromise and settlement of all such Claims, Interests, and controversies pursuant to Bankruptcy Rule 9019, and the entry of the Confirmation Order will constitute the Bankruptcy Court's approval of the compromise or settlement of all such Claims, Interests, and controversies, as well as a finding by the Bankruptcy Court that such compromise or settlement is in the best interests of the Debtors, their Estates, and holders of Claims and Interests and is fair, equitable, and reasonable. In accordance with the provisions of the Plan, and unless otherwise set forth therein, pursuant to Bankruptcy Rule 9019, without any further notice to or action, order, or approval of the Bankruptcy Court, after the Effective Date, the Reorganized Debtors may compromise and settle Claims against, and Interests in, the Debtors and their Estates and Causes of Action against other Entities.

CERTAIN PARTIES OBJECTED TO THE DISCLOSURE STATEMENT BASED ON THE EXTENT OF ITS DISCLOSURE REGARDING ESTATE CLAIMS AND CAUSES OF ACTION AGAINST THE RELEASED PARTIES. No person or entity has advised the Debtors of any material Claims that the Debtors may hold against the Released Parties. Finally, given the significant consideration being provided by the Released Parties, the Debtors believe that the Debtors' releases in favor of the Released Parties are appropriate and within their reasonable business judgment, particularly, as is the case here, where the Debtors are solvent and all claims against the Debtors are being satisfied in full (and the Debtors will satisfy all Allowed Claims against OpCo in full in Cash).

CERTAIN PARTIES ASSERT THAT THE PLAN DOES NOT ADEQUATELY RESERVE, AND/OR PROVIDE NOTICE TO AFFECTED PARTIES OF, ESTATE CAUSES OF ACTION. The Debtors intend to file a list of retained Causes of Action, as an exhibit to the Plan Supplement, prior to the Voting Deadline. Disclosing the retained causes of action will give creditors sufficient detail regarding the the Debtors' retention of rights to pursue causes of action and will enable creditors to make an informed decision about the Plan. The rights of all parties are fully preserved with respect to such matters.

Pursuant to Rule 408 of the Federal Rules of Evidence, the Plan, this Disclosure Statement, the Plan Support Agreement (and any exhibits or supplements relating to the foregoing) and all negotiations relating thereto will not be admissible into evidence in any proceeding unless and until the Plan is consummated, and then only in accordance with the Plan. In the event the Plan is not consummated, provisions of the Plan, this Disclosure Statement, the Plan Support Agreement (and any exhibits or supplements relating to the foregoing), and all negotiations relating thereto will not be binding or probative.

No person or entity has advised the Debtors of any material Claims that the Debtors may hold against the Released Parties. Finally, given the significant consideration being provided by the Released Parties, the Debtors believe that the Debtors' releases in favor of the Released Parties are appropriate and within their reasonable business judgment, particularly, as is the case here, where the Debtors are solvent, all claims against the Debtors are being satisfied in full, and the Debtors will satisfy all Claims against OpCo in full in Cash as provided in the Plan.

7. Debtor Release.

Notwithstanding anything contained in the Plan to the contrary, pursuant to section 1123(b) of the Bankruptcy Code, for good and valuable consideration, on and after the Effective Date, each Released Party is deemed released and discharged by the Debtors, the Reorganized Debtors, and their Estates from any and all Claims and Causes of Action, whether known or unknown, including any derivative claims, asserted on behalf of the Debtors, that the Debtors, the Reorganized Debtors, or their Estates 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, based on or relating to, or in any manner arising from, in whole or in part, the Debtors (including the management, ownership or operation thereof), the Debtors' in- or out-of-court restructuring efforts, any Avoidance Actions (but excluding Avoidance Action brought as counterclaims or defenses to Claims asserted against the Debtors), the formulation, preparation, dissemination, negotiation, or Filing of the Plan Support Agreement, the Backstop Commitment Agreement, or any Restructuring Transaction, contract, instrument, release, or other agreement or document (including providing any legal opinion requested by any Entity regarding any transaction, contract, instrument, document, or other agreement contemplated by the Plan or the reliance by any Released Party on the Plan or the Confirmation Order in lieu of such legal opinion) created or entered into in connection with the Plan Support Agreement, the Disclosure Statement, the Plan, the Plan Supplement, the Rights Offering, the Backstop Commitment Agreement, the Exit Facility, the Chapter 11 Cases, the filing of the Chapter 11 Cases, the pursuit of Confirmation, the pursuit of Consummation, the administration and implementation of the Plan, including the issuance or distribution of Securities pursuant to the Plan, or the distribution of property under the Plan, or upon any other act or omission, transaction, agreement, event, or other occurrence taking place on or before the Effective Date related or relating to the foregoing. Notwithstanding anything to the contrary in the foregoing, the releases set forth above do not release (a) any post-Effective Date obligations of any party or Entity under the Plan, any Restructuring Transaction, or any document, instrument, or agreement (including those set forth in the Plan Supplement) executed to implement the Plan or (b) any individual from any claim

related to an act or omission that is determined in a Final Order by a court competent jurisdiction to have constituted actual fraud or willful misconduct.

Entry of the Confirmation Order shall constitute the Bankruptcy Court's approval, pursuant to Bankruptcy Rule 9019, of the Debtor Release, which includes by reference each of the related provisions and definitions contained in the Plan, and further, shall constitute the Bankruptcy Court's finding that the Debtor Release is: (1) in exchange for the good and valuable consideration provided by the Released Parties; (2) a good faith settlement and compromise of the Claims released by the Debtor Release; (3) in the best interests of the Debtors and all holders of Claims and Interests; (4) fair, equitable, and reasonable; (5) given and made after due notice and opportunity for hearing; and (6) a bar to any of the Debtors, the Reorganized Debtors, or the Debtors' Estates asserting any Claim or Cause of Action released pursuant to the Debtor Release.

8. Release by Holders of Claims or Interests.

Notwithstanding anything contained in the Plan to the contrary, as of the Effective Date, each Releasing Party is deemed to have released and discharged each Debtor, Reorganized Debtor, and Released Party from any and all Claims and Causes of Action, whether known or unknown, including any derivative claims, asserted on behalf of the Debtors, 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 (including the management, ownership or operation thereof), the Debtors' in- or out-of-court restructuring efforts, any Avoidance Actions, the formulation, preparation, dissemination, negotiation, or Filing of the Plan Support Agreement, the Backstop Commitment Agreement, or any Restructuring Transaction, contract, instrument, release, or other agreement or document (including providing any legal opinion requested by any Entity regarding any transaction, contract, instrument, document, or other agreement contemplated by the Plan or the reliance by any Released Party on the Plan or the Confirmation Order in lieu of such legal opinion) created or entered into in connection with the Plan Support Agreement, the Disclosure Statement, the Plan, the Plan Supplement, the Rights Offering, the Backstop Commitment Agreement, the Exit Facility, the Chapter 11 Cases, the filing of the Chapter 11 Cases, the pursuit of Confirmation, the pursuit of Consummation, the administration and implementation of the Plan, including the issuance or distribution of Securities pursuant to the Plan, or the distribution of property under the Plan, or upon any other act or omission, transaction, agreement, event, or other occurrence taking place on or before the Effective Date related or relating to the foregoing. Notwithstanding anything to the contrary in the foregoing, the releases set forth above do not release: (a) any post-Effective Date obligations of any party or Entity under the Plan, any Restructuring Transaction; (b) any post-Effective Date obligations of any party or Entity under the Plan Support Agreement, the Backstop Commitment, or any document, instrument, or agreement (including those set forth in the Plan Supplement) executed to implement the Plan or Plan Supplement; or (c) any individual from any claim related to an act or omission that is determined in a Final Order by a court competent jurisdiction to have constituted actual fraud or willful misconduct.

Entry of the Confirmation Order shall constitute the Bankruptcy Court's approval, pursuant to Bankruptcy Rule 9019, of the releases described in Section 8.3 of the Plan, which includes by reference each of the related provisions and definitions contained herein, and, further, shall constitute the Bankruptcy Court's finding that each release described in Section 8.3 of the Plan is: (1) consensual; (2) essential to the confirmation of the Plan; (3) given in exchange for the good and valuable consideration provided by the Released Parties; (4) a good faith settlement and compromise of such Claims; (5) in the best interests of the Debtors and their Estates; (6) fair, equitable, and reasonable; (7) given and made after due notice and opportunity for hearing; and (8) a bar to any of the Releasing Parties asserting any claim or Cause of Action released pursuant to Section 8.3 of the Plan.

9. Exculpation.

Notwithstanding anything contained in the Plan to the contrary, no Exculpated Party shall have or incur liability for, and each Exculpated Party is hereby released and exculpated from, any Cause of Action for any claim related to any act or omission in connection with, relating to, or arising out of, the Chapter 11 Cases, the formulation, preparation, dissemination, negotiation, or Filing of the Plan Support Agreement, the Backstop Commitment Agreement and related prepetition transactions, the Disclosure

Statement, the Plan, the Plan Supplement, or any Restructuring Transaction, contract, instrument, release or other agreement or document (including providing any legal opinion requested by any Entity regarding any transaction, contract, instrument, document, or other agreement contemplated by the Plan or the reliance by any Exculpated Party on the Plan or the Confirmation Order in lieu of such legal opinion) created or entered into in connection with the Disclosure Statement, the Plan, the Plan Supplement, the Plan Support Agreement, the Rights Offering, the Backstop Commitment Agreement, the Exit Facility, the Filing of the Chapter 11 Cases, the pursuit of Confirmation, the pursuit of Consummation, the administration and implementation of the Plan, including the issuance of Securities pursuant to the Plan, or the distribution of property under the Plan, except for claims related to any act or omission that is determined in a Final Order by a court of competent jurisdiction to have constituted actual fraud or willful misconduct, but in all respects such Entities shall be entitled to reasonably rely upon the advice of counsel with respect to their duties and responsibilities pursuant to the Plan. The Exculpated Parties have, and upon Consummation of the Plan shall be deemed to have, participated in good faith and in compliance with the applicable laws with regard to the solicitation of, and distribution of, consideration pursuant to the Plan and, therefore, are not, and on account of such distributions shall not be, liable at any time for the violation of any applicable law, rule, or regulation governing the solicitation of acceptances or rejections of the Plan or such distributions made pursuant to the Plan.

10. Injunction.

Except as otherwise provided herein or for obligations issued pursuant hereto, all Entities that have held, hold, or may hold Claims or Interests that have been released pursuant to Section 8.3 of the Plan, discharged pursuant to Section 8.1 of the Plan, or are subject to exculpation pursuant to Section 8.4 of the Plan shall be permanently enjoined, from and after the Effective Date, from taking any of the following actions against, as applicable, the Debtors, the Reorganized Debtors, the Released Parties, or the Exculpated Parties: (a) commencing or continuing in any manner any action or other proceeding of any kind on account of or in connection with or with respect to any such Claims or Interests; (b) enforcing, attaching, collecting, or recovering by any manner or means any judgment, award, decree, or order against such Entities on account of or in connection with or with respect to any such Claims or Interests; (c) creating, perfecting, or enforcing any encumbrance of any kind against such Entities or the property or Estates of such Entities on account of or in connection with or with respect to any such Claims or Interests; (d) asserting any right of setoff, subrogation, or recoupment of any kind against any obligation due from such Entities or against the property of such Entities on account of or in connection with or with respect to any such Claims or Interests unless such Entity has timely asserted such setoff right in a document Filed with the Bankruptcy Court explicitly preserving such setoff, and notwithstanding an indication of a Claim or Interest or otherwise that such Entity asserts, has, or intends to preserve any right of setoff pursuant to applicable law or otherwise; and (e) commencing or continuing in any manner any action or other proceeding of any kind on account of or in connection with or with respect to any such Claims or Interests discharged, released, exculpated, or settled pursuant to the Plan.

11. Royalty Interests, Overriding Royalty Interests, Net Profits Interests and Working Interests.

For purposes of the Plan, any royalty interest, overriding royalty interest, net profit interest, working interest, or similar interest or property right in or related to the Debtors' oil and gas properties that is held by a non-Debtor and that is valid and enforceable under applicable nonbankruptcy law (collectively, the "Oil and Gas Property Rights"): (a) shall not constitute property of any Debtor's Estate for purposes of section 541 of the Bankruptcy Code; (b) shall not constitute a Claim for purposes of the Plan; and (c) shall not be classified as a Claim for purposes of Article II or Article III of the Plan.

The Plan shall not: (x) discharge, release, enjoin, or otherwise impair any Oil and Gas Property Rights; and/or (y) discharge, release, enjoin, or otherwise impair (including with respect to priority) any Liens, whether contractual or statutory, securing any Oil and Gas Property Rights.

Holders of any Oil and Gas Property Rights will receive, in the ordinary course of business according to ordinary payment terms and practices, any payments owed to such holders and attributable to revenue held for distribution to them by the Debtors or the Reorganized Debtors, as applicable, under applicable nonbankruptcy law.

All Proofs of Claim Filed on account of any such ordinary course revenue payments on account of any Oil and Gas Property Rights held for distribution by the Debtors shall be deemed satisfied and expunged from the Claims Register to the extent such payments have been distributed to the Entity that filed such Proof of Claim, without any further notice to or action, order, or approval of the Bankruptcy Court, as of entry of the Confirmation Order or the date of distribution of the applicable revenue payment, whichever is later.

The rights, claims, and defenses of the Debtors and any holder of any Oil and Gas Property Right with respect to such matters shall be deemed fully reserved and preserved in all respects.

12. Surety Bond Program

Notwithstanding anything in the Plan to the contrary, the Surety Bond Program shall continue uninterrupted and in accordance with the ordinary course of business of the Debtors and/or Reorganized Debtors, including payment by the Debtors and/or Reorganized Debtors for any premiums associated with the renewal of existing surety bonds or the issuance of new surety bonds, as well as execution of any agreements required by The Surety in connection with the Surety Bond Program. To the extent necessary, any current bond issued on behalf of the Debtors will be deemed and treated as an Executory Contract that has been assumed by the Reorganized Debtors under the Plan and shall survive the Effective Date.

Nothing contained in the Plan and/or the Confirmation Order shall in any way discharge, impair, or otherwise modify any indemnity obligations of the Debtors and/or Reorganized Debtors, whether existing now or in the future, related to issuance of bonds by The Surety pursuant to the Surety Bond Program. To the extent necessary, any current indemnity obligation of the Debtors will be deemed and treated as an Executory Contract that has been assumed by the Reorganized Debtors under the Plan and shall survive the Effective Date. Nothing in the Plan prevents The Surety from requiring the Reorganized Debtors to execute new indemnity agreements in connection with the issuance of bonds pursuant to the Surety Bond Program. Nothing contained in the Plan and/or the Confirmation Order shall constitute a release by The Surety for any future claims it might have against the Debtors, the Reorganized Debtors and/or any other indemnitor for indemnity tied to any loss, cost, fee, or expense incurred in connection with any bond issued by The Surety pursuant to the Surety Bond Program.

Nothing contained in the Plan and/or the Confirmation Order shall discharge, impair, or otherwise modify the collateral provided by the Debtors to The Surety in connection with the Surety Bond Program, and The Surety is not waiving or releasing any rights it has with respect to the collateral pledged by the Debtors. Nothing in the Plan shall impact the ability of The Surety to request additional collateral from the Reorganize Debtors in connection with continuation of the Surety Bond Program, including collateral required for the issuance of new bonds after the Effective Date.

Finally, as part of the ordinary course of business of the Surety Bond Program, the Debtors will pay any unpaid premiums and loss adjustment expenses that are due to The Surety on or before the Effective Date. If all unpaid premiums and loss adjustment expenses that are due to the Surety as of the Effective Date are paid to The Surety, all Proofs of Claim Filed by The Surety shall be deemed withdrawn automatically by The Surety without further notice to or action by the Bankruptcy Court.

V. IMPORTANT INFORMATION ABOUT THIS DISCLOSURE STATEMENT.

A. Certain Key Terms Used in This Disclosure Statement.

The following are some of the defined terms used in this Disclosure Statement. This is not an exhaustive list of defined terms in the Plan or this Disclosure Statement, but is provided for ease of reference only. Please refer to the Plan for additional defined terms.

"Bankruptcy Court" means the United States Bankruptcy Court for the Southern District of Texas, Houston Division, or any other court having jurisdiction over the Chapter 11 Cases, including, to the extent of the withdrawal of any reference under 28 U.S.C. § 157, the United States District Court for the Southern District of Texas.

"Bankruptcy Rules" means the Federal Rules of Bankruptcy Procedure as promulgated by the United States Supreme Court under section 2075 of title 28 of the United States Code, 28 U.S.C. § 2075, as applicable to the Chapter 11 Cases and the general, local, and chambers rules of the Bankruptcy Court.

"Chapter 11 Cases" means the procedurally consolidated chapter 11 cases pending for the Debtors in the Bankruptcy Court.

"Claim" has the meaning set forth in section 101(5) of the Bankruptcy Code.

"Confirmation Date" means the date upon which the Bankruptcy Court enters the Confirmation Order on the docket of the Chapter 11 Cases, within the meaning of Bankruptcy Rules 5003 and 9021.

"Confirmation Hearing" means the hearing(s) before the Bankruptcy Court under section 1128 of the Bankruptcy Code at which the Debtors seek entry of the Confirmation Order.

"Interest" means the common stock, preferred stock, limited liability company interests, and any other equity, ownership, or profits interests of any Debtor, including, without limitation, the Existing HoldCo Equity Interests, and options, warrants, rights, or other securities or agreements to acquire the common stock, preferred stock, limited liability company interests, or other equity, ownership, or profits interests of any Debtor (whether or not arising under or in connection with any employment agreement), including any Claim against the Debtors that is subject to subordination pursuant to section 510(b) of the Bankruptcy Code arising from or related to any of the foregoing; *provided* that the term "Interests" shall not include the Intercompany Interests.

"Person" shall have the meaning set forth in section 101(41) of the Bankruptcy Code.

"Plan Supplement" means the compilation of documents and forms of documents, schedules, and exhibits to the Plan (as amended, supplemented, or modified from time to time in accordance with the terms thereof, the Plan, the Bankruptcy Code, the Bankruptcy Rules, the Backstop Commitment Agreement, and the Plan Support Agreement), to be initially Filed by the Debtors no later than 20 days before the Confirmation Hearing, and additional documents or amendments to previously Filed documents, Filed before the Effective Date as additions or amendments to the Plan Supplement, including the following, as applicable: (a) the New Organizational Documents; (b) a list of retained Causes of Action; (c) the Registration Rights Agreement; (d) the Schedule of Assumed Executory Contracts and Unexpired Leases; (e) the Schedule of Rejected Executory Contracts and Unexpired Leases; (f) the form of the Management Incentive Plan; (g) the Exit Facility Debt Documents, when such documents are available; (h) the REX Settlement Letter Agreement; (i) an estimate of the Expense Reimbursement incurred under the Backstop Commitment Agreement (to be provided in advance of the Voting Deadline); and (j) any and all other documentation necessary to effectuate the Restructuring Transactions or that is contemplated by the Plan subject to the process and approval rights of the Required Consenting Parties set forth in the Backstop Commitment Agreement and the Plan Support Agreement. The Debtors shall have the right to amend the documents contained in, and exhibits to, the Plan Supplement through the Effective Date in accordance with the processes and approval rights of the Required Consenting Parties set forth in the Plan Support Agreement and the Backstop Commitment Agreement.

B. Additional Important Information.

The confirmation and effectiveness of the Plan are subject to certain material conditions precedent described herein and set forth in Article IX of the Plan. There is no assurance that the Plan will be confirmed, or if confirmed, that the conditions required to be satisfied for the Plan to go effective will be satisfied (or waived).

You are encouraged to read this Disclosure Statement in its entirety, including the section entitled "*Risk Factors*," and the Plan before submitting your ballot to vote on the Plan.

The Bankruptcy Court's approval of this Disclosure Statement does not constitute a guarantee by the Bankruptcy Court of the accuracy or completeness of the information contained herein or an endorsement by the Bankruptcy Court of the merits of the Plan.

Summaries of the Plan and statements made in this Disclosure Statement are qualified in their entirety by reference to the Plan. The summaries of the financial information and the documents annexed to this Disclosure Statement or otherwise incorporated herein by reference are qualified in their entirety by reference to those documents. The statements contained in this Disclosure Statement are made only as of the date of this Disclosure Statement, and there is no assurance that the statements contained herein will be correct at any time after such date. Except as otherwise provided in the Plan or in accordance with applicable law, the Debtors are under no duty to update or supplement this Disclosure Statement.

The information contained in this Disclosure Statement is included for purposes of soliciting acceptances to, and Confirmation of, the Plan and may not be relied on for any other purpose. In the event of any inconsistency between the Disclosure Statement and the Plan, the relevant provisions of the Plan will govern.

This Disclosure Statement has not been approved or disapproved by the United States Securities and Exchange Commission (the "SEC") or any similar federal, state, local or foreign regulatory agency, nor has the SEC or any other agency passed upon the accuracy or adequacy of the statements contained in this Disclosure Statement.

The Debtors have sought to ensure the accuracy of the financial information provided in this Disclosure Statement; however, the financial information contained in this Disclosure Statement or incorporated herein by reference has not been, and will not be, audited or reviewed by the Debtors' independent auditors unless explicitly provided otherwise.

Upon Confirmation, certain of the securities described in this Disclosure Statement will be issued pursuant to an effective registration statement under the Securities Act of 1933, 15 U.S.C. §§ 77a–77aa, together with the rules and regulations promulgated thereunder (the "Securities Act"), or (ii) in reliance on the exemption from registration under the Securities Act set forth in (a) section 1145 of the Bankruptcy Code or (b) Section 4(a)(2) of the Securities Act or Regulation D promulgated thereunder. Other securities may be issued pursuant to other applicable exemptions under the federal securities laws. All securities issued pursuant to the exemption from registration set forth in section 4(a)(2) of the Securities Act or Regulation D promulgated thereunder will be considered "restricted securities" and may not be transferred except pursuant to an effective registration statement under the Securities Act or an available exemption therefrom.

The Debtors make statements in this Disclosure Statement that are considered forward-looking statements under federal securities laws. The Debtors consider all statements regarding anticipated or future matters, to be forward-looking statements. Forward-looking statements may include statements about:

- risks associated with drilling oil and natural gas wells;
- the volatility of oil, natural gas and natural gas liquids ("NGL") prices;
- uncertainties in estimating oil, natural gas and NGL reserves;
- the need to replace the oil, natural gas and NGLs the Debtors produce;
- the Debtors' ability to execute their growth strategy by drilling wells as planned;
- the amount, nature and timing of capital expenditures, including future development costs, required to develop the Debtors' undeveloped areas;
- concentration of operations in the Pinedale Field in Wyoming;
- limitations of seismic data;
- the potential adverse effect of commodity price declines on the carrying value of the Debtors' oil and natural properties;
- severe or unseasonable weather that may adversely affect production;

- availability of satisfactory oil, natural gas and NGL marketing and transportation;
- availability and terms of capital to fund capital expenditures;
- amount and timing of proceeds of asset monetizations;
- substantial existing indebtedness and limitations on operations resulting from debt restrictions and financial covenants;
- potential financial losses or earnings reductions from commodity derivatives;
- potential elimination or limitation of tax incentives;
- competition in the oil and natural gas industry;
- general economic conditions, either in the areas where the Debtors operate or otherwise;
- costs to comply with current and future governmental regulation of the oil and natural gas industry, including environmental, health and safety laws and regulations, and regulations with respect to hydraulic fracturing and the disposal of produced water; and
- the need to maintain adequate internal control over financial reporting.

Statements concerning these and other matters are not guarantees of the Reorganized Debtors' future performance. There are risks, uncertainties, and other important factors that could cause the Debtors' actual performance or achievements to be different from those they may project, and the Debtors undertake no obligation to update the projections made herein. These risks, uncertainties, and factors may include: the Debtors' ability to confirm and consummate the Plan; the potential that the Debtors may need to pursue an alternative transaction if the Plan is not Confirmed; the Debtors' ability to reduce their overall financial leverage; the potential adverse impact of the Chapter 11 Cases on the Debtors' operations, management, and employees, and the risks associated with operating the Debtors' businesses during the Chapter 11 Cases; customer responses to the Chapter 11 Cases; the Debtors' inability to discharge or settle Claims during the Chapter 11 Cases; general economic, business and market conditions; currency fluctuations; interest rate fluctuations; price increases; exposure to litigation; a decline in the Debtors' market share due to competition or price pressure by customers; the Debtors' ability to implement cost reduction initiatives in a timely manner; the Debtors' ability to divest existing businesses; financial conditions of the Debtors' customers; adverse tax changes; limited access to capital resources; changes in domestic and foreign laws and regulations; trade balance; natural disasters; geopolitical instability; and the effects of governmental regulation on the Debtors' businesses.

VI. THE DEBTORS' CORPORATE HISTORY, STRUCTURE, AND BUSINESS OVERVIEW.

A. The Debtors and Their Corporate History.

HoldCo, along with its affiliated Debtors, is an oil and natural gas company headquartered in Houston, Texas. In the third quarter of 2016, the Debtors produced an average of 754 million cubic feet equivalent per day from approximately 2,000 net wells located on over 150,000 net acres of leasehold. The Debtors' E&P activities are principally focused in the Pinedale Field in Wyoming where the Debtors produce mainly natural gas. The Debtors also own oil producing assets in Utah and natural gas assets in Pennsylvania.

HoldCo was originally incorporated in 1979 as Starmark Resources Ltd. under the laws of British Columbia, Canada. Until 1990, the Debtors engaged in the acquisition and development of real estate ventures unrelated to the oil and gas industry. In 1990, the Debtors began to acquire oil and gas properties, initially in Texas, New Mexico, and Louisiana, and, in 1996, in Wyoming. Starmark Resources Ltd. later changed its name to Ultra Petroleum Corp. in 1993, and it became a Yukon corporation, by continuance from British Columbia, in 2000.

Between 2007 and 2016, HoldCo's common stock traded on the NYSE under the ticker "UPL." The stock previously traded on the Vancouver Stock Exchange, the Toronto Stock Exchange, and the American Stock Exchange. On May 3, 2016, HoldCo's stock was delisted from the NYSE, but it has continued to trade on the over-the-counter market.

B. The Debtors' Assets.

All of the Debtors' properties and operations are in the continental United States, where they own oil and natural gas properties located in Wyoming, Utah, and Pennsylvania. The Debtors are mainly focused on natural gas in the western states of the U.S. In the third quarter of 2016, over 94 percent of production was natural gas and 95 percent of total production came from Wyoming and Utah.

The table below summarizes, by asset, the Debtors' oil and gas acreage, well count, annual production, and proved oil and gas reserves, as of December 31, 2015.

			12/31/15 Net Producing Wells		2015 Production		12/31/2015 Proved Reserves	
Asset	Location	Net Acres	Count	*% of total*	Bcfe	*% of total*	Bcfe	*% of total*
Pinedale/Jonah	Sublette Co., WY	68,000	1,803	*91%*	265	*91%*	2,390	*95%*
Three Rivers	Uintah Co., UT	9,000	124	*6%*	11	*4%*	34	*1%*
Marcellus	Pennsylvania	74,000	52	*3%*	14	*5%*	104	*4%*
	Totals	**151,000**	**1,979**	***100%***	**290**	***100%***	**2,528**	***100%***

The Debtors' Wyoming properties are located in the Green River Basin and include acreage in the Pinedale Field and, to a much lesser extent, in the adjacent Jonah Field, both of which are located in Sublette County. The Debtors are the largest leaseholders in Pinedale Field, which was mostly acquired during the 1990s. The remainder of their Wyoming holdings were acquired in September 2014 from SWEPI LP, a wholly owned subsidiary of Royal Dutch Shell, plc. The Debtors operate approximately 85 percent of their net Wyoming production, with QEP Resources, Inc. operating nearly all of the remainder. The Debtors have continued an active development program in the Pinedale Field throughout the pendency of the Chapter 11 Cases and are currently operating four rigs there, while QEP Resources, Inc. is operating one rig on acreage in which a Debtor is a participant.

The Pinedale Field is one of the top ten natural gas fields in the United States. The Pinedale Field is named after the Pinedale anticline, a subsurface feature about five miles wide and thirty-five miles long. It covers nearly 84 square miles of land and is estimated to contain approximately 39 trillion cubic feet of recoverable natural gas. The Pinedale Field has long been a target of oil and gas exploration with the first well drilled in 1939. However, the field was not commercial until the 1990s when modern completion technology, along with improved natural gas prices, made it economic to drill and complete wells. Beginning in the mid-1990s, the Debtors' exploration and development efforts in the Pinedale Field have targeted a stacked sequence of over-pressured sandstones in the Cretaceous-aged Lance and Mesaverde formations having a gross reservoir thickness of up to 5,700 feet and located at subsurface depths of up to 14,000 feet. Wells are not horizontal, but are directionally drilled from pads containing up to thirty wells and then completed utilizing multi-stage fracture stimulation. Although the Debtors' production from the Pinedale Field is primarily natural gas, their wells in the field also produce condensate (a light, sweet grade of crude oil).

The Jonah Field, in which the Debtors own a much smaller acreage position, is also a substantial natural gas field, estimated to contain over 10.5 trillion cubic feet of natural gas. It is located to the south and west of the southeastern end of the Pinedale Field. Similar to their Pinedale production, the Debtors' production from the Jonah Field consists primarily of natural gas and, to a lesser extent, condensate.

The Debtors' Utah acreage is in the Three Rivers Field, which is located within the Uinta Basin region and produces primarily black wax crude oil. The Debtors acquired their Utah properties in December 2013. The Debtors' exploration and development efforts in the Three Rivers Field target primarily the Eocene-aged Lower Green River Formation. Due to their capital constraints and low oil prices, the Debtors suspended their drilling operations in May 2015 and elected to defer completion of twenty two wells drilled during the first few months of 2015, thirteen of which were completed in the second and third quarters of 2016.

The Debtors' Pennsylvania properties produce natural gas and are located in the Appalachian Basin in several counties in the north-central part of the state. The Debtors acquired their current Pennsylvania properties in February 2010. The Debtors previously owned, until September 2014, certain other operated and non-operated properties in Pennsylvania, which they sold to SWEPI LP in connection with the September 2014 transaction referenced above. The Debtors' exploration and development efforts in Pennsylvania have targeted primarily the Devonian-aged Marcellus Shale and, to a lesser extent, the Geneseo Shale. Due to their capital constraints and low natural gas prices, the Debtors have not drilled or completed any wells in Pennsylvania since 2012.

C. **The Debtors' Operations**.

The Debtors operate the vast majority of their properties, including over 90 percent of their productive acreage in the Pinedale and Jonah fields in Wyoming and 100 percent of their productive acreage in Utah. All of the Debtors' acreage in Pennsylvania is non-operated. Because the Debtors operate the vast majority of their properties, they are able to realize the significant benefits of being operators, including the ability to control the timing and amount of their capital expenditures, the nature and scope of development activities, and lower costs of drilling, completion, and production operations.

The Debtors have historically been one of the lowest-cost operators in the domestic U.S. oil and gas industry, particularly with regard to the cash costs components of their drilling, completion, and production operations. The Debtors have demonstrated their ability to consistently improve their operating efficiencies, particularly in Pinedale field, over many years. Specifically, since 2006, the Debtors have reduced their average total Pinedale well cost by approximately 63 percent (from approximately $7.0 million in 2006 to approximately $2.6 million in 2016) and their average spud to total depth drill time by 87 percent (from approximately 67 days in 2006 to just under approximately 8.9 days in the third quarter of 2016).

As of the Petition Date, the Debtors had approximately 159 full-time employees. None of their employees are represented by a collective bargaining unit.

D. **Prepetition Capital Structure**.

As illustrated in the capitalization table below, and as discussed in detail herein, the Debtors' funded indebtedness—as of the Petition Date—consisted of: (a) approximately $1.3 billion in principal amount of unsecured senior notes issued by HoldCo which are structurally subordinated to OpCo's funded indebtedness; (b) approximately $999.0 million in unsecured bank debt borrowed by OpCo (and guaranteed by UP Energy and HoldCo); and (c) approximately $1.46 billion in principal amount of unsecured senior notes issued by OpCo (and guaranteed by UP Energy and HoldCo).

($ in millions)	Issuance Year	Maturity Date	Interest Rate	Principal Amount
Ultra Resources, Inc.				
$1 Billion Revolving Credit Facility	2011	Oct-16	Libor + 2.5%	$ 999.0
7.31% Senior Notes	2009	Mar-16	7.31%	62.0
4.98% Senior Notes	2010	Jan-17	4.98%	116.0
5.92% Senior Notes	2008	Mar-18	5.92%	200.0
7.77% Senior Notes	2009	Mar-19	7.70%	173.0
5.50% Senior Notes	2010	Jan-20	5.50%	207.0
4.51% Senior Notes	2010	Oct-20	4.51%	315.0
5.60% Senior Notes	2010	Jan-22	5.60%	87.0
4.66% Senior Notes	2010	Oct-22	4.66%	35.0
5.85% Senior Notes	2010	Jan-25	5.85%	90.0
4.91% Senior Notes	2010	Oct-25	4.91%	175.0
Total OpCo Funded Indebtedness				**$ 2,459.0**
Ultra Petroleum Corp.				
5.75% Senior Notes	2013	Dec-18	5.75%	$ 450.0
6.125% Senior Notes	2014	Oct-24	6.13%	850.0
Total HoldCo Funded Indebtedness				**$ 1,300.0**
Total Funded Indebtedness				**$ 3,759.0**

1. The OpCo Credit Agreement.

OpCo is the borrower of approximately $999.0 million of ***unsecured*** bank indebtedness under the OpCo Credit Agreement. The OpCo Credit Agreement provides the Debtors with a senior, unsecured revolving credit facility.

All obligations under the OpCo Credit Agreement are guaranteed, on an unsecured basis, by HoldCo and UP Energy. The obligations under the OpCo Credit Agreement are not guaranteed by any subsidiaries of OpCo. As of the Petition Date, the outstanding principal obligations under the OpCo Credit Agreement total approximately $999.0 million. As of the Petition Date, there was no further borrowing availability under the OpCo Credit Agreement, which matured as of October 2016.

2. The OpCo Notes.

OpCo is also the primary obligor with respect to approximately $1.46 billion of unsecured private placement notes issued under the OpCo Note Purchase Agreement. The OpCo Note Purchase Agreement provides for the issuance of the ten tranches of unsecured senior notes.

All obligations under the OpCo Notes are guaranteed, on an unsecured basis, by HoldCo and UP Energy. The obligations under the OpCo Notes are not guaranteed by any subsidiaries of OpCo. The outstanding principal obligations under the OpCo Notes totaled approximately $1.46 billion as of the Petition Date. The maturity dates of the OpCo Notes range through October 2025.

3. The HoldCo Notes.

HoldCo is the obligor with respect to approximately $1.3 billion of ***unsecured*** notes. The HoldCo Notes are not guaranteed by, and do not have recourse against, any other Debtor entity. The HoldCo Notes were issued in two transactions: ***first***, in December 2013, as to $450.0 million in principal amount; and, ***second***, in September 2014, as to $850.0 million in principal amount.

The HoldCo Notes issued in December 2013 were issued pursuant to the Indenture, dated as of December 12, 2013 (as amended, modified, or supplemented in accordance with the terms thereof, the "2013 HoldCo Indenture"), by and between HoldCo, as issuer, and Delaware Trust Company, as successor trustee to

U.S. Bank National Association, which provides for the issuance of HoldCo's 5.750 percent senior unsecured notes due 2018 (collectively, the "2018 Notes"). As of the Petition Date, the outstanding principal obligations under the 2018 Notes totaled approximately $450.0 million.

The HoldCo Notes issued in September 2014 were issued pursuant to the Indenture, dated as of September 18, 2014 (as amended, modified, or supplemented in accordance with the terms thereof, and, together with the 2013 HoldCo Indenture, the "HoldCo Indentures"), by and between HoldCo, as issuer, and Delaware Trust Company, as successor trustee to U.S. Bank National Association, which provides for the issuance of HoldCo's 6.125 percent senior unsecured notes due 2024 (collectively, the "2024 Notes"). As of the Petition Date, the outstanding principal obligations under the 2024 Notes totaled approximately $850.0 million.

4. **HoldCo's Equity Interests**.

HoldCo is a publicly held company that was listed on the NYSE, under the symbol "UPL," beginning in 2007. On May 3, 2016, HoldCo's stock was delisted from the NYSE, but it has continued to trade over the counter. As of the Petition Date, HoldCo had 153,388,832 outstanding shares of common stock.

VII. EVENTS LEADING TO THE CHAPTER 11 FILINGS.

A. Commodity Price Decline.

Between 2008, when the Debtors issued the first of the OpCo Notes, and continuing through 2014, when the Debtors issued the last of the HoldCo Notes, the Debtors and their lenders created a capital structure that was designed to support the Debtors in pursuing the profitable growth business model they had successfully employed since 1999.[10]

The Debtors' difficulties are consistent with those faced industry-wide. Natural gas and crude oil prices have been highly volatile over the past several years, and plunged to historically low levels during 2015 and early 2016. These dramatic changes in commodity prices created significant disruption and turmoil in all aspects of the oil and gas industry. Independent exploration and production companies with leveraged balance sheets like the Debtors were especially hard-hit. Dozens of oil and gas companies filed for chapter 11 in 2015 and 2016.

B. Financial Responses and Restructuring Negotiations.

In response to the decline in commodity prices, the Debtors undertook a series of operational and financial actions in 2014 and 2015 in an attempt to improve their liquidity position and stabilize their capital structure. Notwithstanding these initiatives, given the continued low commodity prices, it became clear that the Debtors' capital structure was not sustainable without, minimally, modifications to the terms of their debt agreements. Accordingly, the Debtors retained financial and legal advisors to assist them in discussions and negotiations with their creditors and equityholders.

More specifically, beginning in October 2015, the Debtors began negotiations with certain OpCo RCF Lenders and OpCo Noteholders. The Debtors' initial objective during these discussions—which ultimately continued over the next several months—was to negotiate an amendment to the OpCo Note Purchase Agreement that would alleviate the constraints of the consolidated leverage ratio financial covenant. The Debtors also sought to negotiate a replacement credit facility to the OpCo Credit Agreement, which matured as of October 2016.

Although many meetings were convened, negotiations conducted, and drafts of term sheets and proposals prepared and exchanged, conditions in the oil and gas business continued to be very poor, and the Debtors' financial

[10] The Debtors increased the PV-10 value of their proved reserves more than 17,000 percent between year-end 1999, when its proved reserves had a PV-10 value of less than $50.0 million, and 2014, when its proved reserves had a PV-10 value of $7.1 billion.

condition continued to deteriorate through the end of 2015, and, as a result, no changes were agreed to regarding the Debtors' capital structure.

As 2016 began, the Debtors and their lenders continued their efforts to reach a consensual out-of-court restructuring of the Debtors' balance sheet. More specifically, in early January 2016, the Debtors delivered an updated proposal to a steering committee of OpCo Noteholders and, separately, to JPMorgan Chase Bank, N.A., on behalf of the OpCo RCF Lenders. The Debtors' proposal contemplated a comprehensive restructuring of the Debtors' capital structure, including the OpCo Notes. After receiving the proposal, the OpCo Noteholders engaged a financial advisor, who began a comprehensive diligence process. Although there was some discussion of the proposal, it did not result in an agreement.

By the beginning of February 2016, the OpCo RCF Lenders engaged a financial advisor, and the OpCo RCF Lenders began to focus on negotiating forbearance agreements to address the near-term interest and maturity payments under the OpCo Notes instead of the Debtors' overall restructuring proposal. These discussions continued throughout the month, and the Debtors, each of the OpCo RCF Lenders and OpCo Noteholders signed waiver and amendment agreements on March 1, 2016.

These agreements—which were intended to provide time to attempt to negotiate an out-of-court restructuring transaction—allowed the Debtors to defer approximately $102.0 million in principal and interest payments due March 1, 2016 under the OpCo Notes as well as $2.7 million in interest payments payable between March 1, 2016 and April 30, 2016 under the OpCo Credit Agreement. The agreements also conditioned the waivers on the Debtors electing not to make an April 1, 2016 interest payment due on certain HoldCo Notes.

On March 8, 2016, the Debtors invited the OpCo RCF Lenders and OpCo Noteholders to a meeting in New York City. At the meeting, the Debtors presented another, different proposal to restructure all of the Debtors' debt on an out-of-court basis. On April 1, 2016, as contemplated by the waiver and amendment agreements, HoldCo elected to defer the approximately $26.0 million interest payment on the 2024 Notes, entering a 30-day grace period. On April 4, 2016, the OpCo RCF Lenders and OpCo Noteholders provided a joint counterproposal to the Debtors. Thereafter, the Debtors realized the parties would struggle to reach an agreement prior to the April 30, 2016 expiration of the forbearance and waiver agreements and that a comprehensive restructuring of the Debtors' obligations could only be achieved through the chapter 11 process. Over the course of their lengthy discussions with the lenders to OpCo, the Debtors and their advisors also engaged in several constructive discussions with certain holders of the HoldCo Notes and their advisors. However, no agreement could be reached with the holders of the HoldCo Notes prior to the Petition Date.

Accordingly, with the help of their advisors, the Debtors began working in earnest to consider restructuring alternatives and ensure that their businesses were best positioned to compete in the exploration and production industry going forward. To achieve an orderly restructuring and maximize the value of the Debtors' businesses, a series of steps were undertaken in a coordinated manner leading up to the filing of the Chapter 11 Cases.

VIII. EVENTS OF THE CHAPTER 11 CASES.

A. First Day Relief.

On the Petition Date, the Debtors filed several motions (the "First Day Motions") designed to facilitate the administration of the Chapter 11 Cases and minimize disruption to the Debtors' operations, by, among other things, easing the strain on the Debtors' relationships with employees, vendors, and customers following the commencement of the Chapter 11 Cases. At a hearing on May 3, 2016, the Bankruptcy Court granted all of the relief requested in the First Day Motions. The First Day Motions, and all orders for relief granted in the Chapter 11 Cases, can be viewed free of charge at http://dm.epiq11.com/ultra.

B. Second Day Relief.

1. Ordinary Course Professionals.

On May 20, 2016, the Debtors filed the *Debtors' Motion for Entry of an Order Authorizing the Debtors to Retain and Compensate Professionals Utilized in the Ordinary Course of Business* [Docket No. 190] (the "OCP Motion"). Thereafter, on June 13, 2016 the Court entered an order granting the OCP Motion [Docket No. 294], authorizing the Debtors to compensate certain non-bankruptcy professionals in the ordinary course.

2. Employment and Compensation of Advisors.

To assist the Debtors in carrying out their duties as debtors-in-possession and to otherwise represent the Debtors' interests in the Chapter 11 Cases, the Bankruptcy Court entered orders authorizing the Debtors to retain and employ the following advisors: (a) Kirkland & Ellis LLP as counsel to the Debtors [Docket No. 357]; (b) Jackson Walker LLP as co-counsel to the Debtors [Docket No. 296]; (c) Watt Thompson & Henneman LLP as special claims litigation counsel to the Debtors [Docket No. 780]; (d) Farnsworth & vonBerg, LLP as special claims litigation counsel to the Debtors [Docket No. 781]; (e) Holland & Hart LLP as special claims litigation counsel to the Debtors [Docket No. 995]; (f) Rothschild, Inc. and Petrie Partners Securities, LLC as investment bankers to the Debtors [Docket No. 337]; and (g) Epiq Bankruptcy Solutions, LLC as claims, noticing, and solicitation agent [Docket No. 148]. On June 13, 2016, the Bankruptcy Court entered an order approving procedures for the interim compensation and reimbursement of expenses of retained Professionals in the Chapter 11 Cases [Docket No. 295]. On November 1, 2016, Jackson Walker LLP filed its *Motion to Withdraw as Co-Counsel For Debtors* [Docket No. 680], which motion was granted on December 1, 2016 [Docket No. 799].

C. Appointment of the Official Committee of Unsecured Creditors.

On May 5, 2016, the U.S. Trustee filed the *Notice of Organization Meeting for Official Joint Committee of Unsecured Creditors* [Docket No. 121], notifying parties in interest that the U.S. Trustee had appointed a statutory committee of unsecured creditors in the Chapter 11 Cases. On September 26, 2016, the U.S. Trustee filed the *Notice of Reconstitution of Official Joint Committee of Unsecured Creditors* [Docket No. 569], notifying parties in interest that two creditors had resigned as members to the Committee. The Committee is currently composed of Delaware Trust Company, The Prudential Insurance Company of America, REX, Sunoco Partners Marketing & Terminals L.P. ("Sunoco") and Doyle and Margret Hartman. On October 27, 2016, the Debtors held a meeting with the Committee, which included a discussion of certain claims against the Debtors as well as the Debtors new business plan.

D. Other Creditors and Equityholders.

In addition to the Committee, the following committees organized during the pendency of the Chapter 11 Cases.

- Equityholder Committee. An ad hoc committee of investors in HoldCo equity. On June 8, 2016, the Equityholder Committee submitted a letter to the U.S. Trustee requesting appointment of an official committee of equity security holders. On June 29, 2016, the U.S. Trustee announced that it would not appoint an official committee of equity security holders at that time. On July 20, 2016, the Equityholder Committee filed the *Verified Statement of Brown Rudnick LLP Pursuant to Bankruptcy Rule 2019* [Docket No. 422, as modified, Docket No. 884].

- HoldCo Noteholder Committee. An ad hoc committee of investors in HoldCo indebtedness. On June 13, 2016, the HoldCo Noteholder Committee filed the *Verified Statement of the Ad Hoc Committee of Holdco Noteholders Pursuant to Bankruptcy Rule 2019* [Docket No. 286] and the *First Supplemental Verified Statement of the Ad Hoc Committee of Holdco Noteholders Pursuant to Bankruptcy Rule 2019* [Docket No. 556, as modified, Docket No. 883].

- OpCo Group. On June 8, 2016, the OpCo Group filed the *Verified Statement Pursuant to Bankruptcy Rule 2019* [Docket No. 228, as modified, Docket No. 979].

- OpCo Noteholder Group. On January 6, 2017, an ad hoc committee of OpCo Noteholders filed the *Verified Statement of Morgan, Lewis, & Bockius LLP Pursuant to Rule 2019 of the Federal Rules of Bankruptcy Procedure* [Docket No. 896, as modified, Docket No. 1020].

The Debtors and/or their advisors have engaged principals and advisors from each of these committees in discussions and negotiations during the pendency of the Chapter 11 Cases.

E. Schedules and Statements.

On June 8, 2016, the Debtors filed their Schedules of Assets and Liabilities and Statements of Financial Affairs. On October 14, 2016, Ultra Wyoming LGS, LLC amended its schedules to include an intercompany payable amount on that Debtor's schedule of unsecured claims [Docket No. 615].

F. Section 341 Meeting.

On June 14, 2016, the Debtors attended a meeting of their creditors pursuant to section 341 of the Bankruptcy Code and addressed inquiries from the U.S. Trustee and certain creditors regarding, among other topics, the Debtors' operations and finances and other issues related to the Chapter 11 Cases.

G. Employee Compensation Motions.

On May 30, 2016 the Debtors filed the *Debtors' Motion for Entry of an Order Authorizing and Approving Non-Insider Retention Program* [Docket No. 207] (the "KERP Motion") and the *Debtors' Motion for Entry of an Order Authorizing and Approving the Debtors' Key Employee Incentive Plan* [Docket No. 206] (the "KEIP Motion," and together with the KERP Motion, the "Employee Compensation Motions"). After the Petition Date, and prior to filing their Employee Compensation Motions, the Debtors engaged in discussions with, and provided relevant information to, the U.S. Trustee and the Committee's advisors regarding the terms of the Debtors' proposed retention program and incentive plan, including sharing copies of the applicable plan documents and advance drafts of the motions with the Committee's counsel. The Debtors also convened an in-person meeting with the U.S. Trustee that the Committee's counsel attended during which senior management answered questions regarding the compensation programs. These efforts ultimately resulted in a settlement that resolved the Committee's objection to the KEIP Motion. The U.S. Trustee's objection, to the extent it was not withdrawn, was overruled, and the KEIP Motion was granted.

H. Exclusivity.

Under the Bankruptcy Code, a debtor has the exclusive right to file and solicit acceptance of a plan or plans of reorganization for an initial period of 120 days from the date on which the debtor filed for voluntary relief (which may be extended by the Bankruptcy Court for a period of up to 18 months from the petition date) (the "Exclusive Filing Period"). If a debtor files a plan within this initial exclusive period, then the debtor has the exclusive right for 180 days from the petition date to solicit acceptances to the plan (which may be extended by the Bankruptcy Court for a period of up to 20 months from the petition date) (the "Exclusive Solicitation Period," and together with the Exclusive Filing Period, the "Exclusive Periods"). During these Exclusive Periods, no other party in interest may file a competing plan of reorganization, however, a court may extend these periods upon request of a party in interest and "for cause."

The Debtors' initial 120-day Exclusive Filing Period was initially scheduled to expire on August 27, 2016 with the initial 180-day Exclusive Solicitation Period set to expire on October 26, 2016. The Debtors filed a motion to extend Exclusive Periods by six months on July 27, 2016 [Docket No. 445]. Both the Committee and the OpCo Creditors filed objections to the Exclusivity Motion [Docket Nos. 498 and 501]. After a contested hearing on August 25, 2016, the Bankruptcy Court extended the Exclusive Filing Period to March 1, 2017 and the Exclusive Solicitation Period to May 1, 2017 [Docket No. 522]; *provided* that the Debtors provide a long-term business plan to counsel for their key stakeholder constituencies on or before December 1, 2016. On November 30, 2016, the Debtors provided a long-term business plan to counsel to their key stakeholder constituencies.

The Debtors filed the Plan and Disclosure Statement within the Exclusive Filing Period. On February 1, 2017, the Debtors filed the *Debtors' Motion To Further Extend Their Exclusivity Periods to File A Chapter 11 Plan And Solicit Acceptances Thereof* [Docket No. 1049], which is scheduled to be heard on February 22, 2017 at 3:30 p.m. (prevailing Central Time).

I. Claim Resolution Process.

1. The Bar Date; Bar Date Stipulation.

The Debtors' general bar date was established as September 1, 2016, with the deadline for filing governmental claims established as October 26, 2016 [Docket No. 83]. On August 22, 2016, the Court entered an order approving certain modification with respect to the Bar Date requested by certain holders of OpCo's funded indebtedness [Docket No. 508].

2. The Claims Process.

During the Chapter 11 Cases, the Debtors have—and continue to—reviewed, reconciled, and contested certain potential significant contingent Claims (including, among other things, Claims asserted against, or that may be asserted against HoldCo, OpCo and UP Energy Corporation). To facilitate this process, the Debtors have worked with the Notice and Claims Agent, the Debtors' primary restructuring counsel, and certain law firms to be engaged pursuant to section 327(e) of the Bankruptcy Code as special claims litigation counsel [Docket Nos. 631 and 632]. In particular, the Debtors have worked during these Chapter 11 Cases to resolve following claims.

3. REX.

On April 4, 2016, the Debtors received a demand for payment from REX in which REX demanded that OpCo pay approximately $303.2 million by April 20, 2016. On April 14, 2016, REX filed a lawsuit against OpCo in Texas state court in Harris County, Texas alleging breach of contract and seeking damages related to the alleged breach. On August 26, 2016, REX filed a Proof of Claim with the Bankruptcy Court for approximately $303.3 million [Claim No. 276]. On October 28, 2016, the Debtors filed an objection to the REX Proof of Claim [Docket No. 677]. On November 28, 2016, the Bankruptcy Court entered a scheduling order establishing March 1, 2017, as the trial date with respect to the Debtors' claim objection [Docket No. 782]. On January 11, 2017, the Debtors and REX entered into the REX Settlement Letter Agreement pursuant to which: (a) REX will have an Allowed General Unsecured Claim in the amount of $150,000,000, which will be treated as an Allowed General Unsecured Claim for purposes of the Plan; and (b) OpCo will enter into a new seven-year firm transportation agreement with REX commencing December 1, 2019, for service west-to-east of 200,000 dekatherms per day at a rate of approximately $0.37, or approximately $26.8 million annually.

4. Sempra.

On February 26, 2016, the Debtors received a letter from Sempra Rockies Marketing, LLC ("Sempra") alleging that the Debtors were in breach of the Capacity Release Agreement, dated as of March 5, 2009. The letter also notified the Debtors that Sempra would immediately and permanently recall the capacity released to the Debtors. On March 8, 2016, the Debtors received a letter from Sempra notifying the Debtors that Sempra had in fact completely and permanently recalled the capacity previously made available to the Debtors on the Rockies Express Pipeline effective as of March 9, 2016. On August 25, 2016, Sempra filed a Proof of Claim with the Bankruptcy Court for approximately $63.8 million [Claim No. 245]. On October 28, 2016, the Debtors filed an objection to the Sempra proof of Claim [Docket No. 676]. On January 23, 2017, the Bankruptcy Court entered the *Scheduling Order Regarding Objection to Claim of Sempra Rockies Marketing, LLC* [Docket No. 1037].

5. Big West.

Prior to the Petition Date, the Debtors and Big West entered into several contracts related to the purchase and sale of crude oil produced in Wyoming and Utah. On April 26, 2016, Big West and the Debtors entered into a Temporary Suspension of Contracts and Interim Crude Oil Purchase and Sale Agreement (the "Suspension

Agreement"). Pursuant to the Suspension Agreement, the Debtors and Big West suspended performance under their prepetition agreements on the condition that the Debtors would continue to sell and deliver crude oil to Big West during the suspension period. On October 10, 2016, Big West and the Debtors entered an extension of the Suspension Period through January 21, 2017. On August 30, 2016, Big West filed Proofs of Claim with the Bankruptcy Court asserting approximately $32.6 million related to lost profits associated with the interim purchase agreement [Claim No. 310, 311, 313, 318, 320, 321, 323, and 324]. On December 13, 2016, the Debtors objected to Big West Claims [Docket No. 830]. The Debtors and Big West have engaged in discussions and have reached a proposed settlement which provides that Big West shall be deemed to have Allowed General Unsecured Claims against each of the Debtors in the amount of $17,350,000. On January 31, 2017 the Debtors filed the *Debtors' Motion For Entry Of Stipulation and Consent Order Between the Debtors and Big West Oil LLC* [Docket No. 1047], which is set for hearing on February 22, 2017 at 3:30 p.m. (prevailing Central Time).

6. Sunoco.

On April 29, 2016, the Debtors received a letter from counsel to Sunoco asserting that the Debtors had breached, by anticipatory repudiation, a contract for the purchase and sale of crude oil between OpCo and Sunoco and the contract was terminated. In the letter, Sunoco demanded payment for damages resulting from the breach in the amount of $38.6 million. On August 31, 2016, Sunoco filed a Proof of Claim with the Bankruptcy Court for approximately $16.9 million [Claim No. 335]. The Debtors dispute Sunoco's positions in the letter and its Proof of Claim, and the Debtors intend to object to Sunoco's Proof of Claim. Accordingly, on December 13, 2016, the Debtors filed their *Objection to Proof of Claim of Sunoco Partners Marketing & Terminals, L.P.* [Docket No. 829]. The Debtors also commenced an adversary proceeding against Sunoco, which proceeding is styled as *Ultra Resources, Inc. v. Sunoco Partners Marketing & Terminals, L.P. (In re Ultra Petroleum Corp.)*, Adv. Proc. No. 16-3272 (MI) (Bankr. S.D. Tex.). On January 19, 2017, the Bankruptcy Court entered a comprehensive scheduling order with respect to such matters [Docket No. 998]. Sunoco is a member of the Committee.

7. Pinedale Corridor L.P.

Corridor leases a liquids gathering system to Ultra Wyoming LGS, LLC ("UWLGS") (the "UWLGS Lease"). On August 30, 2016, Corridor filed Proofs of Claim with the Bankruptcy Court asserting approximately over $450 million in claims related to the UWLGS Lease and the Debtors' guarantees related to the UWLGS Lease [Claim Nos. 281, 282, 283, 284, and 291].

On September 20, 2016, Corridor filed a motion to dismiss UWLGS's Chapter 11 Case, or alternatively, to appoint a trustee or examiner [Docket No. 559] (the "Corridor Motion"). On October 11, 2016, the Debtors filed an objection to the Corridor Motion [Docket No. 610] in which the Debtors demonstrated that: (a) they had an alternative to the liquids gathering system that would completely replace Corridor and could be available to the Debtors following a modest capital investment; (b) unless Corridor and the Debtors could reach agreement on a modified UWLGS Lease that saved the Debtors money, the Debtors might find it within their business interest to reject the UWLGS Lease; and (c) the Corridor Motion was otherwise without merit. On October 13, 2016, the Committee filed a joiner to the Debtors' objection to the Corridor Motion [Docket No 613] On October 14, 2016, the Equityholder Committee filed a joiner to the Debtors' objection as well [Docket No 616].

On October 20, 2016, the Debtors and Corridor agreed to engage in mediation of all of their disputes and to defer any further action on the Corridor Motion [Docket No. 628]. The mediation took place on November 2, 2016, and was successful. On November 11, 2016, the Debtors filed the *Debtors' Expedited Motion for Entry of Order (I) Approving Term Sheet with Pinedale Corridor L.P. and (II) Authorizing the Debtors to Assume Unexpired Lease of Non-Residential Real Property* [Docket No. 710], which was approved on November 28, 2016 [Docket No 779]. The term sheet provides, among other things, that: Corridor will withdraw all of its Proofs of Claim; the Debtors would assume the UWLGS Lease with a $0.00 cure; Corridor will support the Plan; and Corridor will have an Allowed General Unsecured Claim against OpCo up to a maximum of $250,000 on account of legal fees actually incurred. On January 11, 2017, the Debtors and Corridor entered into a stipulation pursuant to which the parties agreed that Corridor had incurred not less than $250,000 in legal fees and that Corridor would, accordingly, have an Allowed General Unsecured Claim against OpCo in the amount of $250,000.

8. Stonegate Resources.

In February 26, 2015, Ouray Park Irrigation Company filed a lawsuit against HoldCo, Three Rivers Holding, LLC, and Stonegate Resources LLC ("Stonegate") to quiet title in certain mineral rights in Utah. This litigation is pending in Utah state court under the caption *Ouray Park Irrigation Co. v. Stonegate Resources LLC, et al.,* Civil No. 150800019. On July 14, 2016, Stonegate filed a motion to lift the automatic stay to resolve the Utah state court proceeding, where several dispositive motions were set for trial as of June 2016. On August 12, 2016, the Bankruptcy Court entered an order granting the requested relief from the automatic stay for that purpose [Docket No. 488].

9. ONRR Proceeding.

On April 19, 2016, the Debtors received a preliminary determination notice from the Office of Natural Resources Revenue (the "ONRR") asserting that the Debtors' allocation of certain processing costs and plant fuel use at certain processing plants were impermissibly charged as deductions in the determination of royalties owed under federal oil and gas leases. During the second quarter of 2016, the Debtors responded to the preliminary determination asserting the reasonableness of their allocation methodology of such costs, noting several matters the Debtors believed should have been considered in the preliminary determination notice. The ONRR unbundling review could ultimately result in an order for payment of additional royalties under the Debtors' federal oil and gas leases for current and prior periods. On October 27, 2016, ONRR filed a Proof of Claim with the Bankruptcy Court asserting approximately $35.1 million in claims attributable to the Debtors' royalty calculations. The Debtors are not able to determine the likelihood or range of any additional royalties or, if and when assessed, whether such amounts would be material.

10. Proceedings Related to Royalty and Working Interests.

Certain of the Debtors are currently party to the following adversary proceedings: (a) *Hartman et al. v. Ultra Petroleum Corp., et al.*, Adv. No. 16-03250; (b) *Jonah LLC et al. v. Ultra Petroleum Corp. et al.*, Adv. No. 16-03278; and (c) *Gasconade Oil Co. et al v. Ultra Res., Inc. et al.*, Adv. No. 17-03019. Each of these adversary proceedings relates to disputes between the Debtors and their counterparties to such proceedings with respect to royalty interests, overriding royalty interests, or net profits interests burdening the Debtors' oil and gas properties. Certain of these adversary proceedings request the imposition of a constructive trust; although the Debtors do not expect any such remedy to be granted, such a remedy may have a material adverse effect on the Debtors' financial position, results of operation, and ability to confirm the Plan.

11. Other Claims.

The Debtors are currently involved in various routine disputes and allegations incidental to their business operations. While it is not possible to determine the ultimate disposition of these matters, the Debtors believe that the resolution of all such pending or threatened litigation is not likely to have a material adverse effect on the Debtors' financial position, results of operations, or ability to confirm the Plan.

12. The Backstop Commitment Agreement's Cap on Allowed General Unsecured Claims.

The Backstop Commitment Agreement provides that a condition to the Backstop Parties' obligations thereunder is that Allowed General Unsecured Claims not exceed $330 million, as set forth in section 7.1(r) of the Backstop Commitment Agreement.

CERTAIN PARTIES ASSERT THAT THE DISCLOSURE STATEMENT LACKS ADEQUATE INFORMATION REGARDING HOW THE DEBTORS WILL SATISFY THE CONDITION OF THE BACKSTOP COMMITMENT AGREEMENT THAT ALLOWED GENERAL UNSECURED CLAIMS WILL NOT EXCEED $330 MILLION.

Pursuant to Section 7.1.(r) of the Backstop Commitment Agreement, the Backstop Parties may, but are not required to, terminate the Backstop Commitment Agreement if the Claims Cap (as defined in the Backstop Commitment Agreement) exceeds $330 million. Upon any such termination of the Backstop Commitment Agreement, the Backstop Parties would no longer be obligated to fund the $580 million rights offering, and the Plan Support Agreement may be terminated. *See* Plan Support Agreement § 7.E.

In determining whether such General Unsecured Claims have exceeded the Claims Cap: (a) the Debtors and the Backstop Parties may consider any such general unsecured claims that have been allowed pursuant to the terms of settlements; (b) the Debtors, upon the reasonable request of the Backstop Parties, will, subject to professional responsibilities, estimate and/or object to any claims; and (c) if the Debtors and the Backstop Parties do not agree on such determination, they shall seek such a determination from the Bankruptcy Court.

The Debtors, in consultation with their advisers, believe that they can and will satisfy the Claims Cap condition under the Backstop Commitment Agreement. The Debtors have conducted considerable analysis to determine what they believe is the ultimate allowed amount of General Unsecured Claims subject to the Claims Cap, and, as reflected in the Summary of Expected Recoveries table above, currently estimate that number to be approximately $255 million, before reductions attributable to any cost savings resulting from potential renegotiations of operational contracts. On the other hand, the Committee and the OpCo Group have not purported to have conducted any such analysis to substantiate their objection to this provision. The Debtors will consult with advisers to the Committee regarding the Debtors' claims base.

The Debtors are prepared to meet their evidentiary burden (if any) with respect to such matters at the Confirmation Hearing. The rights of all parties are fully preserved with respect to such matters.

J. Assumption of Unexpired Leases.

The Debtors have a number of agreements for the lease of nonresidential real property, which consist of surface lease agreements, office space leases, and oil and gas leases, depending on the real property laws of the states in which their oil and gas leases are located. The Debtors have worked diligently to determine whether to assume or reject any of their unexpired leases of nonresidential real property. Pursuant to the *Order Extending the Time Within Which the Debtors Must Assume or Reject Unexpired Leases of Nonresidential Property* [Docket No. 520], the Court extended the deadline under section 365(d)(4) of the Bankruptcy Code for the Debtors to assume their unexpired leases of nonresidential real property through and including November 28, 2016. On November 7, 2016, the Debtors filed omnibus motions [Docket Nos. 690 & 691] for authorization to assume certain unexpired leases of nonresidential real property, including all of their oil and gas leases. On November 28, 2016, the Court granted such relief.

K. Maintenance and Administration of Customer Programs and Agreements.

The Debtors are party to approximately 116 agreements (collectively, the "Customer Agreements") for the purchase, sale, and transportation of the Debtors' oil and natural gas production with major energy companies, oil refiners, pipeline companies, distribution companies, and various end-users in several industries. In April, the Debtors filed *Debtors' Corrected Emergency Motion for Entry of Interim and Final Orders Authorizing Debtors to (I) Maintain and Administer Customer Programs and Honor Related Obligations and (II) Assume Customer Agreements* [Docket No. 20] requesting the Court allow the Debtors to continue to perform under the ordinary course of business and consistent with past practice the Customer Agreements. In August, pursuant to the Court's *Final Order Authorizing the Debtors to (I) Maintain and Administer Customer Programs and Honor Related Obligations and (II) Assume Customer Agreements* [Docket No. 521], the Debtors are authorized to continue to maintain and perform under all Customer Agreements.

L. Equity Trading Order.

The Debtors have substantial tax net operating loss carryforwards and other tax attributes. Under the U.S. Internal Revenue Code, the Debtors' ability to use these net operating losses and other tax attributes may be limited if the Debtors experience a change of control, as determined under the U.S. Internal Revenue Code. Accordingly,

the Debtors obtained entry of the *Final Order Approving Notification and Hearing Procedures for Certain Transfers of and Declarations of Worthlessness with Respect to Common Stock* [Docket No. 297] (the "NOL Order"). The NOL Order is intended to protect the Debtors' ability to use their tax attributes by imposing certain notice procedures and transfer restrictions on the trading of HoldCo's common stock. In general, the NOL Order applies to any person or entity that, directly or indirectly, beneficially owns (or would beneficially own as a result of a proposed transfer) at least 4.5 percent of Existing HoldCo Equity Interests. Such persons are required to notify the Debtors and the Bankruptcy Court before effecting a transaction that might result in the Debtors losing the ability to use their tax attributes, and the Debtors have the right to seek an injunction to prevent the transaction if it might adversely affect the Debtors' ability to use their tax attributes. Any purchase, sale or other transfer of HoldCo equity securities in violation of the restrictions of the NOL Order is null and void ab initio as an act in violation of a Bankruptcy Court order and would therefore confer no rights on a proposed transferee. Under the Backstop Commitment Agreement, transfers of the Backstop Commitments or Subscription Rights, and the fulfillment of the Backstop Commitments or the exercise of the Subscription Rights, in each case in accordance with the Backstop Commitment Agreement, are not precluded by the NOL Order.

M. Hedging Program.

To limit exposure to fluctuations in market prices with respect to their oil, natural gas, and natural gas liquids production activities—principally, the prevailing price for the Debtors' Wyoming natural gas production—the Debtors, like most other large, complex oil and gas exploration and production businesses, have historically hedged a portion of their oil, natural gas, and/or natural gas liquids production through the use of financial derivative transactions, including cash-settled swaps, with creditworthy financial counterparties, or through the use of physically settled forward contracts under which the Debtors agree to physically deliver natural gas or crude oil at a fixed delivery point over a fixed period of time for a fixed price, each as specified in the contract.

The board of directors for HoldCo has adopted a Commodity Price Hedging Policy (the "Hedging Policy"), pursuant to which the Debtors are authorized to enter into physical and financial hedging transactions covering up to 50 percent of the Debtors' forecast production during a fiscal year without further board approval. Consistent with the Hedging Policy, the Debtors may also enter into physical and financial hedging transactions covering more than 50 percent of the Debtors' forecast production during a fiscal year with board approval.[11]

The Debtors' historic hedging transactions have generated significant value, with the Debtors realizing hedging-related gains of nearly $1 billion during the decade prior to the Petition Date. However, the Debtors elected not to hedge any of their forecasted production for 2016 because commodity prices at which hedges could be executed at the end of 2015 and early in 2016 prior to the Petition Date were too low. Therefore, as of the Petition Date, the Debtors did not have any hedging transactions in place. However, because commodity prices have improved since the Petition Date, the Debtors are engaged in discussions with several potential third-party hedge counterparties regarding the terms of postpetition hedging transactions, and the Debtors believe it is likely that they will, in the near future, be able to enter into postpetition hedging transactions with one or more counterparties at price levels and on other commercials terms that would render the decision to enter into such postpetition hedging transactions in the best interest of the Debtors and their estates.

The Debtors believe entering into postpetition hedging transactions would be a significant and, most importantly, low-risk means to reduce the impact of commodity-price volatility on the Debtors' cash-flow stream.

To provide assurance to counterparties regarding the Debtors' ability to enter into and perform under postpetition hedging transactions notwithstanding the pendency of these chapter 11 cases, the Debtors filed the *Debtors' Motion for Entry of Order (A) Authorizing the Debtors to Enter into and Perform Postpetition Hedging Transactions, (B) Providing Administrative Expense Status to Authorized Postpetition Hedging Transactions, and (C) Modifying the Automatic Stay* [Docket No. 637] (the "Postpetition Hedging Transactions Motion"). To address

[11] From time to time over the past several years, the Debtors have received board approval to hedge more than 50 percent of forecasted production during a fiscal year. For example, during 2011, 2012, 2013, and 2015, the Debtors hedged 67, 51, 51, and 62 percent, respectively, of their forecasted production for such periods.

certain informal comments from the Committee, the HoldCo Noteholder Committee, the Equityholder Committee, and certain other parties, the Debtors revised the proposed form of order approving the Postpetition Hedging Transactions Motion to, among other things, require that the Debtors provide their major constituencies with information regarding postpetition hedging transactions and certain related matters. On November 28, 2016, the Bankruptcy Court entered an order granting the Postpetition Hedging Transactions Motion [Docket No. 778]. The Debtors also filed the *Debtors' Third Omnibus Motion For Entry Of An Order Authorizing The Debtors To Assume Executory Contracts (Gas Processing and Gathering Agreements)* [Docket No. 1048] (the "Gas Processing Motion"). The Gas Processing Motion contemplates the assumption of new gas processing agreements that will lock in favorable terms for the Debtors' gas processing requirements and generate significant savings and additional revenue for the Debtors in the years ahead.

N. Corporate Structure upon Emergence.

Except as otherwise provided in the Plan, or any agreement, instrument, or other document incorporated in the Plan or the Plan Supplement, on the Effective Date, each Debtor shall continue to exist after the Effective Date as a separate corporation, limited liability company, partnership, or other form of entity, as the case may be, with all the powers of a corporation, limited liability company, partnership or other form of entity, as the case may be, pursuant to the applicable law in the jurisdiction in which each applicable Debtor is incorporated or formed and pursuant to the respective certificate of incorporation and bylaws (or other analogous formation documents) in effect before the Effective Date, except to the extent such certificate of incorporation and bylaws (or other analogous formation documents) are amended by the Plan or otherwise, and to the extent such documents are amended, such documents are deemed to be amended pursuant to the Plan and require no further action or approval (other than any requisite filings required under applicable state, provincial, or federal law).

O. Trustee Motion.

On December 23, 2016, the OpCo Group filed a motion [Docket No. 875] seeking the appointment of a trustee at OpCo pursuant to section 1104(a) of the Bankruptcy Code or, in the alternative, the appointment of three independent directors to OpCo's board of directors. On January 13, 2017, the Debtors filed their objection to the OpCo Group's trustee motion [Docket No. 941].

P. Bankruptcy Rule 3013 Motion.

On December 29, 2016, the OpCo Group filed a motion [Docket No. 878] seeking certain determinations regarding the Plan's classification structure pursuant to Bankruptcy Rule 3013. On January 17, 2017, the Debtors filed their objection to the OpCo Group's classification motion [Docket No. 961]. Certain other parties joined in the Debtors' objection [Docket No. 965].

Q. Makewhole Litigation.

On December 29, 2016, the OpCo Group commenced an adversary proceeding against HoldCo, OpCo, and UP Energy Corporation seeking, among other things, a determination by the Bankruptcy Court that each OpCo Note Makewhole Claim is valid and enforceable and that OpCo Note Makewhole Claims should be Allowed plus postpetition interest thereon at the contractual Default Rate (as defined by the OpCo Notes MNPA). The Debtors, in consultation with their advisers, determined that they may have valid defenses to the OpCo Note Makewhole Claims. In light of the fact that the asserted amount of OpCo Note Makewhole Claims exceeds $207 million, the Debtors believe that it is prudent and in the best interests of their stakeholders to dispute the OpCo Note Makewhole Claims. To this end, the Debtors have considered certain strategies to challenge the OpCo Note Makewhole Claims and, on January 30, 2017, filed a motion to dismiss the OpCo Note Makewhole Claim adversary proceeding commenced by the OpCo Group. The Bankruptcy Court has not yet ruled on the Debtors' motion to dismiss.

The Debtors believe that they have valid defenses with respect to the OpCo Note Makewhole Claims and the arguments made in the OpCo Group's adversary proceeding, including the OpCo Group's assertion that OpCo Note Makewhole Claims should include postpetition interest. Under the Plan, the Class 4 OpCo Funded Debt

Claims, to the extent Allowed, will receive a distribution on account of postpetition interest to the extent Allowed by the Plan or pursuant to an order from the Bankruptcy Court.

Notwithstanding the fact that OpCo Note Makewhole Claims are Disputed by the Debtors, the OpCo Funded Debt Claimants are presumed to accept the Plan as the OpCo Funded Debt Claims are Unimpaired.

IX. PROJECTED FINANCIAL INFORMATION.

Attached hereto as **Exhibit D** is a projected consolidated income statement, which includes consolidated, projected, unaudited, financial statement information of the Reorganized Debtors (collectively, the "Financial Projections") for the period beginning 2016 and continuing through 2020. To the extent that the Effective Date occurs before or after the projected Effective Date therein, recoveries on account of Allowed Claims and Existing HoldCo Common Stock could be affected.

CERTAIN PARTIES ASSERT THAT THE PLAN IS NOT CONFIRMABLE BECAUSE THE REORGANIZED DEBTORS MAY NOT HAVE THE FINANCIAL WHEREWITHAL TO SATISFY THE CURRENTLY DISPUTED PORTIONS OF THE OPCO NOTE CLAIMS (WHICH DISPUTED PORTIONS ARE BASED ON, WITHOUT LIMITATION, ASSERTED CLAIMS ON ACCOUNT OF A MAKEWHOLE AMOUNT, POSTPETITION INTEREST THEREON AT THE CONTRACTUAL DEFAULT RATE, AND OTHER AMOUNTS ASSERTED TO BE DUE AND OWING UNDER THE OPCO NOTES MNPA, THE OPCO NOTES, AND THE OPCO RCF, INCLUDING WITHOUT LIMITATION, POSTPETITION INTEREST AT THE CONTRACTUAL DEFAULT RATE AND ALL FEES AND EXPENSES) IN FULL IN CASH TO THE EXTENT THAT ANY PORTION OF SUCH CLAIMS IS ALLOWED AFTER THE EFFECTIVE DATE.

The Debtors disagree. As set forth in this Disclosure Statement, based upon the Financial Projections, the Debtors believe that the Reorganized Debtors will have the financial wherewithal to satisfy any currently disputed portions of the OpCo Funded Debt Claims, in full and in Cash as provided in the Plan, to the extent that any such Claim is Allowed after the Effective Date. For this reason, the Debtors submit that the Plan is feasible notwithstanding the fact that the Debtors will not "reserve" for any such Claims that may become Allowed Claims after the Effective Date.

The rights of all parties are fully preserved with respect to such matters.

Creditors, equityholders, and other interested parties should see the below "Risk Factors" for a discussion of certain factors that may affect the future financial performance of the Reorganized Debtors.

X. RISK FACTORS.

Holders of Claims and Interests should read and consider carefully the risk factors set forth below before voting to accept or reject the Plan. Although there are many risk factors discussed below, these factors should not be regarded as constituting the only risks present in connection with the Debtors' businesses or the Plan and its implementation.

A. Bankruptcy Law Considerations.

The occurrence or non-occurrence of any or all of the following contingencies, and any others, could affect distributions available to holders of Allowed Claims and Existing HoldCo Common Stock under the Plan but will not necessarily affect the validity of the vote of the Impaired Classes to accept or reject the Plan or necessarily require a re-solicitation of the votes of holders of Claims and Interests in such Impaired Classes.

1. Parties in Interest May Object to the Plan's Classification of Claims and Interests.

Section 1122 of the Bankruptcy Code provides that a plan may place a claim or an equity interest in a particular class only if such claim or equity interest is substantially similar to the other claims or equity interests in such class. Certain parties may object to the Plan's proposed classification structure, and it is possible that other parties may object to Confirmation of the Plan on similar bases. It is possible that such parties or other parties in interest may object to Confirmation of the Plan on the same or similar bases. The Debtors believe that the classification of the Claims and Interests under the Plan complies with the requirements set forth in the Bankruptcy Code. Each of the Classes of Claims and Interests created by the Debtors encompass Claims or Interests, as applicable, that are substantially similar to the other Claims or Interests, as applicable, in each such Class. Furthermore, the Plan expressly permits the Debtors to combine one Class with another Class, or to substantively consolidate one Estate with another Estate, to the extent that it is necessary to confirm the Plan. Nevertheless, there can be no assurance that the Bankruptcy Court will reach the same conclusion. The Conditions Precedent to the Effective Date of the Plan May Not Occur.

As more fully set forth in Article IX of the Plan, the Effective Date is subject to a number of conditions precedent. If such conditions precedent are not met or waived, the Effective Date will not take place.

2. The Debtors May Fail to Satisfy Vote Requirements.

If votes are received in number and amount sufficient to enable the Bankruptcy Court to confirm the Plan, the Debtors intend to seek, as promptly as practicable thereafter, confirmation of the Plan. In the event that sufficient votes are not received, the Debtors may seek to confirm an alternative chapter 11 plan. There can be no assurance that the terms of any such alternative chapter 11 plan would be similar or as favorable to the holders of Allowed Claims and Existing HoldCo Common Stock as those proposed in the Plan.

3. The Debtors May Not Be Able to Secure Confirmation of the Plan.

Section 1129 of the Bankruptcy Code sets forth the requirements for confirmation of a chapter 11 plan, and requires, among other things, a finding by the Bankruptcy Court that: (a) such plan "does not unfairly discriminate" and is "fair and equitable" with respect to any non-accepting classes; (b) confirmation of such plan is not likely to be followed by a liquidation or a need for further financial reorganization unless such liquidation or reorganization is contemplated by the plan; and (c) the value of distributions to non-accepting holders of claims and equity interests within a particular class under such plan will not be less than the value of distributions such holders would receive if the Debtors were liquidated under chapter 7 of the Bankruptcy Code.

There can be no assurance that the requisite acceptances to confirm the Plan will be received. Even if the requisite acceptances are received, there can be no assurance that the Bankruptcy Court will confirm the Plan. A non-accepting holder of an Allowed Claim or Existing HoldCo Common Stock might challenge either the adequacy of this Disclosure Statement or whether the balloting procedures and voting results satisfy the requirements of the Bankruptcy Code or Bankruptcy Rules. Even if the Bankruptcy Court determines that this Disclosure Statement, the balloting procedures, and voting results are appropriate, the Bankruptcy Court could still decline to confirm the Plan if it finds that any of the statutory requirements for Confirmation are not met. If a chapter 11 plan of reorganization is not confirmed by the Bankruptcy Court, it is unclear whether the Debtors will be able to reorganize their business and what, if anything, holders of Allowed Claims and Interests against them would ultimately receive on account of such Allowed Claims and Interests.

CERTAIN PARTIES ASSERT THAT THE DISCLOSURE STATEMENT LACKS ADEQUATE INFORMATION REGARDING LIQUIDATION VALUES FOR EACH DEBTOR AND, THEREFORE, THAT A SEPARATE LIQUIDATION ANALYSIS IS REQUIRED FOR EACH DEBTOR TO DEMONSTRATE THAT THE PLAN SATISFIES THE BEST INTERESTS OF CREDITORS TEST.

The Committee asserts that the Disclosure Statement does not contain adequate information because the Liquidation Analysis has been prepared on a consolidated basis. The Bankruptcy Code requires the Debtors to demonstrate that the Plan is in the "best interests" of creditors, which requires that each holder of an Allowed Claim accept the Plan or receive or retain under the Plan property of a value, as of the Effective Date, that is not less than the amount that such holder would receive if the Debtors were liquidated under chapter 7 of the Bankruptcy Code. Whether the Liquidation Analysis is prepared on a consolidated basis or an individual debtor basis, even assuming that the analysis shows that any particular creditor's Allowed Claim would be satisfied in full in liquidation, the Plan still satisfies the best interests of creditors test, because the Plan proposes to satisfy all Allowed Claims in full (including all Allowed Claims against OpCo, which Claims the Debtors or the Reorganized Debtors, as applicable, will satisfy in full in Cash as provided in the Plan). To the extent that any party disputes whether the Plan will satisfy all Allowed Claims in full, the Debtors are prepared to meet their evidentiary burden (if any) with respect to such matters at the Confirmation Hearing. The rights of all parties are fully preserved with respect to such matters.

Confirmation of the Plan is also subject to certain conditions as described in Article IX of the Plan. If the Plan is not confirmed, it is unclear what distributions, if any, holders of Allowed Claims and Interests will receive on account of such Allowed Claims and Interests.

It is possible that other parties may object to confirmation of the Plan. The Debtors, subject to the terms and conditions of the Plan, reserve the right to modify (in accordance with the Bankruptcy Code) the terms and conditions of the Plan to the extent necessary to obtain Confirmation of the Plan. Any such modifications (which may include combining certain Classes with other Classes or substantively consolidating certain Estates (to the extent permitted by applicable law)) could result in an alternative treatment of any non-accepting Class, as well as any Class junior to such non-accepting Class, than the treatment currently provided in the Plan, without the need for the Debtors to resolicit the Plan. Such a less favorable treatment could include a distribution of a different type of consideration or combination of different types of consideration than currently provided in the Plan.

The rights of all parties in interest with respect to any modification of the Plan, including the right to object to confirmation of the Plan on the grounds that any such modification is impermissible under the Bankruptcy Code and that the Disclosure Statement did not contain sufficient disclosure of any such potential modification, are fully reserved and preserved in all respects.

4. Nonconsensual Confirmation.

In the event that any impaired class of claims or interests does not accept a chapter 11 plan, a bankruptcy court may nevertheless confirm a plan at the proponents' request if at least one impaired class (as defined under section 1124 of the Bankruptcy Code) has accepted the plan (with such acceptance being determined without including the vote of any "insider" in such class), and, as to each impaired class that has not accepted the plan, the bankruptcy court determines that the plan "does not discriminate unfairly" and is "fair and equitable" with respect to the dissenting impaired class(es). The Debtors believe that the Plan satisfies these requirements, and the Debtors may request such nonconsensual Confirmation in accordance with subsection 1129(b) of the Bankruptcy Code. Nevertheless, there can be no assurance that the Bankruptcy Court will reach this conclusion. In addition, the pursuit of nonconsensual Confirmation or Consummation of the Plan may result in, among other things, increased expenses relating to professional compensation.

5. Continued Risk upon Confirmation.

Even if a chapter 11 plan of reorganization is consummated, the Debtors will continue to face a number of risks, including certain risks that are beyond their control, such as further deterioration or other changes in economic conditions, changes in the industry, potential revaluing of their assets due to chapter 11 proceedings, changes in consumer demand for, and acceptance of, their oil and gas, and increasing expenses. Some of these concerns and effects typically become more acute when a case under the Bankruptcy Code continues for a protracted period without indication of how or when the case may be completed. As a result of these risks and others, there is no guarantee that a chapter 11 plan of reorganization reflecting the Plan will achieve the Debtors' stated goals.

In addition, at the outset of the Chapter 11 Cases, the Bankruptcy Code will give the Debtors the exclusive right to propose the Plan and will prohibit creditors and others from proposing a plan. The Debtors will have retained the exclusive right to propose the Plan upon filing their petitions for chapter 11 relief. If the Bankruptcy Court terminates that right, however, or the exclusivity period expires, there could be a material adverse effect on the Debtors' ability to achieve confirmation of the Plan to achieve the Debtors' stated goals.

Furthermore, even if the Debtors' debts are reduced and/or discharged through the Plan, the Debtors may need to raise additional funds through public or private debt or equity financing or other various means to fund the Debtors' business after the completion of the proceedings related to the Chapter 11 Cases. Adequate funds may not be available when needed or may not be available on favorable terms.

6. The Chapter 11 Cases May Be Converted to Cases under Chapter 7 of the Bankruptcy Code.

If the Bankruptcy Court finds that it would be in the best interest of creditors and/or the debtor in a chapter 11 case, the Bankruptcy Court may convert a chapter 11 bankruptcy case to a case under chapter 7 of the Bankruptcy Code. In such event, a chapter 7 trustee would be appointed or elected to liquidate the debtor's assets for distribution in accordance with the priorities established by the Bankruptcy Code. The Debtors believe that liquidation under chapter 7 would result in significantly smaller distributions being made to creditors than those provided for in a chapter 11 plan because of (a) the likelihood that the assets would have to be sold or otherwise disposed of in a disorderly fashion over a short period of time rather than reorganizing or selling in a controlled manner affecting the business as a going concern, (b) additional administrative expenses involved in the appointment of a chapter 7 trustee, and (c) additional expenses and Claims, some of which would be entitled to priority, that would be generated during the liquidation, and including Claims resulting from the rejection of Unexpired Leases and other Executory Contracts in connection with cessation of operations.

7. The Debtors May Object to the Amount or Classification of a Claim.

Except as otherwise provided in the Plan or the Disclosure Statement Order, the Debtors reserve the right to object to the amount or classification of any Claim under the Plan. The estimates set forth in this Disclosure Statement cannot be relied upon by any holder of a Claim where such Claim is subject to an objection. Any holder of a Claim which is subject to an objection, thus, may not receive its expected share of the estimated distributions described in this Disclosure Statement.

8. Risk of Non-Occurrence of the Effective Date.

Although the Debtors believe that the Effective Date may occur quickly after the Confirmation Date, there can be no assurance as to such timing or as to whether the Effective Date will, in fact, occur.

9. Contingencies Could Affect Votes of Impaired Classes to Accept or Reject the Plan.

The distributions available to holders of Allowed Claims and Existing HoldCo Common Stock under the Plan can be affected by a variety of contingencies, including, without limitation, whether the Bankruptcy Court orders certain Allowed Claims to be subordinated to other Allowed Claims and Existing HoldCo Common Stock. The occurrence of any and all such contingencies, which could affect distributions available to holders of Allowed Claims and Existing HoldCo Common Stock under the Plan, will not affect the validity of the vote taken by the Impaired Classes to accept or reject the Plan or require any sort of revote by the Impaired Classes.

The estimated Claims and Interests and creditor recoveries and equityholder treatments set forth in this Disclosure Statement are based on various assumptions, and the actual Allowed amounts of Claims may significantly differ from the estimates. Should one or more of the underlying assumptions ultimately prove to be incorrect, the actual Allowed amounts of Claims may vary from the estimated Claims contained in this Disclosure Statement. Moreover, the Debtors cannot determine with any certainty at this time, the number, or amount, of Claims that will ultimately be Allowed. Such differences may materially and adversely affect, among other things, the percentage recoveries to holders of Allowed Claims and Existing HoldCo Common Stock under the Plan.

10. Releases, Injunctions, and Exculpations Provisions May Not Be Approved.

Article VIII of the Plan provides for certain releases, injunctions, and exculpations, including a release of liens and third-party releases that may otherwise be asserted against the Debtors, Reorganized Debtors, or Released Parties, as applicable. The releases, injunctions, and exculpations provided in the Plan are subject to objection by parties in interest and may not be approved. If the releases are not approved, certain Released Parties may withdraw their support for the Plan.

B. Risks Related to Recoveries under the Plan.

1. The Debtors May Not Be Able to Achieve Their Projected Financial Results.

With respect to holders of Interests in the Reorganized Debtors, the Reorganized Debtors may not be able to achieve their projected financial results. The Financial Projections set forth in this Disclosure Statement represent the Debtors' management team's best estimate of the Debtors' future financial performance, which is necessarily based on certain assumptions regarding the anticipated future performance of the Reorganized Debtors' operations, as well as the United States and world economies in general, and the particular industry segments in which the Debtors operate in particular. While the Debtors believe that the Financial Projections contained in this Disclosure Statement are reasonable, there can be no assurance that they will be realized. If the Debtors do not achieve their projected financial results, (a) the value of the New Common Stock may be negatively affected, (b) the Debtors may lack sufficient liquidity to continue operating as planned after the Effective Date, and (c) the Debtors may be unable to service their debt obligations as they come due. Moreover, the financial condition and results of operations of the Reorganized Debtors from and after the Effective Date may not be comparable to the financial condition or results of operations reflected in the Debtors' historical financial statements. The Reorganized Debtors' New Common Stock May Not Be Publicly Traded As of the Effective Date.

The Debtors will use commercially reasonable efforts to cause the New Common Stock to become publicly traded and listed on a national securities exchange on or as soon as reasonably practicable after the Effective Date. There can be no assurance that an active market for the New Common Stock will develop, nor can any assurance be given as to the prices at which such stock might be traded.

2. The Bankruptcy Court May Allow the OpCo Note Makewhole Claims, Which Could Significantly Reduce Recovery for the Debtors' Creditors and Equityholders.

The OpCo Note Purchase Agreement contains a so-called "make-whole" provision which, if enforceable in the Chapter 11 Cases, may entitle the OpCo Noteholders to a significant unsecured damages claim. The Plan provides that any potential OpCo Note Makewhole Claim will be satisfied in full in Cash after a determination by the Bankruptcy Court with respect to the Allowed amount of any OpCo Note Makewhole Claims (if any). It is possible the Bankruptcy Court may Allow the OpCo Note Makewhole Claims. In such case, the Plan provides that holders of Allowed OpCo Note Makewhole Claims (if any) shall receive an amount of Cash equal to the amount of Allowed OpCo Note Makewhole Claims held by such holders. Thus, if the Debtors are required to satisfy the make-whole claim, the Reorganized Debtors would emerge from chapter 11 with a higher amount of funded indebtedness incurred to satisfy such Claims in full in Cash as provided under the Plan.

3. Federal Income Tax Consequences of the Plan.

For a detailed description of the effect consummation of the Plan may have on the Debtors' tax attributes, see "*Certain United States Federal Income Tax Consequences of the Plan*," which begins on page 69 herein.

4. The Debtors May Not Be Able to Accurately Report Their Financial Results.

The Debtors have established internal controls over financial reporting. However, internal controls over financial reporting may not prevent or detect misstatements or omissions in the Debtors' financial statements because of their inherent limitations, including the possibility of human error, and the circumvention or overriding of controls or fraud. Therefore, even effective internal controls can provide only reasonable assurance with respect

to the preparation and fair presentation of financial statements. Although the Debtors do not anticipate this condition occurring, if the Debtors fail to maintain the adequacy of their internal controls, the Debtors may be unable to provide financial information in a timely and reliable manner within the time periods required for the Debtors' financial reporting under SEC rules and regulations and the terms of the agreements governing the Debtors' indebtedness. Any such difficulties or failure could materially adversely affect the Debtors' business, results of operations, and financial condition.

C. Risks Related to the Debtors' and the Reorganized Debtors' Businesses.

1. The Debtors May Not Be Able to Generate Sufficient Cash to Service All of Their Indebtedness (Including General Unsecured Claims That Are Disputed As of the Effective Date and That Become Allowed After the Effective Date).

The Reorganized Debtors will emerge from chapter 11 carrying approximately a $600 million Exit Term Loan, a $400 million Exit Revolver, and a $1.4 billion Exit Bridge which will otherwise convert into unsecured term loans, in accordance with the terms of the Exit Facility Documents. The aggregate principal amount of commitments under the Exit Bridge will be reduced by any Exit Notes issued in accordance with the Exit Facility Documents. The Debtors' ability to make scheduled payments on, or refinance their debt obligations, including the Exit Facility, depends on the Debtors' financial condition, available cash reserves, access to additional funding, and operating performance, which are subject to prevailing economic, industry, and competitive conditions and to certain financial, business, legislative, regulatory, and other factors beyond the Debtors' control (including the factors discussed in Article X, which begins on page 44 hereof). The Debtors may be unable to maintain a level of cash flow from operating activities sufficient to permit the Debtors to pay the principal, premium, if any, and interest on their indebtedness, including the Exit Facility.

2. The Debtors Will Be Subject to the Risks And Uncertainties Associated with the Chapter 11 Cases.

For the duration of the Chapter 11 Cases, the Debtors' ability to operate, develop, and execute a business plan, and continue as a going concern, will be subject to the risks and uncertainties associated with bankruptcy. These risks include the following: (a) ability to develop, confirm, and consummate the restructuring transactions specified in the Plan or an alternative restructuring transaction; (b) ability to obtain court approval with respect to motions filed in the Chapter 11 Cases from time to time; (c) ability to maintain relationships with suppliers, service providers, customers, employees, royalty interest holders, working interest holders, and other third parties; (d) ability to maintain contracts that are critical to the Debtors' operations; (e) ability of third parties to seek and obtain court approval to terminate contracts and other agreements with the Debtors; (f) ability of third parties to seek and obtain court approval to terminate or shorten the exclusivity period for the Debtors to propose and confirm a chapter 11 plan, to appoint a chapter 11 trustee, or to convert the Chapter 11 Cases to chapter 7 proceedings; and (g) the actions and decisions of the Debtors' creditors and other third parties who have interests in the Chapter 11 Cases that may be inconsistent with the Debtors' plans.

These risks and uncertainties could affect the Debtors' businesses and operations in various ways. For example, negative events associated with the Chapter 11 Cases could adversely affect the Debtors' relationships with suppliers, service providers, customers, employees, and other third parties, which in turn could adversely affect the Debtors' operations and financial condition. Also, the Debtors will need the prior approval of the Bankruptcy Court for transactions outside the ordinary course of business, which may limit the Debtors' ability to respond timely to certain events or take advantage of certain opportunities. Because of the risks and uncertainties associated with the Chapter 11 Cases, the Debtors cannot accurately predict or quantify the ultimate impact of events that occur during the Chapter 11 Cases that may be inconsistent with the Debtors' plans.

3. Operating in Bankruptcy for a Long Period of Time May Harm the Debtors' Businesses.

The Debtors' future results will be dependent upon the successful confirmation and implementation of a plan of reorganization. A long period of operations under Bankruptcy Court protection could have a material adverse effect on the Debtors' businesses, financial condition, results of operations, and liquidity. So long as the

proceedings related to the Chapter 11 Cases continue, senior management will be required to spend a significant amount of time and effort dealing with the reorganization instead of focusing exclusively on business operations. A prolonged period of operating under Bankruptcy Court protection also may make it more difficult to retain management and other key personnel necessary to the success and growth of the Debtors' businesses. In addition, the longer the proceedings related to the Chapter 11 Cases continue, the more likely it is that customers and suppliers will lose confidence in the Debtors' ability to reorganize their businesses successfully and will seek to establish alternative commercial relationships.

So long as the proceedings related to the Chapter 11 Cases continue, the Debtors will be required to incur substantial costs for professional fees and other expenses associated with the administration of the Chapter 11 Cases. The chapter 11 proceedings may also require the Debtors to seek debtor-in-possession financing to fund operations. If the Debtors are unable to obtain such financing on favorable terms or at all, the chances of successfully reorganizing the Debtors' businesses may be seriously jeopardized, the likelihood that the Debtors will instead be required to liquidate their assets may be enhanced, and, as a result, creditor recoveries may be significantly impaired.

Furthermore, the Debtors cannot predict the ultimate amount of all settlement terms for the liabilities that will be subject to a plan of reorganization. Even after a plan of reorganization is approved and implemented, the Debtors' operating results may be adversely affected by the possible reluctance of prospective lenders and other counterparties to do business with a company that recently emerged from bankruptcy protection.

4. Financial Results May Be Volatile and May Not Reflect Historical Trends.

During the Chapter 11 Cases, the Debtors expect that their financial results will continue to be volatile as asset impairments, asset dispositions, restructuring activities and expenses, contract terminations and rejections, and claims assessments may significantly impact the Debtors' consolidated financial statements. As a result, the Debtors' historical financial performance likely will not be indicative of their financial performance after the Petition Date.

In addition, if the Debtors emerge from chapter 11, the amounts reported in subsequent consolidated financial statements may materially change relative to historical consolidated financial statements, including as a result of revisions to the Debtors' operating plans pursuant to a plan of reorganization. The Debtors also may be required to adopt fresh start accounting, in which case their assets and liabilities will be recorded at fair value as of the fresh start reporting date, which may differ materially from the recorded values of assets and liabilities on the Debtors' consolidated balance sheets. The Debtors' financial results after the application of fresh start accounting also may be different from historical trends.

5. The Debtors Will Need Adequate Liquidity to Execute Their Business Plan.

The Debtors' principal sources of liquidity historically have been cash flow from operations, their revolving credit facility, and the issuances of debt securities. Since filing for chapter 11, the Debtors have increased their cash on hand substantially from operations despite continuing a capital program and incurring professional fees related to the Chapter 11 Cases. The Debtors plan to significantly increase their capital budget upon emergence from chapter 11 in order to accelerate production and increase cash flows from operations. The Debtors' future capital program is expected to be self-funding at current futures prices for crude oil and natural gas. The majority of the Debtors' capital expenditures are discretionary and uncommitted, which allows them the flexibility to adjust their capital spending to match their operational cash flow and market dynamics. Also, since the vast majority of their acreage is held by production, the Debtors are not obligated to drill wells to hold acreage. This factor, along with their role as operator of such a significant portion of their acreage, allows the Debtors almost complete control of their capital allocation.

The Debtors' ability to maintain adequate liquidity depends, in part, upon industry conditions and general economic, financial, competitive, regulatory, and other factors beyond the Debtors' control. The Debtors' liquidity, including the ability to meet ongoing operational obligations, will be dependent upon, among other things: (a) ability to maintain adequate cash on hand; (b) ability to generate cash flow from operations; (c) ability to develop, confirm, and consummate a chapter 11 plan or other alternative restructuring. Furthermore, the Debtors'

liquidity is contingent upon the proceeds of the Exit Facility. Without approval of the Exit Facility and the Exit Facility Documents under the Confirmation Order, the Debtors will have insufficient funds to maintain adequate liquidity to fund the Plan.

In the event that cash on hand and cash flow from operations are not sufficient to meet the Debtors' liquidity needs, the Debtors may be required to seek additional financing. The Debtors may seek to enter into a revolving credit facility, effective as of or after the Effective Date, the implementation of which would require the consent of the Required Consenting Parties. However, the Debtors can provide no assurance that a revolving credit facility or other financing would be available or, if available, offered to the Debtors on acceptable terms.

6. Drilling For and Producing Natural Gas and Crude Oil Are High Risk Activities with Many Uncertainties That Could Adversely Affect the Debtors' Business, Financial Condition or Results of Operations.

The Debtors' oil and natural gas operations are subject to all of the risks and hazards typically associated with drilling, completion, production and transportation of, oil and natural gas. These risks include blowouts, fire, explosion, pipe failure, casing collapse, abnormally pressured formations, and environmental hazards such as oil spills, natural gas leaks, discharges of toxic gases, underground migration and surface spills or mishandling of fracture fluids, including chemical additives. The Debtors' operations could also be interrupted by severe weather, natural disasters, or drilling restrictions. The Debtors' operations are conducted primarily in the Rocky Mountain region of the United States. The Debtors also have properties in the north-central Pennsylvania area of the Appalachian Basin. The weather in these areas can be extreme and can cause interruption in the Debtors' exploration and production operations. Severe weather can result in damage to their facilities entailing longer operational interruptions and significant capital investment.

These risks of the oil and gas industry also include the necessity of spending large amounts of money for identification and acquisition of properties and for drilling and completion of wells and risks and uncertainty associated with marketing any production that is obtained. In the drilling and completing of wells, failures and losses may occur before any deposits of oil or natural gas are found and produced. If oil or natural gas is encountered, there can be no assurance that it can be produced in quantities sufficient to justify the cost of continuing such operations or that it can be marketed satisfactorily.

The occurrence of any or several of these events with respect to any property the Debtors own or operate (in whole or in part) could have a material adverse impact on the Debtors. The Debtors and the operators of their properties maintain insurance in accordance with customary industry practices and in amounts that the Debtors' management believes to be reasonable. However, insurance coverage is not always economically feasible and is not obtained to cover all types of operational risks. The occurrence of a significant event that is not fully insured could have a material adverse effect on the Debtors' financial condition.

7. Natural Gas and Crude Oil Prices Can Fluctuate Widely Due to a Number of Factors That Are Beyond the Debtors' Control, and Depressed or Declining Natural Gas or Crude Oil Prices Could Significantly Affect the Debtors' Financial Condition and Results of Operations.

The price the Debtors receive for their oil and natural gas heavily influences their revenue, profitability, access to capital and future rate of growth. Oil and natural gas are commodities and, therefore, their prices are subject to wide fluctuations in response to relatively minor changes in supply and demand. Historically, the markets for oil and natural gas have been volatile. For example, spot natural gas prices during 2015 ranged from a high of $3.30 to a low of $1.54 per MMBtu and the spot oil prices during 2015 ranged from a high of $61.43 to a low of $34.73 per Bbl. During 2016, commodity prices have continued to be volatile, with spot natural gas prices ranging as low as $1.81 per MMBtu and the spot oil prices ranging as low as $26.21 per Bbl earlier this year. These markets will likely continue to be volatile in the future.

The prices the Debtors receive for their production and the levels of the Debtors' production depend on numerous factors beyond the Debtors' control. These factors include the following:

- worldwide and regional economic conditions impacting the global supply and demand for oil and natural gas;
- the actions of the Organization of Petroleum Exporting Countries;
- the price and quantity of imports of foreign oil and natural gas;
- political conditions in or affecting other oil and natural gas-producing countries;
- the level of global oil and natural gas exploration and production;
- the level of global oil and natural gas inventories;
- localized supply and demand fundamentals and transportation availability;
- weather conditions and natural disasters;
- domestic, local and foreign governmental regulations and taxes;
- speculation as to the future price of oil and natural gas and the speculative trading of oil and natural gas futures contracts;
- price and availability of competitors' supplies of oil and natural gas;
- technological advances affecting energy consumption; and
- the price and availability of alternative fuels.

Substantially all of the Debtors' production is currently sold at market based prices. Lower oil and natural gas prices reduce their cash flows, borrowing ability and the present value of their reserves. Lower oil and natural gas prices also reduce the amount of oil and natural gas the Debtors can produce economically. Substantial decreases in oil and natural gas prices could render uneconomic a significant portion of the Debtors' identified drilling locations, and may cause the Debtors to make significant downward adjustments to their estimated proved reserves or to be unable to claim proved undeveloped reserves at all. If oil and natural gas prices experience a substantial or extended decline from current levels, the Debtors' future business, financial condition, results of operations, liquidity or ability to finance planned capital expenditures will be materially and adversely affected.

Natural gas comprised approximately 93 percent of the Debtors' total production for its fiscal year ended December 31, 2015 and represented 92 percent of the Debtors' total proved reserves as of December 31, 2015. Crude oil comprised approximately 7.3 percent of the Debtors' total production for the fiscal year ended December 31, 2015 and represented 5 percent of the Debtors' total proved reserves as of December 31, 2015. Crude oil prices declined substantially during 2015 and have remained very low during the first months of 2016. Most of the production from the Debtors' Uinta Basin properties is crude oil.

Volatility of natural gas and crude oil prices also makes it difficult to budget for and project the return on potential acquisitions and development and exploration projects, and sustained lower natural gas prices have caused and may, in the future continue to cause, the Debtors and/or the operators of properties in which the Debtors have ownership interests to curtail projects and limit or suspend drilling, completion or even production activities.

8. Unless the Debtors Are Able to Replace Reserves They Have Produced, Their Cash Flows and Production Will Decrease over Time. The Debtors Will Be Required to Make Substantial Capital Expenditures to Develop Their Existing Reserves and to Discover New Oil and Gas Reserves. The Debtors May Not Be Able to Replace Their Reserves or Generate Cash Flows If They Are Unable to Raise Capital.

The Debtors' future success depends on their ability to find, acquire, develop and produce additional oil and gas reserves that are economically recoverable. Without successful exploration, development or acquisition activities, the Debtors' reserves and production will decline. The Debtors' ability to continue exploration and development of their properties and to replace reserves depends upon their ability to fund the related and substantial capital expenditures for such activities. Continued periods of depressed commodity prices or further commodity price decreases could have a material adverse effect on the Debtors' ability to fund such capital expenditures. Without the ability to fund capital expenditures, the Debtors will be unable to replace reserves and production. There can also be no assurance that the Debtors will be able to fund the capital expenditures necessary to allow further exploration and development of their properties.

9. The Debtors' Reserve Estimates May Be Incorrect If the Assumptions upon Which These Estimates Are Based Are Inaccurate. Any Material Inaccuracies in These Reserve Estimates or Underlying Assumptions Will Materially Affect the Quantities and Present Value of the Debtors' Reserves.

There are numerous uncertainties inherent in estimating quantities of proved reserves and projected future rates of production and timing of development expenditures, including many factors beyond the Debtors' control. The reserve data and standardized measures set forth herein represent only estimates. Reserve engineering is a subjective process of estimating underground accumulations of oil and natural gas that cannot be measured in an exact way and the accuracy of any reserve estimate is a function of the quality of available data and of engineering and geological interpretation and judgment. As a result, estimates of different engineers often vary. In addition, drilling, testing and production data acquired subsequent to the date of an estimate may justify revising such estimates. Accordingly, reserve estimates are often different from the quantities of oil, natural gas and natural gas liquids ("NGLs") that are ultimately recovered. Further, the estimated future net revenues from proved reserves and the present value thereof are based upon certain assumptions, including geologic success, the timing and identification of future drilling locations, commodity prices, future production levels, costs and the ability to finance future development that may not prove correct over time. Predictions of future production levels, development schedules (particularly with regard to non-operated properties), commodity prices and future operating costs are subject to great uncertainty, and the meaningfulness of such estimates is highly dependent upon the accuracy of the assumptions upon which they are based.

The present value of net proved reserves included any of the Debtors' reserve reports should not be considered as the market value of the reserves attributable to the Debtors' properties. In accordance with SEC requirements, the Debtors base the present value, discounted at 10 percent, of the pre-tax future net cash flows attributable to their net proved reserves on the average oil and natural gas prices during the 12-month period before the ending date of the period covered by this report determined as an un-weighted, arithmetic average of the first-day-of-the-month price for each month within such period, adjusted for quality and transportation fees. The costs to produce the reserves remain constant at the costs prevailing on the date of the estimate. Actual current and future commodity prices and costs may be materially higher or lower, and higher future costs and/or lower future commodity prices may impact whether development of the Debtors' reserves in the future occurs as scheduled or at all. In addition, the 10 percent discount factor, which the SEC requires the Debtors to use in calculating their discounted future net revenues for reporting purposes, may not be the most appropriate discount factor based on the Debtors' cost of capital from time to time and/or the risks associated with the Debtors business.

10. The Debtors May Fail To Fully Identify Problems with Any Properties They Acquire. For Example, the Debtors' Acquisitions May Perform Worse Than They Expected or Prove to Be Worth Less Than What the Debtors Paid Because of Uncertain Factors and Matters Beyond the Debtors' Control. In Addition, the Debtors' Acquisitions May Expose Them to Potentially Significant Liabilities.

The Debtors acquired a portion of the Debtors' acreage position in Wyoming, Pennsylvania, and Utah through property acquisitions and acreage trades, and the Debtors may acquire additional acreage in these or other regions in the future. Although the Debtors conduct a review of properties they acquire which they believe is consistent with industry practices, the Debtors can give no assurance that they have identified or will identify all existing or potential problems associated with such properties or that they will be able to mitigate any problems they do identify. When the Debtors make acquisitions of oil and gas properties, they make assumptions about many uncertain factors, including estimates of recoverable reserves, expected timing of recovering acquired reserves, future commodity prices, expected development and operating costs, and other matters, many of which are beyond their control. Assumptions about uncertain factors may be wrong, and the properties the Debtors acquire may perform worse than they expect, materially and adversely affecting their operations and financial condition.

11. Competitive Industry Conditions May Negatively Affect The Debtors' Ability to Conduct Operations and to Execute Their Business Plan.

The Debtors compete with numerous other companies in virtually all facets of their business. Their competitors in development, exploration, acquisitions and production include major integrated oil and natural gas companies as well as numerous independents, including many that have significantly greater resources. Therefore, competitors may be able to pay more for desirable leases and evaluate, bid for and purchase a greater number of properties or prospects than the Debtors' financial or personnel resources permit. The Debtors also compete for the materials, equipment and services that are necessary for the exploration, development and operation of their properties. The Debtors' ability to increase reserves in the future will be dependent on their ability to select and acquire suitable prospects for future exploration and development.

12. Compliance with Legislation and Regulatory Actions, Including Environmental and Other Government Regulations, Could Be Costly and Could Negatively Impact the Debtors' Financial Condition and Operations.

The Debtors' operations are subject to numerous laws and regulations, including laws and regulations relating to environmental protection and other governmental regulations. These laws and regulations, which are continuously being reviewed for amendment and/or expansion, may require that the Debtors obtain permits before developing their properties, restrict substances that can be released into the environment in connection with the Debtors' drilling, completion and/or production activities, limit or prohibit the Debtors' drilling activities on protected areas such as wetlands or wilderness areas, and require remedial measures to mitigate pollution from former operations, such as plugging abandoned wells.

Under these laws and regulations or under the common law, the Debtors could be liable for personal injury and clean-up costs and other environmental, natural resource and property damages, as well as administrative, civil and criminal penalties. The Debtors could also be affected by more stringent laws and regulations adopted in the future, including any related to climate change, engine emissions, greenhouse gases and hydraulic fracturing. The Debtors maintain limited insurance coverage for sudden and accidental environmental damages, but do not maintain insurance coverage for the full potential liability that could be caused by accidental environmental damages. Accordingly, the Debtors may be subject to liability in excess of their insurance coverage or may be required to cease production from properties in the event of environmental damages.

A significant percentage of the Debtors' operations are conducted on federal and state lands. These operations are subject to a wide variety of regulations as well as other permits and authorizations which must be obtained from and issued by state and federal agencies. To conduct these operations, the Debtors may be required to file applications for permits, seek agency authorizations and comply with various other statutory and regulatory requirements. Complying with any of these requirements may adversely affect the Debtors' ability to complete their drilling programs at the costs and in the time periods anticipated.

13. Federal Legislation and State Legislative and Regulatory Initiatives Relating to Hydraulic Fracturing Could Result in Increased Costs and Additional Operating Restrictions or Delays.

The Debtors use hydraulic fracturing to stimulate production of hydrocarbons, particularly natural gas, from tight formations in their properties. The process involves the injection of water, sand and chemicals under pressure into formations to fracture the surrounding rock and stimulate production. The process is typically regulated by state oil and gas commissions but is not subject to regulation at the federal level (except for fracturing activity involving the use of diesel). The U.S. Environmental Protection Agency ("EPA") has commenced a study of the potential environmental impacts of hydraulic fracturing activities and has released a draft report; the final study has not yet been released. A committee of the U.S. House of Representatives is also conducting an investigation of hydraulic fracturing practices. In past sessions, legislation was introduced before Congress to provide for federal regulation of hydraulic fracturing and to require disclosure of the chemicals used in the fracturing process. In addition, some states have adopted, and other states are considering adopting, regulations that could restrict hydraulic fracturing in certain circumstances. Pennsylvania has adopted a variety of regulations limiting how and where fracturing can be performed. Wyoming has adopted regulations requiring producers to provide detailed information about wells they hydraulically fracture in that state. Some states have adopted or are considering adopting regulations requiring disclosure of chemicals in fluids used in hydraulic fracturing or other restrictions on drilling and completion operations, including requirements regarding casing and cementing of wells; testing of nearby water wells; restrictions on access to, and usage of, water; and restrictions on the type of chemical additives that may be used in hydraulic fracturing operations.

Any new laws or regulations that significantly restrict hydraulic fracturing could make it more difficult or costly for the Debtors to perform hydraulic fracturing activities and thereby affect their determination of whether a well is commercially viable. In addition, if hydraulic fracturing is regulated at the federal level, the Debtors' fracturing activities could become subject to additional permit requirements or operational restrictions and also to associated permitting delays and potential increases in costs. The Debtors have conducted hydraulic fracturing operations on most of their existing wells, and they anticipate conducting hydraulic fracturing operations on substantially all of their future wells. As a result, restrictions on hydraulic fracturing could reduce the amount of oil and natural gas that the Debtors are ultimately able to produce in commercial quantities and adversely affect their operations and financial condition.

14. The Reorganized Debtors May Be Adversely Affected by Potential Litigation, Including Litigation Arising out of the Chapter 11 Cases.

The Debtors are currently subject to or interested in certain legal proceedings, some of which may adversely affect the Debtors. For example, on December 29, 2016, an adversary proceeding against HoldCo, OpCo, and UP Energy Corporation was initiated seeking a determination by the Bankruptcy Court of whether the OpCo Note Makewhole Claims on account of the OpCo Funded Debt Claims are valid and enforceable and should be Allowed in the amount of not less than $200,725,869 plus postpetition interest thereon at the contractual Default Rate. The Debtors filed their Motion to Dismiss in response thereto on on January 30, 2017. A status conference with respect to the adversary proceeding is scheduled for February 16, 2017, at 2:00 p.m. (prevailing Central Time).

In the future, the Reorganized Debtors may become party to litigation. In general, litigation can be expensive and time consuming to bring or defend against. Such litigation could result in settlements or damages that could significantly affect the Reorganized Debtors' financial results. It is also possible that certain parties will commence litigation with respect to the treatment of their Claims and Interests under the Plan. It is not possible to predict the potential litigation that the Reorganized Debtors may become party to, nor the final resolution of such litigation. The impact of any such litigation on the Reorganized Debtors' businesses and financial stability, however, could be material.

15. The Loss of Key Personnel Could Adversely Affect the Debtors' Operations.

The Debtors' operations are dependent on a relatively small group of key management personnel, including the Debtors' executive officers. The Debtors' recent liquidity issues and the Chapter 11 Cases have created distractions and uncertainty for key management personnel and employees. As a result, the Debtors have

experienced and may continue to experience increased levels of employee attrition. Because competition for experienced personnel in the oil and gas industry can be significant, the Debtors may be unable to find acceptable replacements with comparable skills and experience and the loss of such key management personnel could adversely affect the Debtors' ability to operate their businesses. In addition, a loss of key personnel or material erosion of employee morale at the corporate and/or field levels could have a material adverse effect on the Debtors' ability to meet customer and counterparty expectations, thereby adversely affecting the Debtors' businesses and the results of operations.

16. Certain Claims May Not Be Discharged and Could Have a Material Adverse Effect on the Debtors' Financial Condition and Results of Operations.

The Bankruptcy Code provides that the confirmation of a plan of reorganization discharges a debtor from substantially all debts arising prior to confirmation. With few exceptions, all claims that arise prior to the Debtors' filing a petition for reorganization under the Bankruptcy Code or before confirmation of the plan of reorganization (a) would be subject to compromise and/or treatment under the plan of reorganization and/or (b) would be discharged in accordance with the terms of the plan of reorganization. Any claims not ultimately discharged through a plan of reorganization could be asserted against the reorganized entity and may have an adverse effect on the Reorganized Debtors' financial condition and results of operations on a post-reorganization basis.

IN RESPONSE TO AN INQUIRY FROM THE UNITED STATES GOVERNMENT, THE DEBTORS INTEND TO INCLUDE THE FOLLOWING RESERVATION OF RIGHTS IN THE PLAN:

Nothing in the Confirmation Order or the Plan discharges, releases, precludes, or enjoins: (i) any liability to any Governmental Unit that is not a Claim; (ii) any Claim of a Governmental Unit arising on or after the Effective Date; (iii) any police or regulatory liability to a Governmental Unit that any Entity would be subject to under applicable non-bankruptcy law as the owner or operator of property after the Effective Date; or (iv) any liability to a Governmental Unit under applicable non-bankruptcy law on the part of any Entity other than the Debtors or Reorganized Debtors. Nor shall anything in the Confirmation Order or the Plan enjoin or otherwise bar a Governmental Unit from asserting or enforcing, outside this Court, any liability described in the preceding sentence. Nothing in the Confirmation Order or the Plan shall affect any setoff or recoupment rights of any Governmental Unit under section 553 of the Bankruptcy Code or applicable non-bankruptcy law. Nothing in the Confirmation Order or the Plan divests any tribunal of any jurisdiction it may have under police or regulatory law to adjudicate any defense asserted under the Confirmation Order or the Plan. Nothing in the Confirmation Order or the Plan shall require the United States to file a request for the payment of an expense described in section 503(b)(1)(B) or (C) of the Bankruptcy Code as a condition of it being an Allowed Administrative Claim.

XI. SOLICITATION AND VOTING PROCEDURES.

This Disclosure Statement, which is accompanied by a Ballot or Ballots to be used for voting on the Plan, is being distributed to the holders of Claims and Interests in those Classes that are entitled to vote to accept or reject the Plan. The procedures and instructions for voting and related deadlines are set forth in the exhibits annexed to the Disclosure Statement Order, which is attached hereto as **Exhibit C**.

The Disclosure Statement Order is incorporated herein by reference and should be read in conjunction with this Disclosure Statement and in formulating a decision to vote to accept or reject the Plan.

THE DISCUSSION OF THE SOLICITATION AND VOTING PROCESS SET FORTH IN THIS DISCLOSURE STATEMENT IS ONLY A SUMMARY.
PLEASE REFER TO THE DISCLOSURE STATEMENT ORDER ATTACHED HERETO FOR A MORE COMPREHENSIVE DESCRIPTION OF THE SOLICITATION AND VOTING PROCESS.

A. Holders of Claims and Interests Entitled to Vote on the Plan.

Under the provisions of the Bankruptcy Code, not all holders of claims against or interests in a debtor are entitled to vote on a chapter 11 plan. The table in section III.C of this Disclosure Statement, which begins on page 9 hereof, provides a summary of the status and voting rights of each Class (and, therefore, of each holder within such Class absent an objection to the holder's Claim or Interest, as applicable) under the Plan.

As shown in the table, the Debtors are soliciting votes to accept or reject the Plan only from holders of Claims and Interests in Classes 3, 6, 7, 8 and 9 (collectively, the "Voting Classes"). The holders of Claims and Interests in the Voting Classes are Impaired under the Plan and may, in certain circumstances, receive a distribution under the Plan. Accordingly, holders of Claims and Interests in the Voting Classes have the right to vote to accept or reject the Plan.

The Debtors are ***not*** soliciting votes from holders of Claims and Interests in Classes 1, 2, 4, and 5. Additionally, the Disclosure Statement Order provides that certain holders of Claims and Interests in the Voting Classes, such as those holders whose Claims or Interests have been disallowed or are subject to a pending objection, are not entitled to vote to accept or reject the Plan.

B. Voting Record Date.

The order approving the Disclosure Statement will provide that the voting record date is [ ]. The voting record date under the order approving the Disclosure Statement is the date on which it will be determined which holders of Claims and Interests in the Voting Classes are entitled to vote to accept or reject the Plan and whether Claims and Interests have been properly assigned or transferred under Bankruptcy Rule 3001(e) such that an assignee or transferee, as applicable, can vote to accept or reject the Plan as the holder of a Claim or Interest.

C. Voting on the Plan.

The order approving the Disclosure Statement will provide that the deadline to vote on the Plan is March 13, 2017 at 4:00 p.m. (prevailing Central Time). To be counted as votes to accept or reject the Plan, all ballots must be properly executed, completed, and delivered in accordance with the instructions on your ballot so that the ballots are **actually received** by the Debtors' voting and claims agent (the "Voting and Claims Agent") on or before the deadline to vote on the Plan under the order approving the Disclosure Statement.

D. Ballots Not Counted.

No ballot will be counted toward Confirmation if, among other things: (1) it is illegible or contains insufficient information to permit the identification of the holder of the Claim or Interest; (2) it was transmitted by facsimile, email, or other electronic means not specifically approved pursuant to the Disclosure Statement Order; (3) it was cast by an entity that is not entitled to vote on the Plan; (4) it was cast for a Claim or Interest listed in the Debtors' schedules as contingent, unliquidated, or disputed for which the applicable Bar Date has passed and no Proof of Claim was timely filed; (5) it was cast for a Claim that is subject to an objection pending as of the voting record date (unless temporarily allowed in accordance with the Disclosure Statement Order); (6) it was sent to the Debtors, the Debtors' agents/representatives (other than the Voting and Claims Agent), an indenture trustee, or the Debtors' financial or legal advisors instead of the Voting and Claims Agent; (7) it is unsigned; or (8) it is not clearly marked to either accept or reject the Plan or it is marked both to accept and reject the Plan. **Please refer to the Disclosure Statement Order for additional requirements with respect to voting to accept or reject the Plan.**

IF YOU HAVE ANY QUESTIONS ABOUT THE SOLICITATION OR VOTING PROCESS, PLEASE CONTACT THE VOTING AND CLAIMS AGENT TOLL-FREE (844) 276-3028. ANY BALLOT RECEIVED AFTER THE VOTING DEADLINE OR OTHERWISE NOT IN COMPLIANCE WITH THE SOLICITATION ORDER WILL NOT BE COUNTED.

XII. CONFIRMATION OF THE PLAN.

A. Requirements for Confirmation of the Plan.

Among the requirements for Confirmation of the Plan pursuant to section 1129 of the Bankruptcy Code are: (1) the Plan is accepted by all Impaired Classes of Claims or Interests, or if rejected by an Impaired Class, the Plan "does not discriminate unfairly" and is "fair and equitable" as to the rejecting Impaired Class; (2) the Plan is feasible; and (3) the Plan is in the "best interests" of holders of Claims and Interests.

At the Confirmation Hearing, the Bankruptcy Court will determine whether the Plan satisfies all of the requirements of section 1129 of the Bankruptcy Code. The Debtors believe that: (1) the Plan satisfies, or will satisfy, all of the necessary statutory requirements of chapter 11; (2) the Debtors have complied, or will have complied, with all of the necessary requirements of chapter 11; and (3) the Plan has been proposed in good faith.

CERTAIN PARTIES ASSERT THAT THE PLAN HAS NOT BEEN PROPOSED IN GOOD FAITH. THE OPCO GROUP'S ARGUMENTS WITH RESPECT TO SUCH MATTERS ARE SET FORTH IN, AMONG OTHER THINGS, ITS MOTION PURSUANT TO BANKRUPTCY RULE 3013 [DOCKET NO. 878] AND ITS MOTION FOR THE APPOINTMENT OF A CHAPTER 11 TRUSTEE AT OPCO [DOCKET NO. 875].

The Debtors strongly disagree with this characterization and believe that the Plan has been proposed in good faith. As explained in greater detail in the Debtors' objection to the OpCo Group's motion to appoint a chapter 11 trustee [Docket No. 941], there is not a "conflict" of any type between HoldCo and OpCo and the "conflicts" alleged by the OpCo Group are not conflicts at all and do not harm any stakeholders (let alone the OpCo Group). Furthermore, there is no deadlocked OpCo (or any other Debtor) board; instead, the Debtors' boards and management have functioned quite appropriately in negotiating and filing a Plan that calls for the payment in full of all claims against all Debtors and a substantial recovery for owners of Holdco equity. Furthermore, as to the alleged "conflicts" based on Messrs. Watford and Shaw's ownership of Existing HoldCo Common Stock, this is no different than employee-directors of other debtor-subsidiaries in complex chapter 11 cases who hold the equity in their respective upstream debtor entities. Finally, any awards under the the proposed Management Incentive Plan, which is subject to confirmation by the Bankruptcy Court as part of the Confirmation Hearing, are subject to approval by HoldCo's (and reorganized HoldCo's) boards, will have no impact whatsoever on any recovery to members of the OpCo Group, and will dilute only the owners of reorganized HoldCo (the majority of whom includes the parties to the PSA who negotiated the terms of the Plan).

For these reasons, the Debtors submit that the interests of OpCo and HoldCo are completely aligned.

The rights of all parties in interest with respect to this matter, including the right to object to confirmation of the Plan on the grounds that the Plan has not been proposed in good faith and whether the Disclosure Statement contains sufficient disclosure regarding this matter, are fully reserved and preserved in all respects.

B. Best Interests of Creditors/Liquidation Analysis.

Often called the "best interests" test, section 1129(a)(7) of the Bankruptcy Code requires that a bankruptcy court find, as a condition to confirmation, that a chapter 11 plan provides, with respect to each impaired class, that each holder of a claim or an equity interest in such impaired class either (1) has accepted the plan or (2) will receive or retain under the plan property of a value that is not less than the amount that the non-accepting holder would receive or retain if the Debtors liquidated under chapter 7 of the Bankruptcy Code. Attached hereto as **Exhibit F** and incorporated herein by reference is a liquidation analysis (the "Liquidation Analysis"). As reflected in the Liquidation Analysis, the Debtors believe that liquidation of the Debtors' businesses under chapter 7 of the Bankruptcy Code would result in substantial diminution in the value to be realized by holders of Claims and Interests as compared to distributions contemplated under the Plan. Consequently, the Debtors and their management believe that Confirmation of the Plan will provide a substantially greater return to holders of Claims and Interests than would a liquidation under chapter 7 of the Bankruptcy Code.

C. Feasibility.

Section 1129(a)(11) of the Bankruptcy Code requires that confirmation of a plan of reorganization is not likely to be followed by the liquidation, or the need for further financial reorganization of the debtor, or any successor to the debtor (unless such liquidation or reorganization is proposed in such plan of reorganization). To determine whether the Plan meets this feasibility requirement, the Debtors have analyzed their ability to meet their respective obligations under the Plan. As part of this analysis, the Debtors have prepared the Financial Projections. Based upon the Financial Projections, the Debtors believe that they will be a viable operation following their emergence from chapter 11 and that the Plan will meet the feasibility requirements of the Bankruptcy Code.

CERTAIN PARTIES ASSERT THAT THE PLAN IS NOT CONFIRMABLE BECAUSE THE REORGANIZED DEBTORS MAY NOT HAVE THE FINANCIAL WHEREWITHAL TO SATISFY THE CURRENTLY DISPUTED PORTIONS OF THE OPCO NOTE CLAIMS (WHICH DISPUTED PORTIONS ARE BASED ON, WITHOUT LIMITATION, ASSERTED CLAIMS ON ACCOUNT OF A MAKEWHOLE AMOUNT, POSTPETITION INTEREST THEREON AT THE CONTRACTUAL DEFAULT RATE, AND OTHER AMOUNTS ASSERTED TO BE DUE AND OWING UNDER THE OPCO NOTES MNPA, THE OPCO NOTES, AND THE OPCO RCF, INCLUDING WITHOUT LIMITATION, POSTPETITION INTEREST AT THE CONTRACTUAL DEFAULT RATE AND ALL FEES AND EXPENSES) IN FULL IN CASH TO THE EXTENT THAT ANY PORTION OF SUCH CLAIMS IS ALLOWED AFTER THE EFFECTIVE DATE.

The Debtors disagree. As set forth in this Disclosure Statement, based upon the Financial Projections, the Debtors believe that the Reorganized Debtors will have the financial wherewithal to satisfy any currently disputed portions of the OpCo Funded Debt Claims, in full and in Cash as provided in the Plan, to the extent that any such Claim is Allowed after the Effective Date. For this reason, the Debtors submit that the Plan is feasible notwithstanding the fact that the Debtors will not "reserve" for any such Claims that may become Allowed Claims after the Effective Date.

The rights of all parties are fully preserved with respect to such matters.

The Financial Projections are attached hereto as **<u>Exhibit D</u>** and incorporated herein by reference.

D. Acceptance by Impaired Classes.

The Bankruptcy Code requires, as a condition to confirmation, except as described in the following section, that each class of claims or equity interests impaired under a plan, accept the plan. A class that is not "impaired" under a plan is presumed to have accepted the plan and, therefore, solicitation of acceptances with respect to such a class is not required.[12]

Section 1126(c) of the Bankruptcy Code defines acceptance of a plan by a class of impaired claims as acceptance by holders of at least two-thirds in a dollar amount and more than one-half in a number of allowed claims in that class, counting only those claims that have *actually* voted to accept or to reject the plan. Thus, a class of claims will have voted to accept the plan only if two-thirds in amount and a majority in number actually cast their ballots in favor of acceptance. Pursuant to section 1126(d) of the Bankruptcy Code, a class of interests will be presumed to accept a plan if holders of at least two-third in amount of the allowed interests of such class have voted to accept the plan.

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[12] A class of claims is "impaired" within the meaning of section 1124 of the Bankruptcy Code unless the plan (a) leaves unaltered the legal, equitable and contractual rights to which the claim or equity interest entitles the holder of such claim or equity interest or (b) cures any default, reinstates the original terms of such obligation, compensates the holder for certain damages or losses, as applicable, and does not otherwise alter the legal, equitable, or contractual rights to which such claim or equity interest entitles the holder of such claim or equity interest.

E. Confirmation without Acceptance by All Impaired Classes.

Section 1129(b) of the Bankruptcy Code allows a bankruptcy court to confirm a plan even if all impaired classes have not accepted it; *provided* that the plan has been accepted by at least one impaired class. Pursuant to section 1129(b) of the Bankruptcy Code, notwithstanding an impaired class's rejection or deemed rejection of the plan, the plan will be confirmed, at the plan proponent's request, in a procedure commonly known as a "cramdown" so long as the plan does not "discriminate unfairly" and is "fair and equitable" with respect to each class of claims or equity interests that is impaired under, and has not accepted, the plan.

If any Impaired Class rejects the Plan, the Debtors reserve the right to seek to confirm the Plan utilizing the "cramdown" provision of section 1129(b) of the Bankruptcy Code. To the extent that any Impaired Class rejects the Plan or is deemed to have rejected the Plan, the Debtors will request Confirmation of the Plan, as it may be modified from time to time, under section 1129(b) of the Bankruptcy Code. The Debtors reserve the right, subject to the Plan Support Agreement and Backstop Commitment Agreement, to alter, amend, modify, revoke, or withdraw the Plan or any Plan Supplement document, including the right to amend or modify the Plan or any Plan Supplement document to satisfy the requirements of section 1129(b) of the Bankruptcy Code. The Plan Support Agreement and the Backstop Commitment Agreement each provide that the Consenting HoldCo Noteholders and Consenting HoldCo Equityholders may terminate their obligations thereunder if the Debtors withdraw or revoke the Plan under certain circumstances.

THE PLAN PROVIDES THAT THE DEBTORS SHALL SEEK CONFIRMATION OF THE PLAN PURSUANT TO SECTION 1129(b) OF THE BANKRUPTCY CODE WITH RESPECT TO ANY REJECTING CLASS OF CLAIMS OR INTERESTS. The Debtors reserve the right, to the extent permitted or required by the Bankruptcy Code to modify the Plan in accordance with Article X of the Plan to the extent, if any, that Confirmation (including Confirmation pursuant to section 1129(b) of the Bankruptcy Code) requires modification of any provision of the Plan, including, without limitation, by (a) modifying the treatment applicable to a Class of Claims or Interests to render such Class of Claims or Interests Unimpaired to the extent permitted by the Bankruptcy Code and the Bankruptcy Rules, (b) reclassifying any Claim or Interest in one particular Class together with any substantially similar Claim or Interest in a different Class, as applicable, to the extent permitted by the Bankruptcy Code and the Bankruptcy Rules, and/or (c) withdrawing the Plan as to an individual Debtor at any time before the Confirmation Date.

The rights of all parties in interest with respect to any modification of the Plan, including the right to object to confirmation of the Plan on the grounds that any such modification is impermissible under the Bankruptcy Code or that there was insufficient disclosure of such modification in the Disclosure Statement, are fully reserved and preserved in all respects.

1. No Unfair Discrimination.

The "unfair discrimination" test applies to classes of claims or interests that are of equal priority and are receiving different treatment under a plan. The test does not require that the treatment be the same or equivalent, but that treatment be "fair." In general, bankruptcy courts consider whether a plan discriminates unfairly in its treatment of classes of claims and interests of equal rank (*e.g.*, classes of the same legal character). Bankruptcy courts will take into account a number of factors in determining whether a plan discriminates unfairly. A plan could treat two classes of unsecured creditors differently without unfairly discriminating against either class.

2. Fair and Equitable Test.

The "fair and equitable" test applies to classes of different priority and status (*e.g.*, secured versus unsecured) and includes the general requirement that no class of claims receive more than 100 percent of the amount of the allowed claims in the class. As to the dissenting class, the test sets different standards depending upon the type of claims or equity interests in the class.

The Debtors submit that if the Debtors "cramdown" the Plan pursuant to section 1129(b) of the Bankruptcy Code, the Plan is structured so that it does not "discriminate unfairly" and satisfies the "fair and equitable"

requirement. With respect to the unfair discrimination requirement, all Classes under the Plan are provided treatment that is substantially equivalent to the treatment that is provided to other Classes that have equal rank. The Debtors believe that the Plan and the treatment of all Classes of Claims and Interests under the Plan satisfy the foregoing requirements for nonconsensual confirmation of the Plan.

F. Valuation of the Debtors.

In conjunction with formulating the Plan and satisfying their obligations under section 1129 of the Bankruptcy Code, the Debtors determined that it was necessary to estimate the post-Confirmation going concern value of the Debtors. The Valuation Analysis is set forth in **Exhibit E** attached hereto and incorporated herein by reference. The Valuation Analysis, which was prepared by Petrie Partners LLC, one of the Debtors' investment bankers, estimates the total enterprise value of the Reorganized Debtors to be approximately $4.8 billion to $7.0 billion, with a midpoint of $5.9 billion as of the assumed Effective Date of March 31, 2017. Based on assumed pro forma net debt of $2.1 billion as of the assumed Effective Date, the total enterprise value implies an equity value range of $2.7 billion to $4.9 billion, with a midpoint of $3.8 billion. The Debtors are prepared to meet their evidentiary burden (if any) with respect to support for their valuation analysis at the Confirmation Hearing. The rights of all parties are fully preserved with respect to such matters.

G. Substantive Consolidation.

The Debtors are not currently proposing the substantive consolidation of their respective Estates; *provided* that subject to satisfying the requirements for substantive consolidation pursuant to applicable law, the Plan will provide for the substantive consolidation of certain of the Debtors to the extent necessary for Confirmation. Certain parties assert that the Debtors may not substantively consolidate their Estates. The Debtors disagree and submit that they may substantively consolidate certain Estates pursuant to applicable Fifth Circuit law. More specifically, courts in the Fifth Circuit have held that a court has the authority to order substantive consolidation of a debtors' estate. *See S.I. Acquisition, Inc. v. Eastway Delivery Serv., Inc. (In re S.I. Acquisition, Inc.)*, 817 F.2d 1142, 1145 n.2 (5th Cir. 1987) ("The bankruptcy court has authority to order de facto disregard of the corporate form through [substantive] consolidation proceedings."); *In re Permian Producers Drilling, Inc.*, 263 B.R. 510, 516 (W.D. Tex. 2000)(same).

The standard for determination of whether the circumstances merit substantive consolidation varies and takes into account the relative costs and benefits. *See Permian*, 263 B.R. at 517 (citing *In re Bonham*, 229 F.3d 750, 764 (9th Cir. 2000)); *see also In re Introgen Therapeutics, Inc.*, 429 B.R. 570, 584 (Bankr. W.D. Tex. 2010)("the party proposing consolidation must first show identity between the entities to be consolidated, and then show that consolidation is necessary in order to prevent harm or prejudice, or to effect a benefit generally.")

The Debtors believe that it may be appropriate to substantively certain Estates if it is necessary to obtain confirmation of the Plan given the significant benefits that the Plan would provide to the Debtors' stakeholders. The Debtors are prepared to meet their evidentiary burden (if any) with respect to such matters. The OpCo Group disputes that a valid basis may exist for the possible substantive consolidation of the Estates. The rights of all parties are fully preserved with respect to such matters.

XIII. RIGHTS OFFERING PROCEDURES.[13]

The procedures and instructions for exercising Subscription Rights are set forth in the Rights Offering Procedures, which are attached hereto as **Exhibit G**. The Rights Offering Procedures are incorporated herein by reference and should be read in conjunction with this Disclosure Statement in formulating a decision to exercise Subscription Rights. ***The discussion of the Rights Offering Procedures set forth in this Disclosure Statement is only a summary. Please refer to the Rights Offering Procedures attached as Exhibit G hereto for a more comprehensive description.***

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[13] Capitalized terms used in this Article but not otherwise defined in this Disclosure Statement or the Plan shall have the meanings ascribed to them in the Backstop Commitment Agreement.

Pursuant to the Plan, each holder of an Allowed HoldCo Note Claim, as of the Subscription Commencement Date (defined as Rights Offering Participants in the Plan), will receive rights to subscribe for its pro rata portion of 75 percent of the Shares (as defined in the Rights Offering Procedures) offered in the Rights Offering (the "HoldCo Noteholders Rights Offering" and, such Shares, the "HoldCo Noteholders Rights Offering Shares"), which HoldCo Noteholder Rights Offering Shares, collectively, will reflect an aggregate purchase price of $435,000,000 calculated by multiplying the number of Shares offered in the HoldCo Noteholder Rights Offering by the Purchase Price; *provided* that it timely and properly executes and delivers its applicable Beneficial Holder Subscription Form(s) (with accompanying IRS Form W-9 or appropriate IRS Form W-8, as applicable) to the Subscription Agent or its Nominee (with accompanying other instructions required by such Nominee to deliver the relevant HoldCo Notes through The Depository Trust Company ("DTC") Automated Tender Offer Program ("ATOP")), as applicable, in advance of the Subscription Instruction Deadline (as defined in the Rights Offering Procedures).

Pursuant to the Plan, each holder of Existing HoldCo Common Stock, as of the Subscription Commencement Date, will receive rights to subscribe for its pro rata portion of 25 percent of the Shares offered in the Rights Offering (the "HoldCo Equityholders Rights Offering," and such Shares, the "HoldCo Equityholders Rights Offering Shares" and, together with the HoldCo Noteholders Rights Offering Shares, the "Rights Offering Shares"), which HoldCo Equityholder Rights Offering Shares, collectively, will reflect an aggregate purchase price of $145,000,000 calculated by multiplying the number of Shares offered in the HoldCo Equityholder Rights Offering by the Purchase Price; *provided* that it timely and properly executes and delivers its applicable Beneficial Holder Subscription Form(s) (with accompanying IRS Form W-9 or appropriate IRS Form W-8, as applicable) to the Subscription Agent or its Nominee (with accompanying other instructions required by such Nominee to deliver the relevant HoldCo Common Stock through ATOP), as applicable, in advance of the Subscription Instruction Deadline.

No Rights Offering Participant shall be entitled to participate in the Rights Offering unless the aggregate Purchase Price (as defined below) for the Rights Offering Shares it subscribes for is received by the Subscription Agent (i) in the case of a Rights Offering Participant that is not a Commitment Party, by the Subscription Payment Deadline (as defined in the Rights Offering Procedures), and (ii) in the case of a Rights Offering Participant that is a Commitment Party, no later than the deadline specified in a written notice (a "Funding Notice") delivered by or on behalf of the Debtors to the Commitment Parties in accordance with Section 2.4 of the Backstop Commitment Agreement (the "Backstop Funding Deadline"); *provided* that the Commitment Parties may deposit their aggregate Purchase Price in the Escrow Account (as defined below), in accordance with the terms of the Backstop Commitment Agreement. No interest is payable on any advanced funding of the Purchase Price. If the Rights Offering is terminated for any reason, the aggregate Purchase Price previously received by the Subscription Agent will be returned to eligible holders as provided in Section 6 of the Rights Offering Procedures. No interest will be paid on any returned Purchase Price. Any Rights Offering Participant who is not a Commitment Party submitting payment via its Nominee must coordinate such payment with its Nominee in sufficient time to allow the Nominee to forward such payment to the Subscription Agent by the Subscription Payment Deadline.

TO PARTICIPATE IN THE RIGHTS OFFERING, EACH RIGHTS OFFERING PARTICIPANT MUST COMPLETE ALL THE STEPS OUTLINED IN THE RIGHTS OFFERING PROCEDURES ATTACHED AS EXHIBIT G HERETO. IF ALL OF THE STEPS OUTLINED IN THE RIGHTS OFFERING PROCEDURES ARE NOT COMPLETED BY THE SUBSCRIPTION INSTRUCTION DEADLINE, SUBSCRIPTION PAYMENT DEADLINE OR THE BACKSTOP FUNDING DEADLINE, AS APPLICABLE, THE RIGHTS OFFERING PARTICIPANT SHALL BE DEEMED TO HAVE FOREVER AND IRREVOCABLY RELINQUISHED AND WAIVED ITS RIGHT TO PARTICIPATE IN THE RIGHTS OFFERING.

To validly exercise its Subscription Rights, each Rights Offering Participant that is not a Commitment Party must:

- return duly completed and executed applicable Beneficial Holder Subscription Form(s) (with accompanying IRS Form W-9 or appropriate IRS Form W-8, as applicable) to the Subscription Agent or its Nominee (or otherwise follow the directions of its Nominee), as applicable, so that such holder's subscription instructions may be effected by the Nominee by

delivering the applicable HoldCo Notes or HoldCo Common Stock via DTC's ATOP system prior to the Subscription Instruction Deadline; and

- at the same time it returns its Beneficial Holder Subscription Form(s) to its Nominee, but in no event later than the Subscription Payment Deadline, pay, or arrange for the payment by its Nominee of, the applicable Purchase Price to the Subscription Agent by wire transfer **ONLY** of immediately available funds in accordance with the instructions included in the applicable Beneficial Holder Subscription Form(s).

To validly exercise its Subscription Rights, each Rights Offering Participant that is a Commitment Party must:

- return duly completed and executed applicable Beneficial Holder Subscription Form(s) (with accompanying IRS Form W-9 or appropriate IRS Form W-8, as applicable) to the Subscription Agent or its Nominee (or otherwise follow the directions of its Nominee), as applicable, so that such holder's subscription instructions may be effected by the Nominee by delivering the applicable HoldCo Notes or HoldCo Common Stock via DTC's ATOP system prior to the Subscription Instruction Deadline;

- ensure that the Commitment Party Addendum is completed and returned to the Subscription Agent by the Subscription Payment Deadline; and

- no later than the Backstop Funding Deadline, pay the applicable Purchase Price to the Subscription Agent or to the escrow account established and maintained by a third party satisfactory to the Commitment Parties and the Debtors (the "Escrow Account") by wire transfer **ONLY** of immediately available funds in accordance with the wire instructions included in the Funding Notice.

ALL COMMITMENT PARTIES MUST PAY THEIR APPLICABLE PURCHASE PRICE DIRECTLY TO THE SUBSCRIPTION AGENT OR TO THE ESCROW ACCOUNT, AS APPLICABLE, AND SHOULD NOT PAY THEIR NOMINEE(S).

With respect to the requirements above, each eligible holder must duly complete, execute and return any applicable Beneficial Holder Subscription Form to their Nominee (or otherwise follow their Nominee's instructions) in sufficient time to allow its Nominee to process its instructions and deliver (with accompanying IRS Form W-9 or appropriate IRS Form W-8, as applicable) the underlying HoldCo Notes or HoldCo Common Stock through ATOP, and, solely with respect to the eligible holders that are not Commitment Parties, payment of the applicable Purchase Price, payable for the Rights Offering Shares elected to be purchased by such eligible holder, by the Subscription Payment Deadline. Eligible holders that are Commitment Parties must deliver their payment of the applicable Purchase Price payable for the Rights Offering Shares elected to be purchased by such Commitment Party directly to the Subscription Agent or to the Escrow Account, as applicable, no later than the Backstop Funding Deadline.

In the event that the funds received by the Subscription Agent or the Escrow Account, as applicable, from any eligible holder do not correspond to the Purchase Price payable for the Rights Offering Shares elected to be purchased by such Rights Offering Participant, the number of the Rights Offering Shares deemed to be purchased by such Rights Offering Participant will be the lesser of (a) the number of the Rights Offering Shares elected to be purchased by such Rights Offering Participant as evidenced by the relevant ATOP submission(s) and (b) a number of the Rights Offering Shares determined by dividing the amount of the funds received by the Purchase Price, in each case up to such Rights Offering Participant's pro rata portion of Rights Offering Shares. Any HoldCo Notes or HoldCo Common Stock submitted through ATOP that do not have a corresponding payment amount will be returned to the Nominee that submitted the instruction.

The cash paid to the Subscription Agent in accordance with the Rights Offering Procedures will be deposited and held by the Subscription Agent in a segregated account until released to the Debtors in connection with the settlement of the Rights Offering on the Effective Date. The Subscription Agent may not use such cash for

any other purpose prior to the Effective Date and may not encumber or permit such cash to be encumbered with any lien or similar encumbrance. The cash held by the Subscription Agent hereunder shall not be deemed part of the Debtors' bankruptcy estates.

The Rights Offering Shares will be distributed and issued by the Debtors without registration under the Securities Act, in reliance upon the exemption provided in section 1145 of the Bankruptcy Code. None of the Subscription Rights or the Rights Offering Shares issuable upon exercise of such rights distributed pursuant to the Rights Offering Procedures in reliance upon the exemption provided in section 1145 of the Bankruptcy Code will be registered under the Securities Act, nor any state or local law requiring registration for offer and sale of a security.

The Subscription Rights will not be detachable or transferable separately from the underlying Existing HoldCo Common Stock and Allowed HoldCo Note Claims, as applicable. Rather, the Subscription Rights together with the underlying the underlying Existing HoldCo Common Stock and Allowed HoldCo Note Claims with respect to which such Subscription Rights were activated, will trade together and be evidenced by the underlying HoldCo Notes or HoldCo Common Stock until the Subscription Instruction Deadline, subject to such limitations, if any, that would be applicable to the transferability of the underlying Existing HoldCo Common Stock and Allowed HoldCo Note Claims; *provided* that following the exercise of any Subscription Rights, the holder thereof shall be prohibited from transferring or assigning the underlying Existing HoldCo Common Stock and Allowed HoldCo Note Claims, as applicable, corresponding to such Subscription Rights until the earlier of (i) termination of the Rights Offering and (ii) the revocation of exercise of the Subscription Rights to the extent permitted by the Rights Offering Procedures.

CERTAIN PARTIES ASSERT THAT THE DISCLOSURE STATEMENT DOES NOT PROVIDE SUPPORT FOR PRICING THE RIGHTS OFFERING SHARES AT A 20% DISCOUNT TO SETTLEMENT PLAN VALUE.

The proposed pricing of the Rights Offering Shares at a 20% discount to Settlement Plan Value is consistent with market practice. The proposed pricing of the Rights Offering Shares reflected in the Backstop Commitment Agreement is the product of extensive good-faith, arm's-length discussions between the Debtors and the Backstop Commitment Parties, and reflects a prudent exercise of the Debtors' business judgment. Moreover, if the Plan is consummated as anticipated in the Backstop Commitment Agreement, the pricing of the Rights Offering will have no economic impact whatsoever on any members of the OpCo Group or any of the Committee's constituents (except holders of Holdco Notes, over two-thirds of which are Plan Support Parties who entered into the agreement).

The Debtors are prepared to meet their evidentiary burden (if any) with respect to such matters. The rights of all parties are fully preserved with respect to such matters.

XIV. CERTAIN SECURITIES LAW MATTERS.

A. New Common Stock; Rights Offering Shares; Backstop Commitment Shares.

As discussed herein, the Plan provides for Reorganized HoldCo to distribute: (1) New Common Stock to holders of Existing HoldCo Common Stock and holders of Allowed HoldCo Note Claims on account of their respective Existing HoldCo Common Stock and Allowed HoldCo Note Claims, as applicable; (2) New Common Stock under the Management Incentive Plan; (3) the Rights Offering Shares to holders of Existing HoldCo Common Stock and holders of Allowed HoldCo Note Claims, as applicable, in connection with the Rights Offering; (3) New Common Stock, consisting of Unsubscribed Shares (as defined in the Backstop Commitment Agreement) not purchased in the Rights Offering to certain Consenting HoldCo Noteholders and Consenting HoldCo Equityholders, together with their permitted successors and assigns, that have committed to fund the Rights Offering and are signatories to the Backstop Commitment Agreement (respectively, the "Backstop Commitment Shares" and the "Backstop Parties"); and (4) New Common Stock issued to the Rights Offering Backstop Parties on account of the Commitment Premium.

The Debtors believe that the New Common Stock will be "securities," as defined in section 2(a)(1) of the Securities Act, section 101 of the Bankruptcy Code, and any applicable state securities law (a "Blue Sky Law"). The Debtors further believe that the offer and sale of the New Common Stock, as applicable, pursuant to the Plan is, and subsequent transfers of the New Common Stock by the holders thereof that are not "underwriters" (as defined in section 2(a)(11) of the Securities Act and in the Bankruptcy Code) will be, exempt from federal and state securities registration requirements under various provisions of the Securities Act, the Bankruptcy Code, and any applicable state Blue Sky Law as described in more detail below. **The New Common Stock underlying the Management Incentive Plan will be issued pursuant to a registration statement or another available exemption from registration under the Securities Act and other applicable law.**

RECIPIENTS OF NEW COMMON STOCK ARE URGED TO CONSULT WITH THEIR OWN LEGAL ADVISORS AS TO THE AVAILABILITY OF ANY EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT AND ANY APPLICABLE STATE BLUE SKY LAW.

B. Backstop Commitment Agreement.

The Backstop Parties, severally and not jointly, and the Debtors entered into a Backstop Commitment Agreement, pursuant to which the Backstop Parties, severally and not jointly, have agreed to backstop the Rights Offering to be conducted in accordance with the Plan. Under the Backstop Commitment Agreement, the Backstop Parties, severally and not jointly, have agreed to purchase the Rights Offering Shares that are not duly subscribed for pursuant to the Rights Offering.

The Debtors will pay the Backstop Parties upon the closing of the Rights Offering a Commitment Premium equal to 6.0 percent of the $580.0 million committed amount. The Commitment Premium shall be fully earned as of the date of entry of the Backstop Approval Order. The Commitment Premium will be an Allowed Administrative Claim against HoldCo that will paid either in the form of New Common Stock at the Purchase Price, if the Plan is consummated as contemplated in the Plan Support Agreement, or in Cash in the amount of 4.0 percent of the $580.0 million committed amount, if the Backstop Commitment Agreement is terminated for any reason other than by the Debtors due to the failure of any Commitment Party to complete the Rights Offering in violation of the Backstop Commitment Agreement, in each case in accordance with the Backstop Commitment Agreement.

All New Common Stock issued to the Backstop Parties pursuant to the Backstop Commitment Agreement in respect of their backstop commitment will be issued (i) pursuant to an effective registration statement under the Securities Act or (ii) in reliance upon the exemption from registration under the Securities Act, provided by Section 4(a)(2) thereof and/or Regulation D thereunder. As a condition to the closing of the transactions contemplated by the Backstop Commitment Agreement and the Term Sheet, the Debtors will enter into the Registration Rights Agreement (as defined below). Backstop Parties will not be entitled to transfer all or any portion of their backstop commitments except as expressly provided in the Backstop Commitment Agreement.

On December 6, 2016, the Debtors filed a motion for entry of the Backstop Approval Order [Docket No. 820]. The Committee [Docket No. 933] and the OpCo Group [Docket No. 932] filed objections to the Debtors' motion for entry of the Backstop Approval Order. On January 19, 2017, the Bankruptcy Court entered the Backstop Approval Order [Docket No. 996].

C. Registration Rights Agreement.

The Plan provides that from and after the Effective Date, (a) each HoldCo Equityholder and HoldCo Noteholder receiving at least ten percent (10 percent) or more of the New Common Stock issued under the Plan and/or the Rights Offerings or that cannot sell its New Common Stock under Rule 144 promulgated under the Securities Act without volume or manner of sale restrictions and (b) each Backstop Party, in each case, will be entitled to registration rights that are customary for transactions of a similar nature to the Restructuring Transactions, pursuant to a registration rights agreement to be entered into as of the Effective Date, and substantially in the form to be included in the Plan Supplement (the "Registration Rights Agreement"), and will provide for customary demand, shelf and piggyback registration rights with respect to all New Common Stock beneficially owned by such Persons or their successors in interest (whether acquired at the Effective Date or thereafter) and will provide for a shelf registration statement to be filed by the Debtors for the benefit of such Persons within ten (10) business days

following the later of (i) the Effective Date and (ii) the filing of the Debtors' Annual Report on Form 10-K for the year ended December 31, 2016.

D. Issuance and Resale of New Common Stock Under the Plan.

1. Issuance under Section 1145 of the Bankruptcy Code, Private Placement Exemptions.

Except as expressly provided herein, all shares of New Common Stock issued under the Plan, including the Rights Offering Shares, the Backstop Commitment Shares and the New Common Stock issued on account of the Commitment Premium will be issued either: (a) pursuant to an effective registration statement under the Securities Act; or (b) without registration under the Securities Act or any similar federal, state, or local law in reliance upon either (A) section 1145 of the Bankruptcy Code or (B) section 4(a)(2) of the Securities Act or Regulation D promulgated thereunder. All shares of New Common Stock, including the Backstop Commitment Shares, issued pursuant to the exemption from registration set forth in section 4(a)(2) of the Securities Act or Regulation D promulgated thereunder will be considered "restricted securities" and may not be transferred except pursuant to an effective registration statement under the Securities Act, including a registration statement pursuant to the Registration Right Agreement, or an available exemption therefrom.

Persons who purchase the New Common Stock, including the Backstop Commitment Shares, pursuant to the exemption from registration set forth in section 4(a)(2) of the Securities Act or Regulation D promulgated thereunder will hold "restricted securities." Resales of such restricted securities would not be exempted by section 1145 of the Bankruptcy Code from registration under the Securities Act or other applicable law. Holders of restricted securities would, however, be permitted to resell New Common Stock without registration if they are able to comply with the applicable provisions of Rule 144 or Rule 144A (to the extent applicable) or any other registration exemption under the Securities Act, or if resales of such securities are registered with the Securities and Exchange Commission, including a registration statement pursuant to the Registration Right Agreement as described above.

All shares of New Common Stock issued to holders of Existing HoldCo Common Stock and Allowed HoldCo Note Claims on account of their respective Claims and Interests, as applicable, in connection with the Rights Offering, upon exercise of their rights, all New Common Stock issued on account of the Commitment Premium are expected to be issued without registration under the Securities Act or any similar federal, state, or local law in reliance on Section 1145(a) of the Bankruptcy Code. The Backstop Commitment Shares are expected to be issued pursuant to the exemption from registration set forth in section 4(a)(2) of the Securities Act or Regulation D promulgated thereunder.

RECIPIENTS OF THE NEW COMMON STOCK ARE URGED TO CONSULT WITH THEIR OWN LEGAL ADVISORS AS TO THE AVAILABILITY OF ANY EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT AND ANY APPLICABLE STATE BLUE SKY LAW.

2. Resale of New Common Stock; Definition of Underwriter.

Section 1145(b)(1) of the Bankruptcy Code defines an "underwriter" as one who, except with respect to "ordinary trading transactions" of an entity that is not an "issuer": (a) purchases a claim against, interest in, or claim for an administrative expense in the case concerning, the debtor, if such purchase is with a view to distribution of any security received or to be received in exchange for such claim or interest; (b) offers to sell securities offered or sold under a plan for the holders of such securities; (c) offers to buy securities offered or sold under a plan from the holders of such securities, if such offer to buy is (i) with a view to distribution of such securities and (ii) under an agreement made in connection with the plan, with the consummation of the plan, or with the offer or sale of securities under the plan; or (d) is an issuer of the securities within the meaning of section 2(a)(11) of the Securities Act. In addition, a person who receives a fee in exchange for purchasing an issuer's securities could also be considered an underwriter within the meaning of section 2(a)(11) of the Securities Act.

The definition of an "issuer" for purposes of whether a person is an underwriter under section 1145(b)(1)(D) of the Bankruptcy Code, by reference to section 2(a)(11) of the Securities Act, includes as

"statutory underwriters" all persons who, directly or indirectly, through one or more intermediaries, control, are controlled by, or are under common control with, an issuer of securities. The reference to "issuer," as used in the definition of "underwriter" contained in section 2(a)(11) of the Securities Act, is intended to cover "Controlling Persons" of the issuer of the securities. "Control," as defined in Rule 405 of the Securities Act, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract, or otherwise. Accordingly, an officer or director of a reorganized debtor or its successor under a plan of reorganization may be deemed to be a "Controlling Person" of the debtor or successor, particularly if the management position or directorship is coupled with ownership of a significant percentage of the reorganized debtor's or its successor's voting securities. In addition, the legislative history of section 1145 of the Bankruptcy Code suggests that a creditor who owns ten percent or more of a class of securities of a reorganized debtor may be presumed to be a "Controlling Person" and, therefore, an underwriter.

Resales of the New Common Stock by entities deemed to be "underwriters" (which definition includes "Controlling Persons") are not exempted by section 1145 of the Bankruptcy Code from registration under the Securities Act or other applicable law. Under certain circumstances, holders of New Common Stock who are deemed to be "underwriters" may be entitled to resell their New Common Stock pursuant to the limited safe harbor resale provisions of Rule 144 promulgated under the Securities Act. Generally, Rule 144 promulgated under the Securities Act would permit the public sale of securities received by such Person if the required holding period has been met and, under certain circumstances, current information regarding the issuer is publicly available and volume limitations, manner of sale requirements and certain other conditions are met. Whether any particular Person would be deemed to be an "underwriter" (including whether the Person is a "Controlling Person") with respect to the New Common Stock, as applicable, would depend upon various facts and circumstances applicable to that Person. Accordingly, the Debtors express no view as to whether any Person would be deemed an "underwriter" with respect to the New Common Stock and, in turn, whether any Person may freely resell New Common Stock.

Unlike the securities that will be issued pursuant to section 1145(a)(1) of the Bankruptcy Code, any shares of New Common Stock, including the Backstop Commitment Shares issued in reliance upon section 4(a)(2) of the Securities Act or Regulation D promulgated thereunder will be deemed "restricted securities" that may not be offered, sold, exchanged, assigned or otherwise transferred unless they are registered under the Securities Act, including a registration statement pursuant to the Registration Right Agreement as described above, or an exemption from registration under the Securities Act is available, including under Rule 144 or Rule 144A promulgated under the Securities Act.

Rule 144 provides an exemption for the public resale of "restricted securities" if certain conditions are met. These conditions vary depending on whether the holder of the restricted securities is an affiliate of the issuer. An affiliate is defined as "a person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, the issuer."

A non-affiliate who has not been an affiliate of the issuer during the preceding three months may resell restricted securities after a six-month holding period if at the time of the sale there is available certain current public information regarding the issuer, and may sell the securities after a one-year holding period whether or not there is current public information regarding the issuer. Adequate current public information is available for a reporting issuer if the issuer has filed all periodic reports required under Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, during the twelve months preceding the sale of the restricted securities. If the issuer is a non-reporting issuer, adequate current public information is available if certain information about the issuer is made publicly available. The Debtors currently expect that the Reorganized Debtors will continue to be a reporting issuer and file all such required periodic reports and that current public information will be available to allow resales by non-affiliates when the six-month holding period expires (approximately six months after the emergence date).

An affiliate may resell restricted securities after the six-month holding period if at the time of the sale certain current public information regarding the issuer is available. As noted above, the Debtors currently expect that this information requirement will be satisfied. The affiliate must also comply with the volume, manner of sale and notice requirements of Rule 144. First, the rule limits the number of restricted securities (plus any unrestricted securities) sold for the account of an affiliate (and related persons) in any three-month period to the greater of one percent of the outstanding securities of the same class being sold, or, if the class is listed on a stock exchange, the

greater of one percent of the average weekly reported volume of trading in such restricted securities during the four weeks preceding the filing of a notice of proposed sale on Form 144. Second, the manner of sale requirement provides that the restricted securities must be sold in a broker's transaction, which generally means they must be sold through a broker and handled as a routine trading transaction. The broker must receive no more than the usual commission and cannot solicit orders for the sale of the restricted securities except in certain situations. Third, if the sale exceeds 5,000 restricted securities or has an aggregate sale price greater than $50,000, an affiliate must file with the SEC three copies of a notice of proposed sale on Form 144. The sale must occur within three months of filing the notice unless an amended notice is filed.

The Debtors believe that the Rule 144 exemption will not be available with respect to any New Common Stock issued in reliance upon section 4(a)(2) of the Securities Act or Regulation D promulgated thereunder (whether held by non-affiliates or affiliates) until at least six months after the Effective Date. Accordingly, holders of such New Common Stock will be required to hold such New Common Stock for at least six months and, thereafter, to sell New Common Stock only in accordance with the applicable requirements of Rule 144, unless such New Common Stock is registered under the Securities Act, including a registration statement pursuant to the Registration Right Agreement as described above (or is otherwise exempt).

The Backstop Commitment Shares, if any, will be issued in certificated or book-entry form and will bear a restrictive legend. Each certificate or book-entry representing, or issued in exchange for or upon the transfer, sale or assignment of, any Backstop Commitment Shares shall be stamped or otherwise imprinted with a legend in substantially the following form:

"THE SECURITIES REPRESENTED BY THIS CERTIFICATE WERE ORIGINALLY ISSUED ON [DATE OF ISSUANCE], HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR ANY OTHER APPLICABLE STATE SECURITIES LAWS, AND MAY NOT BE SOLD OR TRANSFERRED IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT UNDER THE ACT OR AN AVAILABLE EXEMPTION FROM REGISTRATION THEREUNDER."

The Reorganized Debtors will reserve the right to require certification or other evidence of compliance with Rule 144 or another available exemption as a condition to the removal of such legend or to any resale of the Backstop Commitment Shares. The Reorganized Debtors will also reserve the right to stop the transfer of any such Backstop Commitment Shares if such transfer is not in compliance with Rule 144 or another available exemption. Any person who receives such Backstop Commitment Shares will be required to acknowledge and agree not to resell such securities except in accordance with Rule 144, when available, or another available exemption and that the securities will be subject to the other restrictions described above.

ANY PERSONS RECEIVING "RESTRICTED SECURITIES" UNDER THE PLAN ARE URGED TO CONSULT WITH THEIR OWN COUNSEL CONCERNING THE AVAILABILITY OF AN EXEMPTION FROM REGISTRATION FOR RESALE OF THESE SECURITIES UNDER THE SECURITIES ACT AND OTHER APPLICABLE LAW.

BECAUSE OF THE COMPLEX, SUBJECTIVE NATURE OF THE QUESTION OF WHETHER A PARTICULAR PERSON MAY BE AN UNDERWRITER OR AN AFFILIATE AND THE HIGHLY FACT-SPECIFIC NATURE OF THE AVAILABILITY OF EXEMPTIONS FROM REGISTRATION UNDER THE SECURITIES ACT, INCLUDING THE EXEMPTIONS AVAILABLE UNDER SECTION 1145 OF THE BANKRUPTCY CODE AND RULE 144 UNDER THE SECURITIES ACT, NONE OF THE DEBTORS OR THE REORGANIZED DEBTORS MAKE ANY REPRESENTATION CONCERNING THE ABILITY OF ANY PERSON TO DISPOSE OF THE SECURITIES TO BE DISTRIBUTED UNDER THE PLAN. POTENTIAL RECIPIENTS OF THE SECURITIES TO BE ISSUED UNDER THE PLAN ARE URGED TO CONSULT THEIR OWN COUNSEL CONCERNING WHETHER THEY MAY FREELY TRADE SUCH SECURITIES. POTENTIAL RECIPIENTS OF NEW COMMON STOCK ARE URGED TO CONSULT THEIR OWN COUNSEL CONCERNING THEIR ABILITY TO FREELY TRADE SUCH SECURITIES WITHOUT COMPLIANCE WITH THE FEDERAL LAW AND ANY APPLICABLE STATE BLUE SKY LAW.

3. New Common Stock and the Management Incentive Plan.

The Confirmation Order shall authorize the Reorganized HoldCo Board to adopt and enter into the Management Incentive Plan, on the terms set forth in Article IV of the Plan and the Plan Supplement. The issuance of New Common Stock under the Management Incentive Plan would dilute all of the New Common Stock.

E. Issuance and Resale of Exit Notes Under the Plan.

The Exit Notes will be issued without registration under the Securities Act or any similar federal, state, or local law in reliance upon section 4(a)(2) of the Securities Act and/or Rule 144A, Regulation S and/or Regulation D promulgated thereunder. All Exit Notes issued pursuant to the exemption from registration set forth in section 4(a)(2) of the Securities Act and/or Rule 144A, Regulation S and/or Regulation D promulgated thereunder will be considered "restricted securities" and may not be transferred except pursuant to an effective registration statement under the Securities Act or an available exemption therefrom.

Persons who purchase the Exit Notes pursuant to the exemption from registration set forth in section 4(a)(2) of the Securities Act and/or Rule 144A, Regulation S and/or Regulation D promulgated thereunder will hold "restricted securities." Holders of restricted securities would, however, be permitted to resell Exit Notes without registration if they are able to comply with the applicable provisions of Rule 144 or Rule 144A (if available) or any other registration exemption under the Securities Act, or if such securities are registered with the Securities and Exchange Commission. To the extent the Exit Notes are issued without registration under the Securities Act or any similar federal, state, or local law in reliance upon section 4(a)(2) of the Securities Act and/or Rule 144A, Regulation S and/or Regulation D promulgated thereunder, the Exit Noteholders shall have the benefit of the Exit Notes Registration Rights Agreement.

The Exit Notes Registration Rights Agreement (a) shall be effective on or prior to the Effective Date, (b) shall entitle the Exit Noteholders to registration rights that are customary for a transaction of this nature and (c) shall include such terms as are consistent with those set forth in the Exit Financing Agreements.

The Debtors shall, on or before the offering of the Exit Notes, take such action as the Debtors shall reasonably determine is necessary in order to obtain an exemption for, or to qualify the offer and sale of the Exit Notes under applicable securities and "Blue Sky" laws of the states of the United States (or to obtain an exemption from such qualification) and any applicable foreign jurisdictions, and shall provide evidence of any such action so taken to the Commitment Parties on or prior to the offering of the Exit Notes. The Debtors or the Reorganized Debtors, as applicable, shall pay all reasonable fees and expenses in connection with satisfying its obligations under this paragraph.

The Reorganized Debtors shall use commercially reasonable efforts to promptly make the Exit Notes eligible for deposit with The Depository Trust Company.

XV. CERTAIN TAX CONSEQUENCES OF THE PLAN.

A. Introduction.

The following discussion summarizes certain United States ("U.S.") federal income tax consequences and Canadian federal income tax consequences of the implementation of the Plan to the Debtors, the Reorganized Debtors, and certain holders of Claims and Existing HoldCo Common Stock.

With respect to the U.S. federal income tax consequences discussed below, this summary is based on the U.S. Tax Code, the U.S. Treasury Regulations promulgated thereunder (the "Treasury Regulations"), judicial decisions and published administrative rules, pronouncements of the Internal Revenue Service (the "IRS"), and the Convention Between the United States of America and Canada With Respect to Taxes on Income and on Capital, as amended by Protocols 1-5 (the "U.S.-Canada Treaty"), all as in effect on the date hereof (collectively, "Applicable U.S. Tax Law").

With respect to Canadian federal income tax consequences discussed below, this summary represents the opinion of Grant Thornton LLP (Canada) and is based upon on the provisions of the Income Tax Act (R.S.C., 1985, c. 1 (5th Supp.)) (the "ITA"), the regulations thereunder (the "Regulations"), the U.S.-Canada Treaty, the current published administrative policies and assessing practices of the Canada Revenue Agency ("CRA") publicly available prior to the date hereof, and all specific proposals to amend the ITA and Regulations publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the "Canadian Tax Proposals") on the basis that all such Canadian Tax Proposals will be enacted in the form proposed (though no assurance can be given that the Canadian Tax Proposals will be enacted in the form proposed or at all) (collectively, "Applicable Canadian Tax Law").

Changes in the rules or new interpretations of the rules may have retroactive effect and could significantly affect the U.S. federal income tax and Canadian tax consequences described below. The Debtors have not requested, and do not intend to request, any ruling or determination from the IRS, Canadian tax authority, or any other taxing authority with respect to the tax consequences discussed herein, and the discussion below is not binding upon the IRS or the courts. No assurance can be given that the IRS, Canadian tax authority, or any other taxing authority would not assert, or that a court would not sustain, a different position than any position discussed herein.

Other than as specifically noted below with respect to Canadian tax issues, this summary does not address foreign, state, or local tax consequences of the Plan, nor does it purport to address all aspects of U.S. federal income taxation that may be relevant to a holder in light of its individual circumstances or to a holder that may be subject to special tax rules (such as Persons who are related to the Debtors within the meaning of the U.S. Tax Code, U.S. expatriates, persons subject to the alternative minimum tax, broker-dealers, banks, mutual funds, insurance companies, financial institutions, small business investment companies, regulated investment companies, tax exempt organizations, pass-through entities, beneficial owners of pass-through entities, subchapter S corporations, persons who hold Claims or Existing HoldCo Common Stock or who will hold the New Common Stock as part of a straddle, hedge, conversion transaction, or other integrated investment, persons using a mark-to-market method of accounting, and holders of Claims or Existing HoldCo Common Stock who are themselves in bankruptcy). Furthermore, this summary assumes that a holder of a Claim holds only Claims in a single Class and holds a Claim, only as a "capital asset" (within the meaning of section 1221 of the U.S. Tax Code) for purposes of Applicable U.S. Tax Law. This summary also assumes that the various debt and other arrangements to which any of the Debtors are a party will be respected for U.S. federal income tax purposes in accordance with their form, and that the Claims constitute interests in the Debtors "solely as a creditor" for purposes of section 897 of the U.S. Tax Code. This summary does not discuss differences in tax consequences to holders of Claims or Existing HoldCo Common Stock that act as backstop parties or otherwise act or receive consideration in a capacity other than any other holder of a Claim or Existing HoldCo Common Stock of the same Class or Classes, and the tax consequences for such holders may differ materially from that described below. This summary does not address any special considerations that may apply to (a) parties that have, at any time, directly or indirectly held 5% or more of the existing Interests in HoldCo or (b) will directly or indirectly hold 5% or more of the New Common Stock immediately after the Effective Date, in each case, after giving effect to applicable constructive ownership rules.

For purposes of this discussion, a "U.S. Holder" is a holder of a Claim or Existing HoldCo Common Stock that is: (1) an individual citizen or resident of the United States for U.S. federal income tax purposes; (2) a corporation (or other entity treated as a corporation for U.S. federal income tax purposes) created or organized under the laws of the United States, any state thereof or the District of Columbia; (3) an estate the income of which is subject to U.S. federal income taxation regardless of the source of such income; or (4) a trust (A) if a court within the United States is able to exercise primary jurisdiction over the trust's administration and one or more United States persons have authority to control all substantial decisions of the trust or (B) that has a valid election in effect under applicable Treasury Regulations to be treated as a United States person. For purposes of this discussion, a "non-U.S. Holder" is any holder of a Claim or Existing HoldCo Common Stock that is not a U.S. Holder other than any partnership (or other entity treated as a partnership or other pass-through entity for U.S. federal income tax purposes).

If a partnership (or other entity treated as a partnership or other pass-through entity for U.S. federal income tax purposes) is a holder of a Claim or Existing HoldCo Common Stock, the tax treatment of a partner (or other beneficial owner) generally will depend upon the status of the partner (or other beneficial owner) and the activities of the entity. Partners (or other beneficial owners) of partnerships (or other pass-through entities) that are holders of

Claims or Existing HoldCo Common Stock are urged to consult their respective tax advisors regarding the U.S. federal income tax consequences of the Plan.

For the purposes of the discussion in respect of Canadian federal income tax matters, a "Canadian Holder" of a Claim or of an Existing HoldCo Common Stock is a holder who, at all relevant times for purposes of the ITA and any applicable income tax treaty or convention is resident in Canada, deals at arm's length with and is not affiliated with HoldCo or with any member of the UPE Group, holds its Claim or Existing HoldCo Common Stock as capital property and will hold its New Common Stock and the Subscription Rights as capital property, and a "Non-Canadian Holder" of a Claim or of an Existing HoldCo Common Stock is a holder who, at all relevant times for purposes of the ITA and any applicable income tax treaty or convention is a non-resident in Canada, deals at arm's length with and is not affiliated with HoldCo or with any member of the UPE Group, does not use or hold its Claim or Existing HoldCo Common Stock, and will not hold its Subscription Rights or New Common Stock as property of a business carried on in Canada, and who holds its Claim or Existing HoldCo Common Stock as capital property and will hold its New Common Stock and the Subscription Rights as capital property.

The Claims, Existing HoldCo Common Stock, New Common Stock and the Subscription Rights will, under Applicable Canadian Tax Law, generally constitute capital property to holders unless either the holder holds (or will hold) such securities in the course of carrying on a business, or the holder has acquired (or will acquire) such securities in a transaction considered to be an adventure in the nature of trade.

Certain Canadian holders whose Claims or Existing HoldCo Common Stock might not otherwise qualify as capital property may, in certain circumstances, treat such Claims or Existing HoldCo Common Stock as capital property by making an irrevocable election pursuant to subsection 39(4) of the ITA, to the extent such Claims or Existing HoldCo Common Stock are "Canadian securities" as defined in the ITA. The Holdco Note Claims, the Existing HoldCo Common Stock and the New Common Stock, but the not the Subscription Rights, are Canadian securities for the purpose of the irrevocable election under subsection 39(4) of the ITA. Canadian holders are advised to consult with their own tax advisors regarding such election.

This summary in respect of Canadian federal income tax matters to a Non-Canadian holder also assumes that the HoldCo Note Claims, Existing HoldCo Common Stock, Subscription Rights and New Common Stock do not constitute taxable Canadian property to such Non-Canadian holder. The HoldCo Note Claims, Existing HoldCo Common Stock, Subscription Rights and New Common Stock will generally not be considered to be taxable Canadian property to a Non-Canadian Holder unless at any time during the sixty-month period immediately preceding the time of disposition, more than 50 percent of the fair market value of issued shares of HoldCo was derived directly or indirectly from one or any combination of: (i) real or immovable properties situated in Canada, (ii) "Canadian resource properties" (as defined in the ITA), (iii) "timber resource properties" (as defined in the ITA), and (iv) options in respect of, or interests in, or for civil law rights in, property in any of the foregoing whether or not the property exists. The Debtors do not anticipate that the Holdco Note Claims, Existing HoldCo Common Stock, Subscription Rights, and New Common Stock constitute taxable Canadian property to a Non-Canadian holder.

This summary in respect of Canadian federal income tax matters to a Holder of a Claim or of Existing HoldCo Common Stock does not apply to a Holder: (i) that is a "specified financial institution" for the purposes of the ITA, (ii) that is a "financial institution" for the purposes of the mark-to-market rules of the ITA; (iii) of an interest which is or would constitute a "tax shelter investment" for the purpose of the ITA; (iv) whose "functional currency" for the purposes of the ITA is the currency of a country other than Canada; or (v) who has entered into a "derivative forward agreement", as defined in the ITA, in respect of a Claim or in respect of the Existing HoldCo Common Stock; or (vi) that is a corporation and is, immediately after the acquisition of the New Common Stock, or becomes as part of a transaction or event or series of transactions or events that includes the acquisition of the New Common Stock, controlled by a corporation that is a non-resident of Canada for the purposes of the foreign affiliate dumping rules in section 212.3 of the ITA. Any such Holder is urged to consult its own tax advisor with respect the Plan.

ACCORDINGLY, THE FOLLOWING SUMMARY OF CERTAIN U.S. FEDERAL INCOME TAX AND CANADIAN FEDERAL INCOME TAX CONSEQUENCES IS FOR INFORMATIONAL PURPOSES ONLY AND IS NOT A SUBSTITUTE FOR CAREFUL TAX PLANNING AND ADVICE BASED UPON

THE INDIVIDUAL CIRCUMSTANCES PERTAINING TO A HOLDER OF A CLAIM OR INTEREST. ALL HOLDERS OF CLAIMS OR INTERESTS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS AS TO THE FEDERAL, STATE, LOCAL, AND NON-U.S. INCOME, ESTATE, AND OTHER TAX CONSEQUENCES OF THE PLAN.

B. Certain U.S. Federal Income Tax Consequences to the Debtors and the Reorganized Debtors.

For U.S. federal income tax purposes, each of the Debtors other than the ultimate parent, HoldCo, are members of an affiliated group of corporations (or entities disregarded for federal income tax purposes that are wholly owned by members of such group), of which UP Energy Corporation ("UPE") is the common parent (the "UPE Group"). Because HoldCo is a Canadian entity, it is not a member of the UPE Group.

As of December 31, 2015, the UPE Group reported approximately $850 million of consolidated net operating losses ("U.S. NOLs") for U.S. federal income tax purposes. The Debtors believe additional U.S. NOLs were generated in 2016, but a final calculation of such amounts has not yet been performed, and additional U.S. NOLs may be generated before the Effective Date.

1. Cancellation of Debt and Reduction of Tax Attributes.

In general, absent an exception, a debtor will realize and recognize cancellation of debt income ("COD Income") upon satisfaction of its outstanding indebtedness for total consideration less than the amount of such indebtedness. The amount of COD Income, in general, is the excess of (a) the adjusted issue price of the indebtedness satisfied, over (b) the sum of (i) the amount of Cash paid, (ii) the issue price of any new indebtedness of the taxpayer issued, and (iii) the fair market value of any other new consideration (including stock of the debtor) given in satisfaction of such indebtedness at the time of the exchange.

Under section 108 of the U.S. Tax Code, a debtor is not required to include COD Income in gross income if the debtor is under the jurisdiction of a court in a case under chapter 11 of the Bankruptcy Code and the discharge of debt occurs pursuant to that proceeding. Instead, as a consequence of such exclusion, a debtor must reduce its tax attributes by the amount of COD Income that it excluded from gross income pursuant to the rule discussed in the preceding sentence. In general, tax attributes will be reduced in the following order: (a) NOLs and NOL carryforwards; (b) general business credit carryovers; (c) minimum tax credit carryovers; (d) capital loss carryovers; (e) tax basis in assets; (f) passive activity loss and credit carryovers; and (g) foreign tax credit carryovers. Alternatively, a debtor with COD Income may elect first to reduce the basis of its depreciable assets pursuant to section 108(b)(5) of the U.S. Tax Code. The reduction in tax attributes occurs only after the tax for the year of the debt discharge has been determined. Any excess COD Income over the amount of available tax attributes is not subject to U.S. federal income tax and has no other U.S. federal income tax impact.

The Treasury Regulations address the method and order for applying tax attribute reduction to an affiliated group of corporations. Under these Treasury Regulations, the tax attributes of each member of an affiliated group of corporations that is excluding COD Income is first subject to reduction. To the extent the debtor member's tax basis in stock of a lower-tier member of the affiliated group is reduced, a "look through rule" requires that a corresponding reduction be made to the tax attributes of the lower-tier member. If a debtor member's excluded COD Income exceeds its tax attributes, the excess COD Income is applied to reduce certain remaining consolidated tax attributes of the affiliated group.

Importantly, the UPE Group's tax attributes are only subject to reduction on the basis of the COD Income related to debt owed by the UPE Group. Therefore, any cancellation of indebtedness income that may arise with respect to HoldCo's debt will not be taken into account for purposes of the above rules. Accordingly, the amount of COD Income that may result in a reduction of the UPE Group's tax attributes will depend on the value (or issue price, in the case of new debt) of the consideration received by holders of Claims against the entities that compose the UPE Group. Under the revised Plan as described in this Disclosure Statement, because Claims against the Debtors composing the UPE Group are generally being paid in full in Cash, the Debtors do not currently expect that the consummation of the Plan will give rise to substantial COD Income.

2. Limitation of NOL Carryforwards and Other Tax Attributes.

Following the Effective Date, the Debtors anticipate that any remaining U.S. NOLs, U.S. NOL carryover, capital loss carryover, tax credit carryovers, and certain other tax attributes (such as losses and deductions that have accrued economically but are unrecognized as of the date of the ownership change) of the UPE Group allocable to periods before the Effective Date (collectively, the Pre-Change Losses") may be subject to limitation or elimination under sections 382 and 383 of the U.S. Tax Code as a result of an "ownership change" of the UPE Group by reason of the transactions pursuant to the Plan.

Under sections 382 and 383 of the U.S. Tax Code, if a corporation undergoes an "ownership change," the amount of its Pre-Change Losses that may be utilized to offset future taxable income generally is subject to an annual limitation. The rules of section 382 of the U.S. Tax Code are complicated, but as a general matter, the Debtors anticipate that the issuance of additional equity in HoldCo will cause an "ownership change" of the UPE Group pursuant to rules regarding changes in indirect ownership. Accordingly, the UPE Group's use of their Pre-Change Losses will be subject to limitation unless an exception to the general rules of section 382 of the U.S. Tax Code applies.

For this purpose, if a corporation (or consolidated group) has a net unrealized built-in loss at the time of an ownership change (taking into account most assets and items of "built-in" income and deductions), then generally built-in losses (including amortization or depreciation deductions attributable to such built-in losses) recognized during the following five years (up to the amount of the original net unrealized built-in loss) will be treated as Pre-Change Losses and similarly will be subject to the annual limitation. In general, a corporation's (or consolidated group's) net unrealized built-in loss will be deemed to be zero unless it is greater than the lesser of (a) $10,000,000 or (b) 15 percent of the fair market value of its assets (with certain adjustments) before the ownership change.

a. General Section 382 Annual Limitation.

In general, the amount of the annual limitation to which a corporation that undergoes an "ownership change" would be subject is equal to the product of (a) the fair market value of the stock of the corporation immediately before the "ownership change" (with certain adjustments) multiplied by (b) the "long-term tax-exempt rate" (which is the highest of the adjusted federal long-term rates in effect for any month in the 3-calendar-month period ending with the calendar month in which the "ownership change" occurs).[14] The section 382 limitation may be increased to the extent that the Debtors recognize certain built-in gains in their assets during the five-year period following the ownership change, or are treated as recognizing built-in gains pursuant to the safe harbors provided in IRS Notice 2003-65. Section 383 of the U.S. Tax Code applies a similar limitation to capital loss carryforwards and tax credits. Any unused limitation may be carried forward, thereby increasing the annual limitation in the subsequent taxable year. As discussed below, however, special rules may apply in the case of a corporation that experiences an ownership change as the result of a bankruptcy proceeding.

b. Special Bankruptcy Exceptions.

An exception to the foregoing annual limitation rules generally applies when so-called "qualified creditors" of a debtor corporation in chapter 11 receive, in respect of their Claims, at least 50 percent of the vote and value of the stock of the reorganized debtor (or a controlling corporation if also in chapter 11) pursuant to a confirmed chapter 11 plan (the "382(l)(5) Exception"). Under the 382(l)(5) Exception, a debtor's Pre-Change Losses are not limited on an annual basis, but, instead, U.S. NOL carryforwards will be reduced by the amount of any interest deductions claimed during the three taxable years preceding the effective date of the plan of reorganization, and during the part of the taxable year prior to and including the effective date of the plan of reorganization, in respect of all debt converted into stock in the reorganization. If the 382(l)(5) Exception applies and the Reorganized Debtors undergo another "ownership change" within two years after the Effective Date, then the Reorganized Debtors' Pre-Change Losses thereafter would be effectively eliminated in their entirety.

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[14] The applicable rate is 2.09 percent for ownership changes occurring in February 2017. The Debtors cannot estimate what the applicable rate will be on the Effective Date (or on any other date on which an ownership change might occur).

Where the 382(l)(5) Exception is not applicable to a corporation in bankruptcy (either because the debtor does not qualify for it or the debtor otherwise elects not to utilize the 382(l)(5) Exception), a second special rule may apply (the "382(l)(6) Exception"). Under the 382(l)(6) Exception, the annual limitation will be calculated by reference to the lesser of the value of the debtor corporation's new stock (with certain adjustments) immediately after the ownership change or the value of such debtor corporation's assets (determined without regard to liabilities) immediately before the ownership change. This differs from the ordinary rule that requires the fair market value of a debtor corporation that undergoes an "ownership change" to be determined before the events giving rise to the change. Importantly, however, in the context of a consolidated group of corporations such as the UPE Group, the IRS has, in non-binding private guidance, determined that the asset value test is, with respect to equity in subsidiaries, applied on the basis of net equity value, subject to certain exceptions related to debt equitization. The application of that non-binding private guidance under the circumstances presented here is subject to uncertainty, but may have the result of limiting the effective benefit of the 382(l)(6) Exception. The 382(l)(6) Exception also differs from the 382(l)(5) Exception in that under it the debtor corporation is not required to reduce their U.S. NOL carryforwards by the amount of interest deductions claimed within the prior three-year period with respect to equitized debt, and the debtor may undergo a change of ownership within two years without automatically triggering the elimination of its Pre-Change Losses. The resulting limitation would be determined under the regular rules for ownership changes.

It is possible that the Debtors will not qualify for the 382(l)(5) Exception. In particular, the application of the 382(l)(5) Exception is subject to significant uncertainty in the circumstances here, where 100 percent of the stock of the parent of the UPE Group is owned by a foreign corporation. Alternatively, even if the 382(l)(5) Exception could apply, the Reorganized Debtors may decide to elect out of the 382(l)(5) Exception, particularly if it appears likely that another ownership change will occur within two years after emergence. In either case, the Debtors anticipate that their use of the Pre-Change Losses (if any) after the Effective Date will be subject to limitation based on the rules discussed above, but taking into account the 382(l)(6) Exception. Regardless of whether the Reorganized Debtors take advantage of the 382(l)(6) Exception or the 382(l)(5) Exception, the Reorganized Debtors' use of their Pre-Change Losses after the Effective Date may be adversely affected if an "ownership change" within the meaning of section 382 of the U.S. Tax Code were to occur after the Effective Date.

3. Alternative Minimum Tax.

In general, an alternative minimum tax ("AMT") is imposed on a corporation's alternative minimum taxable income ("AMTI") at a 20 percent rate to the extent such tax exceeds the corporation's regular federal income tax for the year. AMTI is generally equal to regular taxable income with certain adjustments. For purposes of computing AMTI, certain tax deductions and other beneficial allowances are modified or eliminated. For example, while U.S. NOLs generated in certain years can offset 100 percent of a corporation's regular taxable income, only 90 percent of a corporation's AMTI may be offset by available alternative tax U.S. NOL carryforwards. The effect of this rule could cause the Reorganized Debtors to owe an amount of federal and state income tax on taxable income in future years even if U.S. NOL carryforwards are available to offset that taxable income. Additionally, under section 56(g)(4)(G) of the U.S. Tax Code, an ownership change (as discussed above) that occurs with respect to a corporation having a net unrealized built-in loss in its assets will cause, for AMT purposes, the adjusted basis of each asset of the corporation immediately after the ownership change to be equal to its proportionate share (determined on the basis of respective fair market values) of the fair market value of the assets of the corporation, as determined under section 382(h) of the U.S. Tax Code, immediately before the ownership change, the effect of which may increase the amount of AMT owed by the Reorganized Debtors.

a. Treatment of Future Distributions from UPE Group to HoldCo.

Under the U.S.-Canada Treaty, dividends from UPE to HoldCo are subject to a 5 percent rate of U.S. tax, enforceable by withholding at the source. In general, a distribution from UPE to HoldCo will be treated as a dividend for these purposes to the extent made from UPE's "earnings and profits." Moreover, UPE is a "U.S. real property holding company" for purposes of the Foreign Investment in Real Property Tax Act ("FIRPTA"). If UPE does not have sufficient "earnings and profits," such distribution may be treated as a disposition by HoldCo of UPE's stock for FIRPTA purposes, which disposition would give rise to withholding at a 15 percent rate (potentially subject to a refund, to the extent such withholding exceeds actual tax liability) and tax liability at a 35 percent rate of any gain.

C. Certain Canadian Income Tax Consequences to the Debtors and Reorganized Debtors.

As of December 31, 2015, HoldCo had approximately $61 million of net operating losses ("Canadian NOLs") and it is anticipated that HoldCo generated additional Canadian NOLs in 2016 and will generate additional Canadian NOLs before the Effective Date.

1. Cancellation of Debt and Reduction of Tax Attributes

The ITA contains rules (the "Canadian Debt Forgiveness Rules") which may affect HoldCo as a result of the implementation of the Plan. These rules generally apply where a "commercial debt obligation" (as defined for these purposes in the ITA) is settled or extinguished without any payment or by the payment of an amount less than the principal amount of the debt. In general, the Canadian Debt Forgiveness Rules provide that the amount by which the principal amount of a debt (including, generally, accrued and unpaid interest thereon) exceeds the amount paid in satisfaction of such principal amount (such excess being referred to in this discussion as the "forgiven amount") is to be applied to reduce, in the following order, the debtor's (i) non-capital losses of prior taxation years, (ii) net capital losses of prior taxation years, (iii) capital cost and undepreciated capital cost of depreciable property, and other attributes in a specified order. Generally, one-half of any remaining unapplied portion of the forgiven amount is included in computing the income of the debtor in the year the debt is settled. In addition, corporations resident in Canada are allowed a deduction (the "Canadian Insolvency Deduction") which effectively offsets any income inclusion under the Canadian Debt Forgiveness Rules to the extent that such inclusion exceeds twice the fair market value of the corporation's net assets at the end of the taxation year (as determined under the applicable provisions of the ITA) in which the settlement or extinguishment occurs.

The exchange of HoldCo Note Claims for New Common Stock and the Subscription Rights will result in the settlement or extinguishment of the Holdco Note Claims. The "forgiven amount", as defined in the ITA, arising from the settlement or extinguishment, if any, will reduce, in prescribed order, certain tax attributes of HoldCo, including non-capital losses, and the adjusted cost base of certain capital property.

Importantly, HoldCo's tax attributes are only subject to reduction on the basis of the "forgiven amount' related to debt owed by HoldCo. Therefore, any cancellation of indebtedness income that may arise with respect to UPE Group's debt will not be taken into account for purposes of the above rules. Accordingly, the amount of debt forgiveness that may result in a reduction of the HoldCo's tax attributes will depend on the value of the consideration received by holders of Holdco Note Claims. The fair market value of such consideration cannot be known with certainty until after the Effective Date.

2. Limitation of NOL Carryforwards and Other Tax Attributes.

As noted above, as of December 31, 2015, HoldCo had approximately $61 million of NOLs, and additional NOLs will likely be generated before the Effective Date.

The ITA contains rules that limit a company's ability to carry forward and deduct NOLs upon an 'acquisition of control' of the company by a person or 'group of persons'.

'Control' for this purpose generally refers to the ownership of 50.1 percent or more of the voting shares of the company at a particular time.

An aggregation of more than one person will constitute a 'group of persons' only where there exists a sufficient common connection amongst the persons. The level of cooperation exercised amongst the members of the HoldCo Noteholder Committee or the Equityholder Committee to facilitate the exchange of the HoldCo Note Claims for New Common Stock and Subscription Rights should not, in and of itself, constitute the degree of common connection needed for the members of the HoldCo Noteholder Committee or the Equityholder Committee to constitute a 'group of persons' for this purpose.

To the extent any Canadian NOLs survive the application of the Canadian Debt Forgiveness Rules, the Debtors do not anticipate that the Canadian NOLs will be subject to any change-in-control related limitation on their use under Applicable Canadian Tax Law.

D. Certain U.S. Federal Income Tax Consequences to Certain U.S. Holders of Claims and Existing HoldCo Common Stock.

As discussed below, the tax consequences of the Plan to U.S. holders of Allowed Claims and Existing HoldCo Common Stock will depend upon a variety of factors. As an initial matter, whether an exchange of Claims is fully or partially taxable will depend on whether Claims being surrendered constitute "securities" and whether the consideration received in exchange for such Claim constitutes stock or a "security" of the Debtor against which the Claim was held. Whether a Claim that is surrendered and debt instruments received pursuant to the Plan constitute "securities" is determined based on all the facts and circumstances. Most authorities have held that the length of the term of a debt instrument at initial issuance is an important factor in determining whether such instrument is a security for U.S. federal income tax purposes. These authorities have indicated that a term of less than five years is evidence that the instrument is not a security, whereas a term of ten years or more is evidence that it is a security. There are numerous other factors that could be taken into account in determining whether a debt instrument is a security, including the security for payment, the creditworthiness of the obligor, the subordination or lack thereof with respect to other creditors, the right to vote or otherwise participate in the management of the obligor, convertibility of the instrument into an equity interest in the obligor, whether payments of interest are fixed, variable, or contingent, and whether such payments are made on a current basis or accrued. Pursuant to guidance promulgated in U.S. Treasury Regulations, warrants generally constitute "securities" for these purposes.

The character of any recognized gain as capital gain or ordinary income will be determined by a number of factors, including the tax status of the U.S. Holder, the nature of the Claim in such U.S. Holder's hands (including whether the Claim constitutes a capital asset), whether the Claim was purchased at a discount, whether and to what extent the U.S. Holder has previously claimed a bad debt deduction with respect to its Claim, and whether any part of the U.S. Holder's recovery is treated as being on account of accrued but untaxed interest. Accrued interest and market discount are discussed below.

1. Consequences to U.S. Holders of OpCo Funded Debt Claims and General Unsecured Claims.

Pursuant to the Plan, in exchange for full and final satisfaction, settlement, release and discharge of the OpCo Funded Debt Claims and General Unsecured Claims, such Claims shall be exchanged for Cash. Subject to the discussion immediately below regarding the treatment of the OpCo Note Claims and the OpCo Note Makewhole Claims, a U.S. Holder of such Claim will be treated as receiving its distributions under the Plan in a taxable exchange under section 1001 of the U.S. Tax Code. Other than with respect to any amounts received that are attributable to accrued but untaxed interest or market discount, each U.S. Holder of such Claim should recognize gain or loss equal to the difference between the amount of Cash received and such U.S. Holder's adjusted basis, if any, in such Claim.

The above treatment is subject to potential uncertainty with respect to the treatment of the OpCo Note Claims and the OpCo Note Makewhole Claims. Because the OpCo Note Makewhole Claims may become Allowed following the Effective Date, the Debtors intend to take the position that Holders of OpCo Note Claims will be treated as having received a payment on the OpCo Note Claims, with the OpCo Notes remaining outstanding (solely for U.S. federal income tax purposes) until the OpCo Note Makewhole Claims are resolved. In the event the OpCo Note Makewhole Claims are subsequently Allowed and payment is made with respect to such Claims, such amount will be treated as a payment in full and final satisfaction of the obligations under such OpCo Notes, with such payment treated as a taxable exchange under section 1001 of the U.S. Tax Code. The remaining discussion assumes the Debtors' intended tax treatment is respected.

However, it may be possible that a Holder of an OpCo Note Claim will, instead, be treated as having received, in an exchange for such Claims that is taxable under section 1001 of the U.S. Tax Code, (a) cash and (b) a separate contingent value right in respect of the OpCo Note Makewhole Claims. Holders of OpCo Note Claims are urged to consult their own tax advisors regarding the treatment of the OpCo Note Claims under the Plan.

2. Consequences to U.S. Holders of HoldCo Note Claims.

Pursuant to the Plan, in exchange for full and final satisfaction, settlement, release and discharge of the HoldCo Note Claims, the holders of such HoldCo Note Claims shall exchange such Claims for their Pro Rata share of (a) New Common Stock and (b) Subscription Rights.

a. Treatment if a HoldCo Note Claim Constitutes a "Security."

If a HoldCo Note Claim constitutes a "security" then the exchange of such HoldCo Note Claim should be treated as a reorganization under the U.S. Tax Code. Because all consideration being received in exchange for such HoldCo Note Claim should constitute stock or a "security" of HoldCo, a U.S. Holder should not recognize any gain or loss from such exchange.

U.S. Holders should obtain an aggregate tax basis in the New Common Stock and Subscription Rights, other than any such amounts treated as received in satisfaction of accrued but untaxed interest, equal to the tax basis of the surrendered HoldCo Note Claim. Basis should be allocated among the New Common Stock and Subscription Rights in proportion to their respective fair market values. The holding period for the New Common Stock and Subscription Rights should include the holding period for the surrendered HoldCo Note Claims.

The tax basis of any New Common Stock and Subscription Rights determined to be received in satisfaction of accrued but untaxed interest should equal the amount of such accrued but untaxed interest, but in no event should such basis exceed the fair market value of the New Common Stock and Subscription Rights received in satisfaction of accrued but untaxed interest. The holding period for any such New Common Stock and Subscription Rights should begin on the day following the Effective Date.

b. Treatment if a HoldCo Note Claim Does Not Constitute a "Security."

If a HoldCo Note Claim is determined not to be a "security," then a U.S. Holder of such HoldCo Note Claim will be treated as receiving its distributions under the Plan in a taxable exchange under section 1001 of the U.S. Tax Code. Other than with respect to any amounts received that are attributable to accrued but untaxed interest, each U.S. Holder of such HoldCo Note Claim should recognize gain or loss equal to the difference between the (i) fair market value of the New Common Stock and Subscription Rights received in exchange for the Claim, and (ii) such U.S. Holder's adjusted basis, if any, in such HoldCo Note Claim.

U.S. Holders of such HoldCo Note Claims should obtain a tax basis in the New Common Stock and Subscription Rights, other than any such amounts treated as received in satisfaction of accrued but untaxed interest, equal to the fair market value of the New Common Stock and Subscription Rights as of the date such property is distributed to the U.S. Holder. The holding period for any such New Common Stock and Subscription Rights should begin on the day following the Effective Date.

The tax basis of any New Common Stock and Subscription Rights determined to be received in satisfaction of accrued but untaxed interest should equal the amount of such accrued but untaxed interest, but in no event should such basis exceed the fair market value of the New Common Stock and Subscription Rights received in satisfaction of accrued but untaxed interest. The holding period for any such New Common Stock and Subscription Rights should begin on the day following the Effective Date.

c. Exercise of Subscription Rights.

A U.S. Holder of a HoldCo Note Claim that elects not to exercise the Subscription Rights may be entitled to claim a (likely capital) loss equal to the amount of tax basis in the Subscription Rights, subject to any limitations on such U.S. Holder's ability to utilize capital losses. Such U.S. Holders are urged to consult with their own tax advisors as to the tax consequences of electing not to exercise the Subscription Rights.

A U.S. Holder that elects to exercise the Subscription Rights should be treated as purchasing New Common Stock in exchange for its Subscription Rights and the exercise price. Such a purchase should generally be treated as the exercise of an option under general tax principles. Accordingly, such a U.S. Holder should not recognize income, gain, or loss for U.S. federal income tax purposes when it exercises the Subscription Rights. A U.S. Holder's aggregate tax basis in the New Common Stock should equal the sum of: (i) the amount of cash paid by the

U.S. Holder to exercise its Subscription Rights; *plus* (ii) such U.S. Holder's tax basis in its Subscription Rights immediately before the option is exercised. A U.S. Holder's holding period for the New Common Stock received pursuant to the exercise of the Subscription Rights should begin on the day following such exercise.

3. Consequences to U.S. Holders of Existing HoldCo Common Stock.

Pursuant to the Plan, in exchange for full and final satisfaction, settlement, release and discharge of their Existing HoldCo Common Stock, holders of Existing HoldCo Common Stock will receive New Common Stock and Subscription Rights.

Although not free from doubt, the exchange of Existing HoldCo Common Stock for the New Common Equity and Subscription Rights should be treated as a reorganization under the U.S. Tax Code. Accordingly, a U.S. Holder of such Interest should not recognize any gain or loss in such exchange. U.S. Holders should obtain an aggregate tax basis in the New Common Stock and Subscription Rights equal to such U.S. Holder's tax basis in its Existing HoldCo Common Stock. The holding period for the New Common Stock and Subscription Rights should include the holding period for the surrendered Interests.

It is possible that, rather than being treated as a reorganization under the U.S. Tax Code, the receipt of New Common Stock and Subscription Rights could be treated as a distribution of the Subscription Rights on account of holders' Existing HoldCo Common Stock, followed by a dilutive issuance of New Common Stock to other parties receiving such New Common Stock pursuant to the Plan and the Rights Offering (which dilution should have no U.S. federal income tax consequences). In such a case, the distribution of the Subscription Rights should be tax-free to U.S. Holders of Existing HoldCo Common Stock. If the fair market value of the Subscription Rights on the Effective Date is less than 15 percent of the fair market value of the Existing HoldCo Common Stock on the Effective Date, the a U.S. Holder's basis in the Subscription Rights shall be zero, unless an election is made by such U.S. Holder to allocate the basis in its Existing HoldCo Common Stock between such Interests and the Subscription Rights. Such allocation would also be required if the fair market value of the Subscription Rights on the Effective Date is 15 percent or more of the Existing HoldCo Common Stock on the Effective Date.

a. Exercise of Subscription Rights.

A U.S. Holder of Existing HoldCo Common Stock that elects not to exercise the Subscription Rights may be entitled to claim a (likely capital) loss equal to the amount of tax basis in the Subscription Rights, subject to any limitations on such U.S. Holder's ability to utilize capital losses. Such U.S. Holders are urged to consult with their own tax advisors as to the tax consequences of electing not to exercise the Subscription Rights.

A U.S. Holder that elects to exercise the Subscription Rights should be treated as purchasing New Common Stock in exchange for its Subscription Rights and the exercise price. Such a purchase should generally be treated as the exercise of an option under general tax principles. Accordingly, such a U.S. Holder should not recognize income, gain, or loss for U.S. federal income tax purposes when it exercises the Subscription Rights. A U.S. Holder's aggregate tax basis in the New Common Stock should equal the sum of: (i) the amount of cash paid by the U.S. Holder to exercise its Subscription Rights; *plus* (ii) such U.S. Holder's tax basis in its Subscription Rights immediately before the option is exercised. A U.S. Holder's holding period for the New Common Stock received pursuant to the exercise of the Subscription Rights should begin on the day following such exercise.

HOLDERS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS CONCERNING THE RECOGNITION OF GAIN OR LOSS, FOR FEDERAL INCOME TAX PURPOSES, ON THE SATISFACTION OF THEIR CLAIMS.

4. Accrued Interest.

To the extent that any amount received by a U.S. Holder of a Claim is attributable to accrued but unpaid interest on the debt instruments constituting the surrendered Claim, the receipt of such amount should be taxable to the U.S. Holder as ordinary interest income (to the extent not already taken into income by the U.S. Holder). Conversely, a U.S. Holder of a Claim may be able to recognize a deductible loss (or, possibly, a write off against a reserve for worthless debts) to the extent that any accrued interest previously was included in the U.S. Holder's

gross income but was not paid in full by the Debtors. Such loss may be ordinary, but the tax law is unclear on this point.

If the fair value of the consideration is not sufficient to fully satisfy all principal and interest on Allowed Claims, the extent to which such consideration will be attributable to accrued interest is unclear. Under the Plan, the aggregate consideration to be distributed to U.S. Holders of Allowed Claims in each Class will be allocated first to the principal amount of Allowed Claims, with any excess allocated to unpaid interest that accrued on these Claims, if any. Certain legislative history indicates that an allocation of consideration as between principal and interest provided in a chapter 11 plan of reorganization is binding for U.S. federal income tax purposes, while certain Treasury Regulations treat payments as allocated first to any accrued but unpaid interest. The IRS could take the position that the consideration received by the U.S. Holder should be allocated in some way other than as provided in the Plan. U.S. holders of Claims are urged to consult their own tax advisors regarding the proper allocation of the consideration received by them under the Plan.

HOLDERS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS CONCERNING THE ALLOCATION OF CONSIDERATION RECEIVED IN SATISFACTION OF THEIR CLAIMS AND THE FEDERAL INCOME TAX TREATMENT OF ACCRUED BUT UNPAID INTEREST.

5. Market Discount.

Under the "market discount" provisions of the U.S. Tax Code, some or all of any gain realized by a U.S. Holder of a Claim who exchanges the Claim for an amount on the Effective Date may be treated as ordinary income (instead of capital gain), to the extent of the amount of "market discount" on the debt instruments constituting the exchanged Claim. In general, a debt instrument is considered to have been acquired with "market discount" if it is acquired other than on original issue and if its U.S. Holder's adjusted tax basis in the debt instrument is less than (a) the sum of all remaining payments to be made on the debt instrument, excluding "qualified stated interest" or (b) in the case of a debt instrument issued with OID, its adjusted issue price, by at least a de minimis amount (equal to 0.25 percent of the sum of all remaining payments to be made on the debt instrument, excluding qualified stated interest, multiplied by the number of remaining whole years to maturity).

Any gain recognized by a U.S. Holder on the taxable disposition of a Claim that had been acquired with market discount should be treated as ordinary income to the extent of the market discount that accrued thereon while the Claim was considered to be held by the U.S. Holder (unless the U.S. Holder elected to include market discount in income as it accrued). To the extent that the Allowed Claims that were acquired with market discount are exchanged in a tax-free transaction for other property, any market discount that accrued on the Allowed Claims (*i.e.*, up to the time of the exchange) but was not recognized by the U.S. Holder is carried over to the property received therefor and any gain recognized on the subsequent sale, exchange, redemption for tax purposes, or other disposition of the property is treated as ordinary income to the extent of the accrued, but not recognized, market discount.

HOLDERS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS CONCERNING THE APPLICATION OF THE MARKET DISCOUNT RULES TO THEIR CLAIMS.

6. Dividends on New Common Stock.

Subject to certain rules related to Passive Foreign Investment Companies ("PFICs"), cash distributions on account of the New Common Stock will constitute dividends for U.S. federal income tax purposes to the extent of the current or accumulated earnings and profits of Reorganized HoldCo (as determined under U.S. federal income tax principles). Such income (including any withheld Canadian taxes) will be includable in the gross income of a U.S. Holders as ordinary income on the day actually or constructively received by such U.S. Holder. Distributions on New Common Stock (including any withheld Canadian taxes) that are treated as dividends for U.S. federal income tax purposes will not be eligible for the dividends received deduction allowed to certain corporations under the U.S. Tax Code. Non-corporate U.S. Holders may be subject to reduced rates of taxation, both because Reorganized HoldCo is expected to be eligible for the benefits of the U.S.-Canada Treaty, which has been determined by the U.S. Treasury Department to meet certain requirements, and because Reorganized HoldCo is expected to trade on an established U.S. securities market. However, dividends on New Common Stock will not be eligible for reduced rates of taxation to the extent Reorganized HoldCo is a PFIC. Although the Debtors do not believe Reorganized HoldCo is a PFIC, because such classification is attributable to various factors that are subject

to change, the Debtors cannot guarantee that Reorganized HoldCo will not become a PFIC in the future. In addition, non-corporate U.S. holders that do not meet a minimum holding period requirement during which they are not protected from the risk of loss or that elect to treat the dividend income as "investment income" pursuant to Section 163(d)(4) of the U.S. Tax Code will not be eligible for the reduced rates of taxation. In addition, the rate reduction will not apply to dividends if the recipient of the dividend is obligated to make related payments with respect to a position in substantially similar or related property. This disallowance applies even if the minimum holding period has been met.

Subject to certain conditions and limitations, Canadian withholding or other taxes, if any, paid on dividends paid on the New Common Stock may be credited against a U.S. Holder's U.S. federal income tax liability. For purposes of calculating the foreign tax credit, dividends paid on New Common Stock should, subject to the discussion below regarding foreign corporations that are at least 50 percent owned by U.S. persons, be treated as income from sources outside the U.S. and will generally constitute passive category income. Further, in certain circumstances, if a U.S. Holder (a) has held New Common Stock for less than a specified minimum period during which the U.S. Holder is not protected from risk of loss; or (b) is obligated to make payments related to the dividends, the U.S. Holder will not be allowed a foreign tax credit for foreign taxes imposed on dividends paid on the New Common Stock. Dividends paid by a foreign corporation that is at least 50 percent owned by U.S. persons may be treated as U.S. source income (rather than foreign source income) for U.S. foreign tax credit purposes to the extent that the foreign corporation has more than an insignificant amount of U.S. source income. The effect of this rule may be to treat a portion of any dividends paid by Reorganized HoldCo as U.S. source income. Treatment of the Reorganized HoldCo dividends as U.S. source income in whole or in part may limit a U.S. Holder's ability to claim a foreign tax credit with respect to Canadian taxes payable or deemed payable in respect of such dividends or on other items of foreign source income. The rules governing the U.S. foreign tax credit are complex. U.S. Holders are urged to consult their own tax advisers regarding the availability of the U.S. foreign tax credit under particular circumstances.

To the extent that a U.S. Holder receives distributions that would otherwise constitute dividends for U.S. federal income tax purposes but that exceed Reorganized HoldCo's current and accumulated earnings and profits (as determined for U.S. federal income tax purposes), such distributions will be treated first as a non-taxable return of capital reducing the U.S. Holder's basis in its shares. Any such distributions in excess of the U.S. Holder's basis in its shares (determined on a share-by-share basis) generally will be treated as a disposition and subject to the treatment discussed below.

7. Sale or Repurchase of New Common Stock.

Subject to certain rules regarding PFICs, unless a non-recognition provision applies, U.S. Holders generally will recognize capital gain or loss upon the sale, redemption for tax purposes, or other taxable disposition of New Common Stock in an amount equal to the difference between (i) the amount realized on the disposition and (ii) such U.S. Holder's adjusted tax basis in such shares. Such capital gain will generally be long-term capital gain if at the time of the sale, exchange, redemption for tax purposes, or other taxable disposition, the U.S. Holder held the New Common Stock for more than one year. Long-term capital gains of an individual taxpayer generally are taxed at preferential rates. The deductibility of capital losses is subject to certain limitations as described below. Under the recapture rules of section 108(e)(7) of the U.S. Tax Code, a U.S. Holder may be required to treat gain recognized on the taxable disposition of the New Common Stock as ordinary income if such U.S. Holder took a bad debt deduction with respect to its Allowed Claim or recognized an ordinary loss on the exchange of its Allowed Claim for New Common Stock. Any gain or loss recognized by a U.S. Holder on the sale or exchange of New Common Stock generally will be treated as U.S. source gain or loss. However, if Reorganized HoldCo is a PFIC, unless a U.S. Holder elects to be taxed annually on a mark-to-market basis with respect to its New Common Stock, gain realized on any sale or exchange of such New Common Stock (and certain distributions) could be subject to additional U.S. federal income taxes, plus an interest charge on certain taxes treated as having been deferred under the PFIC rules.

8. Limitations on Capital Losses.

A U.S. Holder of a Claim or Interest who recognizes capital losses as a result of the distributions under the Plan will be subject to limits on the use of such capital losses. For a non-corporate U.S. Holder, capital losses may be used to offset any capital gains (without regard to holding periods), and also ordinary income to the extent of the

lesser of (a) $3,000 ($1,500 for married individuals filing separate returns) or (b) the excess of the capital losses over the capital gains. A non-corporate U.S. Holder may carry over unused capital losses and apply them against future capital gains and a portion of their ordinary income for an unlimited number of years. For corporate U.S. Holders, capital losses may only be used to offset capital gains. A corporate U.S. Holder that has more capital losses than may be used in a tax year may carry back unused capital losses to the three years preceding the capital loss year or may carry over unused capital losses for the five years following the capital loss year.

E. Certain U.S. Federal Income Tax Consequences to Certain Non-U.S. Holders of Claims.

The following discussion assumes that the Debtors will undertake the restructuring transactions currently contemplated by the Plan and includes only certain U.S. federal income tax consequences of the Restructuring Transactions to non-U.S. Holders. The discussion does not include any non-U.S. tax considerations. The rules governing the U.S. federal income tax consequences to non-U.S. Holders are complex. Each non-U.S. Holder is urged to consult its own tax advisor regarding the U.S. federal, state, and local and the non-U.S. tax consequences of the consummation of the restructuring transactions to such non-U.S. Holders.

1. Gain Recognition.

To the extent that the restructuring transactions are treated as a taxable exchange or otherwise result in the recognition of taxable gain for U.S. federal income tax purposes, any gain realized by a non-U.S. Holder on the exchange of its Claim or Interest generally will not be subject to U.S. federal income taxation unless (a) the non-U.S. Holder is an individual who was present in the United States for 183 days or more during the taxable year in which the restructuring transactions occur and certain other conditions are met or (b) such gain is effectively connected with the conduct by such non-U.S. Holder of a trade or business in the United States (and if an income tax treaty applies, such gain is attributable to a permanent establishment maintained by such non-U.S. Holder in the United States).

If the first exception applies, to the extent that any gain is taxable, the non-U.S. Holder generally will be subject to U.S. federal income tax at a rate of 30 percent (or at a reduced rate or exemption from tax under an applicable income tax treaty) on the amount by which such non-U.S. Holder's capital gains allocable to U.S. sources exceed capital losses allocable to U.S. sources during the taxable year of the exchange. If the second exception applies, the non-U.S. Holder generally will be subject to U.S. federal income tax with respect to any gain realized on the exchange in the same manner as a U.S. Holder. In addition, if such a non-U.S. Holder is a corporation, it may be subject to a branch profits tax equal to 30 percent (or such lower rate provided by an applicable treaty) of its effectively connected earnings and profits for the taxable year, subject to certain adjustments.

2. New Common Stock.

In general, a non-U.S. Holder of New Common Stock should not be subject to U.S. federal income tax or U.S. federal withholding tax with respect to the New Common Stock unless (a) in the case of gain only, such non-U.S. Holder is a nonresident alien individual present in the United States for 183 days or more during the taxable year of the disposition, and certain other requirements are met; or (b) any dividend or gain is effectively connected with such non-U.S. Holder's conduct of a trade or business in the U.S. (and, if required by any applicable tax treaty, is attributable to a permanent establishment maintained by the non-U.S. Holder in the United States). A non-U.S. Holder that is a corporation also may be subject to a branch profits tax equal to 30 percent (or such lower rate specified by an applicable tax treaty) of its effectively connected earnings and profits for the taxable year, as adjusted for certain taxes. Non-U.S. Holders are urged to consult their tax advisors regarding any applicable tax treaties that may provide for different rules.

3. FATCA.

Under the Foreign Account Tax Compliance Act ("FATCA"), foreign financial institutions and certain other foreign entities must report certain information with respect to their U.S. account holders and investors or be subject to withholding at a rate of 30 percent on the receipt of "withholdable payments." For this purpose, "withholdable payments" are generally U.S. source payments of fixed or determinable, annual or periodical income (including dividends, if any, on shares of New Common Stock), and also include gross proceeds from the sale of any

property of a type which can produce U.S. source interest or dividends (which would include New Common Stock and the Subscription Rights). FATCA withholding will apply even if the applicable payment would not otherwise be subject to U.S. federal nonresident withholding.

As currently proposed, FATCA withholding rules would apply to payments of gross proceeds from the sale or other disposition of property of a type which can produce U.S. source interest or dividends that occur after December 31, 2018.

Each non-U.S. Holder is urged to consult its own tax advisor regarding the possible impact of these rules on such non-U.S. Holder.

F. Certain Canadian Income Tax Consequences to Holders of the Holdco Note Claims.

Pursuant to the Plan, in exchange for full and final satisfaction, settlement, release and discharge of the HoldCo Note Claims, the holders of such HoldCo Note Claims shall exchange such Claims for their Pro Rata share of New Common Stock and Subscription Rights.

Under the Plan, the New Common Stock and the Subscription Rights, as the case may be, will be allocated first to the principal amount of the Holdco Note Claims, and the balance, if any, to the accrued interest with respect to the Holdco Note Claims.

1. Consequences to Canadian Holders of Holdco Note Claims.

a. Treatment of Accrued and Unpaid Interest.

A Canadian Holder will in general terms be required to include in income the amount of interest accrued or deemed to accrue on the Holdco Note Claims up to the date on which the Holdco Note Claims are settled under the Plan or that became receivable or was received on or before such date, to the extent that such amounts have not otherwise been included in the Canadian Holder's income for the taxation year or a preceding taxation year.

b. Taxable Capital Gains / Allowable Capital Loss.

In general, a Canadian Holder will realize a capital gain (or capital loss) on the exchange of the Holdco Note Claims equal to the amount by which the aggregate fair market value of the New Common Stock and Subscription Rights at the time of the exchange, net of any amount included in the Canadian Holder's income as interest, exceeds (or is exceeded by) the adjusted cost base to the Canadian Holder of such HoldCo Note Claim plus any reasonable costs of disposition.

A Canadian Holder will be required to include in income one half of the amount of any capital gains (a taxable capital gain) and generally will be entitled to deduct one half of the amount of any capital loss (an allowable capital loss) against taxable capital gains realized by such holder in the year of the disposition. Allowable capital losses in excess of taxable capital gains in a particular year may be carried back and deducted in any of the three preceding years or carried forward and deducted in any following year against taxable capital gains realized in such year to the extent and under the circumstances described in the ITA.

The adjusted cost base of the New Common Stock and the Subscription Rights to the Canadian Holder will be equal to the fair market value at the time of the exchange of such New Common Stock and the Subscription Rights.

c. Exercise of the Subscription Rights.

A Canadian Holder who exercises Subscription Rights received under the Rights Offering will realize no gain or loss on the exercise of the Subscription Rights. The cost to a Canadian Holder of the New Common Stock acquired on the exercise of the Subscription Rights will be equal to the aggregate of the adjusted cost base of the Subscription Rights, if any, and the price paid to acquire the New Common Stock under the Rights Offering.

2. Consequences to Non-Canadian Holders, including U.S. Holders, of Holdco Note Claims.

a. Treatment of Accrued and Unpaid Interest.

Any interest paid or deemed paid on Exchange of the HoldCo Note Claims for New Common Stock and Subscription Rights should not be subject to Canadian withholding tax.

b. Capital Gain / Capital Loss.

The Exchange of the HoldCo Note Claims for New Common Stock and Subscription Rights by a Non-Canadian Holder will not be subject to Canadian tax unless the HoldCo Note Claim constitutes "taxable Canadian property" to the Non-Canadian Holder at the time of the disposition and relief from taxation is not available under an applicable income tax treaty or convention.

The HoldCo Note Claims should not constitute "taxable Canadian property."

c. Exercise of the Subscription Rights.

No Canadian tax consequences should arise in relation to the Subscription Rights unless the Subscription Rights constitute taxable Canadian property and relief from taxation is not available under applicable tax treaty or convention.

The Subscription Rights should not constitute "taxable Canadian property." Any capital gain realized on the Exchange of the HoldCo Note Claims should therefore not be subject to Canadian tax.

G. Certain Canadian Income Tax Consequences to Holders of the Existing HoldCo Common Stock.

Pursuant to the Plan, in exchange for full and final satisfaction and settlement, the holders of the Existing HoldCo Common Stock shall exchange their Existing HoldCo Common Stock for their Pro Rata share of New Common Stock and Subscription Rights.

1. Consequences to Canadian Holder of Existing HoldCo Common Stock.

a. Deemed Dividend.

A Canadian Holder who exchanges Existing HoldCo Common Stock for New Common Shares and Subscription Rights will be deemed to have received a dividend equal to the amount by which the fair market value of the Subscription Rights received on the exchange exceeds the paid-up capital of the Existing HoldCo Common Stock so exchanged. Any such dividend will be included in the Canadian Holder's income for the purposes of the ITA and will be subject to those rules governing the taxability of such dividends, contained in the ITA. An overview of the rules applicable to the taxation of dividend or deemed dividends received from a taxable Canadian corporation by a Canadian Holder is provided below.

Although not free from doubt, the Debtors do not currently anticipate that there will be a deemed dividend under these rules.

b. Taxable Capital Gain / Allowable Capital Loss.

A Canadian Holder who exchanges Existing HoldCo Common Stock for New Common Shares and Subscription Rights will, (i) where the fair market value of the Subscription Rights exceeds the aggregate adjusted cost base to the Canadian Holder of the Existing HoldCo Common Stock, be deemed to have disposed of such Existing HoldCo Common Stock for proceeds of disposition equal to the net of fair market value of the Subscription Rights less the amount, if any, deemed to have been received by such Canadian Holder as a dividend; (ii) where the

fair market value of the Subscription Rights is equal to or less than the aggregate adjusted cost base to the Canadian Holder of the Existing HoldCo Common Stock, be deemed to have disposed of such Existing HoldCo Common Stock for proceeds of disposition equal to the net of adjusted cost base to the Canadian Holder of such Existing HoldCo Common Stock less the amount if any, of any dividend deemed to have been received by such Canadian Holder, pursuant to 1(a) Deemed Dividend, above.

A Canadian Holder will realize a capital gain (capital loss) on the exchange to the extent the above cited amount exceeds (is less than) the adjusted cost base to the Canadian Holder of such Existing HoldCo Common Stock plus any reasonable costs of disposition.

A Canadian Holder will be required to include in income one half of the amount of any capital gains (a taxable capital gain) and generally will be entitled to deduct one half of the amount of any capital loss (an allowable capital loss) against taxable capital gains realized by such holder in the year of the disposition. Allowable capital losses in excess of taxable capital gains in a particular year may be carried back and deducted in any of the three preceding years or carried forward and deducted in any following year against taxable capital gains realized in such year to the extent and under the circumstances described in the ITA.

The adjusted cost base of the New Common Stock to the Canadian Holder will be equal to the amount, if any, by which the aggregate adjusted cost base to the Canadian Holder in the Existing HoldCo Common Stock, immediately prior to the exchange, exceeds the fair market value of the Subscription Rights net of any amount deemed to have been received by the Canadian Holder as a dividend.

The adjusted cost base of the Subscription Rights to the Canadian Holder will be equal to the fair market value of such Subscription Rights at the time of the exchange of the Existing HoldCo Common Stock for New Common Stock and Subscription Rights.

For instance, and assuming the absence of any deemed dividend, where a Canadian Holder has an adjusted cost base in the Existing HoldCo Common Stock of $10, and where the fair market value of the Subscription Rights is $20, the Canadian Holder will in general terms, realize a capital gain of $10, which is equal to the amount by which the fair market value of the Subscription Rights ($20) exceeds the adjusted cost base to the Canadian Holder of the Existing HoldCo Common Stock ($10). The Canadian Holder's cost base in the New Common Stock received on account of the Existing HoldCo Common Stock will be zero. The Canadian Holder's cost base in the Subscription Rights will be $20.

Conversely, and again assuming the absence of any deemed dividend, where a Canadian Holder has an adjusted cost base in the Existing HoldCo Common Stock of $20, and where the fair market value of the Subscription Rights is $10, the Canadian Holder will in general terms be deemed to have disposed of his or her Existing HoldCo Common Stock for $20, and will realize no capital gain (or capital loss). The Canadian Holder's cost base in the New Common Stock received on account of the Existing HoldCo Common Stock will be $10. The Canadian Holder's cost base in the Subscription Rights will also be $10.

c. Exercise of the Subscription Rights.

A Canadian Holder who exercises Subscription Rights received under the Rights Offering will realize no gain or loss on the exercise of the Subscription Rights. The cost to a Canadian Holder of the New Common Stock acquired on the exercise of the Subscription Rights will be equal to the aggregate of the adjusted cost base of the Subscription Rights, if any, and the price paid to acquire the New Common Stock under the Rights Offering.

2. Consequences to a Non-Canadian Holders, including U.S. Holders, of Existing HoldCo Common Stock.

a. Deemed Dividend.

A Non-Canadian Holder who exchanges Existing HoldCo Common Stock for New Common Shares and Subscription Rights will be deemed to have received a dividend equal to the amount, if any, by which the fair

market value of the Subscription Rights received on the exchange exceeds the paid-up capital of the Existing HoldCo Common Stock so exchanged.

Any such dividend deemed paid or credited, to a Non-Canadian Holder will be subject to Canadian withholding tax at the rate of 25 percent of the gross amount of the dividend unless the rate is reduced under the provisions of an applicable income tax convention, which the Non-Canadian Holder is entitled to the benefits of, between Canada and the Non-Canadian Holder's country of residence. For instance, where the Non-Canadian Holder is a resident of the United States that is entitled to benefits under the U.S.-Canada Treaty, the rate of Canadian withholding tax applicable to the dividends is generally reduced to 15 percent.

Although not free from doubt, the Debtors do not currently anticipate that there will be a deemed dividend under these rules.

b. Disposition of Existing HoldCo Common Stock in exchange for New Common Stock and Subscription Rights.

No further Canadian tax consequences should arise in relation to the Existing HoldCo Common Stock unless the Existing HoldCo Common Stock constitute taxable Canadian property and relief from taxation is not available under applicable tax treaty or convention.

The Existing HoldCo Common Stock should not constitute "taxable Canadian property." Any capital gain realized on the Exchange of the Existing HoldCo Common Stock should therefore not be subject to Canadian tax.

c. Exercise of the Subscription Rights.

No Canadian tax consequences should arise in relation to the Subscription Rights unless the Subscription Rights constitute taxable Canadian property and relief from taxation is not available under applicable tax treaty or convention.

The Subscription Rights should not constitute "taxable Canadian property." Any capital gain realized on the exercise of the Subscription Rights should therefore not be subject to Canadian tax.

H. Dividends on New Common Stock, Sale of New Common Stock.

1. Consequences to Canadian Holders.

a. Dividends.

Dividends on the New Common Stock received or deemed to be received by a Canadian Holder after the Plan will be included in computing the Canadian Holder's income for the purposes of the ITA. Such dividends received or deemed to be received by a Canadian Holder that is an individual (including a trust) will generally be subject to the gross-up and dividend tax credit rules in the ITA normally applicable to taxable dividends received from corporations resident in Canada, including the enhanced gross-up and dividend tax credit rules applicable to any dividends designated as "eligible dividends" for these purposes. Dividends received or deemed to be received on such shares by an individual and certain trusts may give rise to alternative minimum tax. Generally, dividends received or deemed to be received on the New Common Stock after the Plan by a Canadian Holder that is a corporation will be included in computing the corporation's income, but will be deductible in computing the corporation's taxable income, subject to certain limitations in the ITA. A Canadian Holder of the New Common Stock that is a "private corporation" or a "subject corporation" (as defined in the ITA) generally will be subject to a refundable tax of 38 1/3 percent on dividends received or deemed to be received on such shares to the extent such dividends are deductible in computing the holder's taxable income.

b. Sale.

A Canadian Holder will, subject to the comments below, realize a capital gain (capital loss) on the sale of the New Common Stock to the extent the proceeds of disposition realized on the sale exceeds (is less than) the adjusted cost base to the Canadian Holder of such New Common Stock plus any reasonable costs of disposition.

A Canadian Holder will be required to include in income one half of the amount of any capital gains (a taxable capital gain) and generally will be entitled to deduct one half of the amount of any capital loss (an allowable capital loss) against taxable capital gains realized by such holder in the year of the disposition. Allowable capital losses in excess of taxable capital gains in a particular year may be carried back and deducted in any of the three preceding years or carried forward and deducted in any following year against taxable capital gains realized in such year to the extent and under the circumstances described in the ITA.

In certain circumstances, a capital loss otherwise arising on the disposition of shares by a Canadian Holder that is a corporation may be reduced by dividends previously received or deemed to have been received on such shares or shares for which the particular shares were issued in exchange. Analogous rules apply to a partnership or trust of which a corporation, partnership or trust is a member or beneficiary. Canadian Holders to whom these rules may be relevant are urged to consult their own tax advisors.

Where the sale is to HoldCo or to a member of the UPE Group, the Canadian Holder may in certain circumstances be deemed to have received a portion of the proceeds as a dividend, and not as proceeds of disposition on the sale of the share.

Capital gains realized by individuals and certain trusts may give rise to alternative minimum tax under the ITA.

2. Consequences to Non-Canadian Holders, including US Holders.

a. Dividends.

Any dividend paid or credited, or deemed to be paid or credited, on the New Common Stock to a Non-Canadian Holder will be subject to Canadian withholding tax at the rate of 25 percent of the gross amount of the dividend unless the rate is reduced under the provisions of an applicable income tax convention, which the Non-Canadian Holder is entitled to the benefits of, between Canada and the Non-Canadian Holder's country of residence. For instance, where the Non-Canadian Holder is a resident of the United States that is entitled to benefits under the Canada-United States Income Tax Convention (1980), as amended, the rate of Canadian withholding tax applicable to the dividends is generally reduced to 15 percent.

b. Sale.

A disposition of New Common Stock by a Non-Canadian Holder will, subject to the comments below, not be subject to Canadian tax unless the New Common Stock constitutes "taxable Canadian property" to the Non-Canadian Holder at the time of the disposition and relief from taxation is not available under an applicable income tax treaty or convention.

Where the Non-Canadian Holder sells the New Common Stock to HoldCo or to a member of the UPE Group, the Non-Canadian Holder may in certain circumstances be deemed to have received all or a portion of the proceeds as a dividend, and not as proceeds of disposition on the sale of the share. Any such dividend deemed to have been paid or credited would be subject to the Canadian withholding tax considerations described above.

I. U.S. Information Reporting and Back-Up Withholding.

The Debtors will withhold all amounts required by law to be withheld from payments of interest and dividends. The Debtors will comply with all applicable reporting requirements of the U.S. Tax Code. In general, information reporting requirements may apply to distributions or payments made to a holder of a Claim under the

Plan. In addition, backup withholding of taxes will generally apply to payments in respect of an Allowed Claim under the Plan unless, in the case of a U.S. Holder, such U.S. Holder provides a properly executed IRS Form W-9 and, in the case of non-U.S. Holder, such non-U.S. Holder provides a properly executed applicable IRS Form W-8 (or otherwise establishes such Non-U.S. Holder's eligibility for an exemption).

Backup withholding is not an additional tax. Amounts withheld under the backup withholding rules may be credited against a holder's U.S. federal income tax liability, and a holder may obtain a refund of any excess amounts withheld under the backup withholding rules by filing an appropriate claim for refund with the IRS (generally, a federal income tax return).

In addition, from an information reporting perspective, the Treasury Regulations generally require disclosure by a taxpayer on its U.S. federal income tax return of certain types of transactions in which the taxpayer participated, including, among other types of transactions, certain transactions that result in the taxpayer's claiming a loss in excess of specified thresholds. Holders are urged to consult their tax advisors regarding these regulations and whether the transactions contemplated by the Plan would be subject to these regulations and require disclosure on the holders' tax returns.

THE TAX CONSEQUENCES OF THE PLAN ARE COMPLEX. THE FOREGOING SUMMARY DOES NOT DISCUSS ALL ASPECTS OF TAXATION THAT MAY BE RELEVANT TO A PARTICULAR HOLDER IN LIGHT OF SUCH HOLDER'S CIRCUMSTANCES AND INCOME TAX SITUATION. ALL HOLDERS OF CLAIMS AND INTERESTS ARE URGED TO CONSULT THEIR TAX ADVISORS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF THE TRANSACTIONS CONTEMPLATED BY THE PLAN, INCLUDING THE APPLICABILITY AND EFFECT OF ANY STATE, LOCAL, OR FOREIGN TAX LAWS, AND OF ANY CHANGE IN APPLICABLE TAX LAWS.

XVI. RECOMMENDATION.

In the opinion of the Debtors, the Plan is preferable to all other available alternatives and provides for a larger distribution to the Debtors' creditors and equityholders than would otherwise result in any other scenario. Accordingly, the Debtors recommend that holders of Claims and Interests entitled to vote on the Plan vote to accept the Plan and support confirmation of the Plan.

Dated: February 13, 2017

ULTRA PETROLEUM CORP.
on behalf of itself and all other Debtors

/s/ Michael D. Watford

Michael D. Watford
Chairman of the Board,
Chief Executive Officer, and President

Exhibit A

The Plan

Exhibit B

Plan Support Agreement

Exhibit C

Disclosure Statement Order

Exhibit D

Financial Projections

Exhibit E

Valuation Analysis

Exhibit F

Liquidation Analysis

Exhibit G

Rights Offering Procedures

Exhibit H

Summary of Certain Key Terms of the Exit Financing Agreement

[To Be Attached]

Exhibit B

Revised Second Amended Disclosure Statement

(Blackline to the Second Amended Disclosure Statement)

THIS DISCLOSURE STATEMENT IS BEING SUBMITTED FOR APPROVAL BUT HAS NOT BEEN APPROVED BY THE BANKRUPTCY COURT. THIS IS NOT A SOLICITATION OF ACCEPTANCE OR REJECTION OF THE PLAN. ACCEPTANCE OR REJECTION MAY NOT BE SOLICITED UNTIL A DISCLOSURE STATEMENT HAS BEEN APPROVED BY THE BANKRUPTCY COURT. THE INFORMATION IN THE DISCLOSURE STATEMENT IS SUBJECT TO CHANGE. THIS DISCLOSURE STATEMENT IS NOT AN OFFER TO SELL ANY SECURITIES AND IS NOT SOLICITING AN OFFER TO BUY ANY SECURITIES.

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION

In re:	)	Chapter 11
	)	
ULTRA PETROLEUM CORP., *et al.*,[1]	)	Case No. 16-32202 (MI)
	)	
Debtors.	)	(Jointly Administered)

DISCLOSURE STATEMENT FOR DEBTORS' SECOND AMENDED JOINT CHAPTER 11 PLAN OF REORGANIZATION

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[1] The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's federal tax identification number (if any), are: Ultra Petroleum Corp. (3838); Keystone Gas Gathering, LLC; Ultra Resources, Inc. (0643); Ultra Wyoming, Inc. (6117); Ultra Wyoming LGS, LLC (0378); UP Energy Corporation (4296); UPL Pinedale, LLC (7214); and UPL Three Rivers Holdings, LLC (7158).

THE DEBTORS ARE PROVIDING THE INFORMATION IN THIS DISCLOSURE STATEMENT TO HOLDERS OF CLAIMS AND INTERESTS FOR PURPOSES OF SOLICITING VOTES TO ACCEPT OR REJECT THE *DEBTORS' SECOND AMENDED JOINT CHAPTER 11 PLAN OF REORGANIZATION*. NOTHING IN THIS DISCLOSURE STATEMENT MAY BE RELIED UPON OR USED BY ANY ENTITY FOR ANY OTHER PURPOSE. BEFORE DECIDING WHETHER TO VOTE FOR OR AGAINST THE PLAN, EACH HOLDER ENTITLED TO VOTE SHOULD CAREFULLY CONSIDER ALL OF THE INFORMATION IN THIS DISCLOSURE STATEMENT, INCLUDING THE RISK FACTORS DESCRIBED IN ARTICLE X HEREIN.

THE PLAN IS SUPPORTED BY THE DEBTORS, THE CONSENTING HOLDCO NOTEHOLDERS, THE CONSENTING HOLDCO EQUITYHOLDERS, BIG WEST OIL, LLC, PINEDALE CORRIDOR L.P., AND ROCKIES EXPRESS PIPELINE LLC. THE DEBTORS URGE HOLDERS OF CLAIMS OR INTERESTS WHOSE VOTES ARE BEING SOLICITED TO ACCEPT THE PLAN.

THE DEBTORS URGE EACH HOLDER OF A CLAIM OR INTEREST TO CONSULT WITH ITS OWN ADVISORS WITH RESPECT TO ANY LEGAL, FINANCIAL, SECURITIES, TAX, OR BUSINESS ADVICE IN REVIEWING THIS DISCLOSURE STATEMENT, THE PLAN, AND THE PROPOSED TRANSACTIONS CONTEMPLATED THEREBY. FURTHERMORE, THE BANKRUPTCY COURT'S APPROVAL OF THE ADEQUACY OF THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT DOES NOT CONSTITUTE THE BANKRUPTCY COURT'S APPROVAL OF THE PLAN.

THIS DISCLOSURE STATEMENT CONTAINS, AMONG OTHER THINGS, SUMMARIES OF THE PLAN, CERTAIN STATUTORY PROVISIONS, AND CERTAIN ANTICIPATED EVENTS IN THE DEBTORS' CHAPTER 11 CASES. ALTHOUGH THE DEBTORS BELIEVE THAT THESE SUMMARIES ARE FAIR AND ACCURATE, THESE SUMMARIES ARE QUALIFIED IN THEIR ENTIRETY TO THE EXTENT THAT THEY DO NOT SET FORTH THE ENTIRE TEXT OF SUCH DOCUMENTS OR STATUTORY PROVISIONS OR EVERY DETAIL OF SUCH ANTICIPATED EVENTS. IN THE EVENT OF ANY INCONSISTENCY OR DISCREPANCY BETWEEN A DESCRIPTION IN THIS DISCLOSURE STATEMENT AND THE TERMS AND PROVISIONS OF THE PLAN OR ANY OTHER DOCUMENTS INCORPORATED HEREIN BY REFERENCE, THE PLAN OR SUCH OTHER DOCUMENTS WILL GOVERN FOR ALL PURPOSES. FACTUAL INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT HAS BEEN PROVIDED BY THE DEBTORS' MANAGEMENT EXCEPT WHERE OTHERWISE SPECIFICALLY NOTED. THE DEBTORS DO NOT REPRESENT OR WARRANT THAT THE INFORMATION CONTAINED HEREIN OR ATTACHED HERETO IS WITHOUT ANY MATERIAL INACCURACY OR OMISSION.

THIS DISCLOSURE STATEMENT HAS BEEN PREPARED IN ACCORDANCE WITH SECTION 1125 OF THE BANKRUPTCY CODE AND BANKRUPTCY RULE 3016(b) AND IS NOT NECESSARILY PREPARED IN ACCORDANCE WITH FEDERAL OR STATE SECURITIES LAWS OR OTHER SIMILAR LAWS.

THIS DISCLOSURE STATEMENT WAS NOT FILED WITH THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE AUTHORITY AND NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE AUTHORITY HAVE PASSED UPON THE ACCURACY OR ADEQUACY OF THIS DISCLOSURE STATEMENT OR UPON THE MERITS OF THE PLAN.

IN PREPARING THIS DISCLOSURE STATEMENT, THE DEBTORS RELIED ON FINANCIAL DATA DERIVED FROM THE DEBTORS' BOOKS AND RECORDS AND ON VARIOUS ASSUMPTIONS REGARDING THE DEBTORS' BUSINESSES. WHILE THE DEBTORS BELIEVE THAT SUCH FINANCIAL INFORMATION FAIRLY REFLECTS THE FINANCIAL CONDITION OF THE DEBTORS AS OF THE DATE HEREOF AND THAT THE ASSUMPTIONS REGARDING FUTURE EVENTS REFLECT REASONABLE BUSINESS JUDGMENTS, NO REPRESENTATIONS OR WARRANTIES ARE MADE AS TO THE ACCURACY OF THE FINANCIAL INFORMATION CONTAINED HEREIN OR ASSUMPTIONS REGARDING THE DEBTORS' BUSINESSES AND THEIR FUTURE RESULTS

AND OPERATIONS. THE DEBTORS EXPRESSLY CAUTION READERS NOT TO PLACE UNDUE RELIANCE ON ANY FORWARD LOOKING STATEMENTS CONTAINED HEREIN.

THIS DISCLOSURE STATEMENT DOES NOT CONSTITUTE, AND MAY NOT BE CONSTRUED AS, AN ADMISSION OF FACT, LIABILITY, STIPULATION, OR WAIVER. THE DEBTORS MAY SEEK TO INVESTIGATE, FILE, AND PROSECUTE CLAIMS AND MAY OBJECT TO CLAIMS AFTER THE CONFIRMATION OR EFFECTIVE DATE OF THE PLAN IRRESPECTIVE OF WHETHER THIS DISCLOSURE STATEMENT IDENTIFIES ANY SUCH CLAIMS OR OBJECTIONS TO CLAIMS.

THE DEBTORS ARE MAKING THE STATEMENTS AND PROVIDING THE FINANCIAL INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT AS OF THE DATE HEREOF, UNLESS OTHERWISE SPECIFICALLY NOTED. ALTHOUGH THE DEBTORS MAY SUBSEQUENTLY UPDATE THE INFORMATION IN THIS DISCLOSURE STATEMENT, THE DEBTORS HAVE NO AFFIRMATIVE DUTY TO DO SO, AND EXPRESSLY DISCLAIM ANY DUTY TO PUBLICLY UPDATE ANY FORWARD LOOKING STATEMENTS, WHETHER AS A RESULT OF NEW INFORMATION, FUTURE EVENTS, OR OTHERWISE. HOLDERS OF CLAIMS OR INTERESTS REVIEWING THIS DISCLOSURE STATEMENT SHOULD NOT INFER THAT, AT THE TIME OF THEIR REVIEW, THE FACTS SET FORTH HEREIN HAVE NOT CHANGED SINCE THIS DISCLOSURE STATEMENT WAS FILED. INFORMATION CONTAINED HEREIN IS SUBJECT TO COMPLETION, MODIFICATION, OR AMENDMENT. THE DEBTORS RESERVE THE RIGHT TO FILE AN AMENDED OR MODIFIED PLAN AND RELATED DISCLOSURE STATEMENT FROM TIME TO TIME, SUBJECT TO THE TERMS OF THE PLAN.

THE DEBTORS HAVE NOT AUTHORIZED ANY ENTITY TO GIVE ANY INFORMATION ABOUT OR CONCERNING THE PLAN OTHER THAN THAT WHICH IS CONTAINED IN THIS DISCLOSURE STATEMENT. THE DEBTORS HAVE NOT AUTHORIZED ANY REPRESENTATIONS CONCERNING THE DEBTORS OR THE VALUE OF THEIR PROPERTY OTHER THAN AS SET FORTH IN THIS DISCLOSURE STATEMENT.

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

AS DESCRIBED IN THIS DISCLOSURE STATEMENT, CERTAIN PARTIES OBJECT OR INTEND TO OBJECT TO CONFIRMATION OF THE PLAN. THE RIGHT OF ANY PARTY IN INTEREST TO OBJECT TO CONFIRMATION OF THE PLAN FOR ANY BASIS IS FULLY RESERVED AND PRESERVED, AND THE ABSENCE OF ANY RESERVATION OF RIGHTS OR SIMILAR LANGUAGE WITH RESPECT TO ANY SUCH ISSUE IN THIS DISCLOSURE STATEMENT SHALL NOT PREJUDICE THE RIGHTS OF ANY PARTY TO OBJECT TO CONFIRMATION OF THE PLAN ON ANY GROUNDS WHATSOEVER.

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I. INTRODUCTION.

The Debtors submit this Disclosure Statement pursuant to section 1125 of the Bankruptcy Code to holders of Claims against and Interests in the Debtors in connection with the solicitation of acceptances with respect to the ***Debtors' Second Amended Joint Chapter 11 Plan of Reorganization*** (the "Plan"), dated February 8, 2017.[1] A copy of the Plan is attached hereto as **Exhibit A** and incorporated herein by reference. The Plan constitutes a separate chapter 11 plan for each of the Debtors.

THE DEBTORS BELIEVE THAT THE SETTLEMENT CONTEMPLATED UNDER THE PLAN IS FAIR AND EQUITABLE, MAXIMIZES THE VALUE OF THE DEBTORS' ESTATES AND PROVIDES THE BEST RECOVERY TO HOLDERS OF CLAIMS AND INTERESTS. AT THIS TIME, THE DEBTORS BELIEVE THIS IS THE BEST AVAILABLE ALTERNATIVE FOR COMPLETING THE CHAPTER 11 CASES. THE DEBTORS STRONGLY RECOMMEND THAT YOU VOTE TO ACCEPT THE PLAN.

II. PRELIMINARY STATEMENT.

The Debtors are a publicly-_traded, independent oil and natural gas exploration and production ("E&P") enterprise headquartered in Houston, Texas. Over the years, the Debtors have consistently demonstrated that they are one of the leanest and most efficiently-_operated E&P companies in the industry. The Debtors' principal assets are their Pinedale Field properties in Wyoming, which primarily produce natural gas. The Debtors also own properties in Utah, which produce primarily crude oil, and interests in properties in Pennsylvania, which produce natural gas. The Debtors manage their operations from an operations office in Denver, Colorado and two field offices, located in Pinedale, Wyoming and Vernal, Utah.

Prior to the filing of the Chapter 11 Cases, unexpected and historic declines in natural gas and crude oil prices as well as worsening conditions in capital markets serving the oil and gas industry created a challenging environment for all oil and gas companies, including the Debtors, and ultimately caused the Debtors' capital structure to become unsustainable.

Prepetition, the Debtors undertook a series of operational and financial actions in an attempt to improve their liquidity position and stabilize their capital structure. These actions included significantly reducing their capital expenditures, negotiating material cost reductions from key vendors, pursuing capital markets or asset sales transactions, and revising incentive compensation programs to emphasize debt reduction as a performance goal. Although the Debtors were successful at reducing their capital expenditures and negotiating material cost reductions from key vendors, due to the continued deterioration of commodity prices and market conditions in the oil and gas industry, the Debtors were unsuccessful at consummating suitable capital markets or asset sale transactions. As a result, on the Petition Date, the Debtors commenced the Chapter 11 Cases to effectuate a comprehensive balance sheet restructuring pursuant to chapter 11 of the Bankruptcy Code.

Since filing the Chapter 11 Cases, the Debtors and their advisors continued to engage the Debtors' key stakeholders regarding various possible restructuring alternatives to strengthen the Debtors' balance sheet and create a sustainable capital structure to position the Debtors for long-term success. More specifically, in July 2016, the Debtors presented a revised business outlook that set forth a strategy to invest in and provided an overview of the Debtors' core natural gas exploration and production business. Following the rollout of the Debtors' revised business outlook, the Debtors entered into informal discussions with two key stakeholders, the HoldCo Noteholder Committee and the Equityholder Committee, regarding a possible reorganization premised upon a new-money investment in the Debtors' business enterprise backstopped by certain of the Consenting HoldCo Noteholders and the Consenting HoldCo Equityholders, including their successors and assigns to the extent permitted under the Backstop Commitment Agreement, and a substantial deleveraging. On October 17, 2016, the Debtors determined

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[1] Capitalized terms used but not otherwise defined in this Disclosure Statement will have the meaning ascribed to such terms in the Plan. **The summary of the Plan provided herein is qualified in its entirety by reference to the Plan. In the case of any inconsistency between this Disclosure Statement and the Plan, the Plan will govern**.

that it was appropriate to enter into the next phase of their restructuring discussions and entered into confidentiality agreements with the members of the HoldCo Noteholder Committee and the Equityholder Committee to permit the parties to discuss and develop the terms of the Debtors' reorganization strategy.

The Debtors' discussions with their stakeholders during this period were ultimately successful. After extensive negotiations, on November 21, 2016, the Debtors and entities holding a majority of HoldCo's common stock and a substantial majority of HoldCo's outstanding unsecured notes agreed to the terms of the restructuring set forth in the Plan Support Agreement.[2] The transaction memorialized in the Plan contemplates a $580 million rights offering backstopped by certain of the Consenting HoldCo Noteholders and the Consenting HoldCo Equityholders, the equitization of $1.3 billion in HoldCo Notes, a significant recovery to holders of Existing HoldCo Common Stock in the form of equity, and the satisfaction in Cash of Allowed Administrative Claims and Allowed Priority Claims. On December 6, 2016, the Debtors filed a plan of reorganization consistent with the Plan Support Agreement.

Thereafter, in an effort to generate greater stakeholder consensus, the Debtors entered into the Exit Financing Agreements and obtained entry of the Exit Financing Order, which will clear the way for the Reorganized Debtors to enter into the Exit Facility (the proceeds of which will permit the Debtors or the Reorganized Debtors to satisfy all OpCo Funded Debt Claims in full in Cash). In connection therewith, the Debtors modified the Plan to provide for the Exit Facility and certain related transactions.

In the face of unprecedented upheaval in the E&P segment as well as the numerous filings by other E&P companies, there is no doubt that the bargain struck by the Debtors—the terms of which are summarized below and will result in a significant recovery to common stockholders—is unprecedented and will maximize value for the Debtors' economic stakeholders.

Settlement Plan Value. Under the Plan, the Settlement Plan Value of the Ultra Entities will be $6.0 billion; *provided* that if the average closing price of the 12-month forward Henry Hub natural gas strip price during the seven (7) trading days preceding the commencement of the Rights Offering solicitation is: (i) greater than $3.65/MMBtu, the Plan Value will be $6.25 billion; or (ii) less than $3.25/MMBtu, the Plan Value will be $5.5 billion.

Existing HoldCo Common Stock. Assuming a Settlement Plan Value of $6 billion, holders of Existing HoldCo Common Stock shall receive their Pro Rata share of 41 percent of the New Common Stock on the Effective Date, subject to adjustment as provided in the Plan if the Settlement Plan Value is $6.25 billion or $5.5 billion, and subject to dilution on account of the Management Incentive Plan, and rights to participate in the Rights Offering for 5.4 percent of the New Common Stock, exclusive of New Common Stock issued on account of the Commitment Premium and subject to dilution on account of the Management Incentive Plan.

HoldCo Note Claims. Assuming a Settlement Plan Value of $6 billion, holders of Allowed HoldCo Note Claims shall each receive their Pro Rata share of 36.2 percent of the New Common Stock on the Effective Date, subject to adjustment as provided in the Plan if the Settlement Plan Value is $6.25 billion or $5.5 billion, and subject to dilution on account of the Management Incentive Plan, and the right to participate in the Rights Offering for 16.1 percent of the New Common Stock, exclusive of New Common Stock issued on account of the Commitment Premium and subject to dilution on account of the Management Incentive Plan.

CERTAIN PARTIES ASSERT THAT THE DISCLOSURE STATEMENT LACKS ADEQUATE INFORMATION REGARDING THE VALUE ATTRIBUTABLE TO THE INDIVIDUAL ELEMENTS COMPRISING THE DISTRIBUTION TO HOLDCO NOTEHOLDERS. INCLUDING THE FAILURE TO DISCLOSE THE AGREED TO RATE OF POSTPETITION INTEREST.

2 The Debtors subsequently announced that the Holders of more than 66.67 percent in principal amount of the HoldCo Notes had agreed to support the Plan Support Agreement, the terms of which permit the Debtors to satisfy all OpCo Funded Debt Claims in full in Cash as provided in the Plan.

The Debtors disagree. Article III of the Plan provides that the HoldCo Note Claims shall be Allowed in the amount of $1.34 billion, plus all applicable postpetition interest, charges and fees (as determined by the Bankruptcy Court or as otherwise agreed by the relevant parties). Schedule A to the Plan Term Sheet annexed to the Plan Support Agreement contains a proposed equity split for purposes of the Plan's valuation and presumes that, for purposes of the Plan's valuation, that the amount of the HoldCo Note Claims shall total approximately $1.412 billion. Article III of the Plan further provides that on the Effective Date, each holder of an Allowed HoldCo Note Claim shall receive its Pro Rata share of the HoldCo Noteholder New Common Stock Distribution. In addition, each holder of an Allowed HoldCo Note Claim as of the Rights Offering Record Date shall receive its Pro Rata share of the HoldCo Noteholder Subscription Rights.

Any additional distributions made to holders of Allowed HoldCo Note Claims shall be made on account of their participation in the Rights Offering and/or their performance of the Backstop Commitment Agreement. More specifically, in connection with the Rights Offering and the Backstop Commitment Agreement, such holders are also entitled to receive their pro rata share of: (a) the Rights Offering Shares in connection with the Rights Offering, if applicable; (b) the New Common Stock, consisting of Unsubscribed Shares (as defined in the Backstop Commitment Agreement) not purchased in the Rights Offering to certain Consenting HoldCo Noteholders and Consenting HoldCo Equityholders, together with their permitted successors and assigns, that have committed to fund the Rights Offering and are signatories to the Backstop Commitment Agreement, if applicable; and (c) the New Common Stock issued to the Rights Offering Backstop Parties on account of the Commitment Premium, if applicable.

OpCo Funded Debt Claims. Holders of Allowed OpCo Funded Debt Claims shall be paid the amount of such Claim in full in Cash.

General Unsecured Claims. Holders of Allowed General Unsecured Claims shall be paid in full in Cash except to the extent that a holder of a General Unsecured Claim agrees to a less favorable treatment, in full and final satisfaction, settlement, release, and discharge of and in exchange for each General Unsecured Claim.

Rights Offering. Holders of Existing HoldCo Common Stock and Allowed HoldCo Note Claims shall also be entitled to participate in the Rights Offering in accordance with the Backstop Commitment Agreement, the Plan Support Agreement, the Plan, and the Rights Offering Procedures.

Management Incentive Plan. Under the Plan, 7.5 percent of the fully diluted, fully distributed shares of Reorganized HoldCo will be reserved for issuance to management under the Management Incentive Plan. 40 percent of such reserve will be granted to members of management identified by the pre-Effective Date HoldCo Board in the form of full shares (or equivalent) vesting on or after the Effective Date in accordance with certain time and/or valuation thresholds. The balance of such reserve will be available to be granted by the New Board from time to time to management in accordance with the Management Incentive Plan, which shall be included as part of the Plan Supplement. Aspects of the Management Incentive Plan were negotiated on behalf of the Debtors by Michael D. Watford and Garland R. Shaw, who also serve on the Board of Directors of OpCo.[3]

CERTAIN PARTIES HAVE RAISED QUESTIONS ABOUT THE ROLE OF MANAGEMENT IN THE DEVELOPMENT OF THE PLAN IN LIGHT OF MANAGEMENT'S POTENTIAL ABILITY TO PARTICIPATE IN THE MANAGEMENT INCENTIVE PLAN CONTEMPLATED BY THE PLAN, AS WELL AS WHETHER ALLOCATIONS UNDER THE MANAGEMENT INCENTIVE PLAN HAVE ALREADY BEEN DETERMINED.

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[3] **No individual awards under the Management Incentive Plan (including, for the avoidance of any doubt, with respect to any members of the New Board of the Reorganized Debtors' management) were determined in conjunction with the negotiations of the PSA or the preparation of the Plan, no awards have yet been determined with respect to any potential plan participant, and a portion of the awards, if any, will be determined post-emergence**.

THE DEBTORS STRONGLY DISAGREE WITH THIS CHARACTERIZATION. First, the Management Incentive Plan was approved by the Board of HoldCo—the entity that the Debtors assert will bear the costs of the Management Incentive Plan—in connection with HoldCo's entry into the Plan Support Agreement. Second, no individual awards under the Management Incentive Plan were determined in conjunction with the negotiations of the PSA or the preparation of the Plan, no awards have yet been determined with respect to any potential plan participant, and a portion of the awards, if any, will be determined post-emergence. Third, the cost of the proposed Management Incentive Plan will have no impact on the recoveries of OpCo creditors. Fourth, it is commonplace for a debtor in a complex chapter 11 case to propose a post-emergence Management Incentive Plan under a plan of reorganization. Finally, the equity-based compensation structure under the Management Incentive Plan is not a departure from the Debtors' prior compensation programs.

Secured Non-Tax Claims. Holders of Allowed Secured Non-Tax Claims shall receive such treatment as to render their claims Unimpaired.

Other Priority Claims. Holders of Allowed Other Priority Claims shall receive such treatment as to render their claims Unimpaired.

Intercompany Claims; Intercompany Interests. Intercompany Claims and Intercompany Interests shall be reinstated, canceled, or treated in such other manner as determined by the Debtors or the Reorganized Debtors.

Other Existing HoldCo Equity Interests. All Other Existing HoldCo Equity Interests shall be canceled and of no further force and effect, and the holders thereof shall not receive or retain any distribution on account of their Other Existing HoldCo Equity Interests.

In short, the Plan Support Agreement and the Plan provide the Debtors with the resources and flexibility to maximize the value of the Estates. In addition, the compromises and settlements embodied therein, and to be implemented pursuant to the Plan, preserve value and avoid potential litigation with the Equityholder Committee and HoldCo Noteholder Committee over potential recoveries.

Certain members of the Equityholder Committee and HoldCo Noteholder Committee have elected to enter into the Plan Support Agreement with the Debtors and to backstop the Rights Offering. As of the date hereof, holders of more than 66.67 percent in principal of HoldCo Note Claims and more than 55 percent of Existing HoldCo Equity Interests have agreed to support the restructuring contemplated by the Plan Support Agreement and Plan.

In addition, the Plan is supported by: (A) Rockies Express Pipeline LLC ("REX"), which will have an Allowed General Unsecured Claim in the amount of $150,000,000; (B) Pinedale Corridor L.P. ("Corridor"), lessor of a liquids gathering system used by the Debtors in Pinedale field; and (C) Big West Oil LLC ("Big West"), which will have an Allowed General Unsecured Claim against each of the Debtors in the amount of $17,350,000.

The formulation of the Plan Support Agreement and Plan is a significant achievement for the Debtors in the face of historic commodity price declines and a depressed operating environment. The Debtors strongly believe that the Plan is in the best interests of the Estates, represents the best available alternative, and significantly deleverages the Debtors' consolidated balance sheet at a critical time after the commodity cycle downturn has negatively affected many companies within the oil and natural gas industry. Given the Debtors' core strengths—including their experienced management team and the strategic location of their assets—the Debtors are confident that they can implement the Plan's balance sheet restructuring to ensure the long-term viability of their businesses.

III. QUESTIONS AND ANSWERS REGARDING THIS DISCLOSURE STATEMENT AND PLAN.

A. What is chapter 11?

Chapter 11 is the principal business reorganization chapter of the Bankruptcy Code. In addition to permitting debtor rehabilitation, chapter 11 promotes equality of treatment for creditors and similarly situated equity interest holders, subject to the priority of distributions prescribed by the Bankruptcy Code.

The commencement of a chapter 11 case creates an estate that comprises all of the legal and equitable interests of the debtor as of the date the chapter 11 case is commenced. The Bankruptcy Code provides that the debtor may continue to operate its business and remain in possession of its property as a "debtor in possession."

Consummating a plan of reorganization is the principal objective of a chapter 11 case. A bankruptcy court's confirmation of a plan binds the debtor, any person acquiring property under the plan, any creditor or equity interest holder of the debtor, and any other entity as may be ordered by the bankruptcy court. Subject to certain limited exceptions, the order issued by a bankruptcy court confirming a plan provides for the treatment of the debtor's liabilities in accordance with the terms of the confirmed plan.

B. Why are the Debtors sending me this Disclosure Statement?

The Debtors are seeking to obtain Bankruptcy Court approval of the Plan. Before soliciting acceptances of the Plan, section 1125 of the Bankruptcy Code requires the Debtors 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 regarding acceptance of the Plan. This Disclosure Statement is being submitted in accordance with these requirements.

C. Am I entitled to vote on the Plan?

Your ability to vote on, and your distribution under, the Plan (if any) depend on what type of Claim or Interest you hold. Each category of holders of Claims or Interests, as set forth in Article III of the Plan pursuant to section 1122(a) of the Bankruptcy Code, is referred to as a "Class." Each Class's respective voting status is set forth below.

Class	Claim or Interest	Status	Voting Rights
1	Other Priority Claims	Unimpaired	Presumed to Accept
2	Secured Non-Tax Claims	Unimpaired	Presumed to Accept
3	HoldCo Note Claims	Impaired	Entitled to Vote
4	OpCo Funded Debt Claims	Unimpaired	Presumed to Accept
5	General Unsecured Claims	Unimpaired	Presumed to Accept
6	Intercompany Claims	Impaired or Unimpaired	Presumed to Accept or Deemed to Reject
7	Intercompany Interests	Impaired or Unimpaired	Presumed to Accept or Deemed to Reject

Class	Claim or Interest	Status	Voting Rights
8	Existing HoldCo Common Stock	Impaired or Unimpaired[4]	Entitled to Vote
9	Other Existing HoldCo Equity Interests	Impaired	Deemed to Reject

D. What will I receive from the Debtors if the Plan is consummated?

The following chart provides a summary of the anticipated recovery to holders of Claims and Interests under the Plan. Any estimates of Claims and Interests in this Disclosure Statement may vary from the final amounts Allowed by the Bankruptcy Court. Your ability to receive distributions under the Plan depends upon the ability of the Debtors to obtain Confirmation and meet the conditions necessary to cause the Effective Date to occur.

CERTAIN PARTIES ASSERT THAT THE DISCLOSURE STATEMENT IS DEFICIENT BECAUSE IT DOES NOT ADDRESS THE TREATMENT OF GENERAL UNSECURED CLAIMS THAT ARE DISPUTED AS OF THE EFFECTIVE DATE, AND THE MANNER IN WHICH SUCH CLAIMS WILL BE SATISFIED PURSUANT TO THE PLAN. The Plan provides that all Causes of Action shall vest in the Reorganized Debtors and that the Debtors and Reorganized Debtors, as applicable, may continue to reconcile and, if necessary, object to, Proofs of Claims asserted against the Estates following the Effective Date. To the extent that any Disputed Claim becomes an Allowed Claim after the Effective Date, such Allowed Claim will be paid in Cash after the date that such Claim becomes Allowed, in each case, as provided in the Plan. As demonstrated by the Financial Projections for the Reorganized Debtors to be attached as Exhibit D to the Disclosure Statement, the Debtors believe that the Reorganized Debtors will have sufficient liquidity to make distributions (if any) on account of any such Claims that are Disputed as of the Effective Date without reserving Cash for such Claims.

CERTAIN PARTIES ALSO ASSERT THAT THE PLAN IS NOT CONFIRMABLE AND THAT HOLDERS OF CLAIMS IN CLASS 4 ARE IMPAIRED BECAUSE THERE IS A RISK THAT PORTIONS OF THE OPCO ~~NOTE MAKEWHOLE~~FUNDED DEBT CLAIMS THAT ARE ~~DISPUTED~~NOT ALLOWED AS OF THE EFFECTIVE DATE ~~WILL~~MAY NOT RECEIVE A DISTRIBUTION AS PROVIDED IN THE PLAN TO THE EXTENT ~~THAT~~ SUCH CLAIMS BECOME ALLOWED AFTER THE EFFECTIVE DATE~~, AND THAT~~ . THESE PARTIES ASSERT THAT THERE IS AN ALLEGED RISK OF NON-PAYMENT ~~IS DUE TO~~BECAUSE THE ~~ABSENCE OF~~PLAN DOES NOT PROVIDE FOR A CASH RESERVE FOR DISPUTED CLAIMS. With respect to the objecting parties' request for an explanation how and where the Debtors intend to reserve for proposed deferred cash distributions, the Debtors note that, based on the Financial Projections for the Reorganized Debtors attached as Exhibit D to this Disclosure Statement, the Debtors expect to have sufficient liquidity to make these distributions without reserving Cash for such Claims. The rights of all parties are fully preserved with respect to such matters.

THE PROJECTED RECOVERIES SET FORTH IN THE TABLE BELOW ARE ESTIMATES ONLY AND THEREFORE ARE SUBJECT TO CHANGE. FOR A COMPLETE DESCRIPTION OF THE DEBTORS' CLASSIFICATION AND TREATMENT OF CLAIMS AND INTERESTS, REFERENCE SHOULD BE MADE TO THE ENTIRE PLAN.[5]

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[4] As provided under Section 3.2(h) of the Plan, the Debtors reserve the right to dilute the holders of Existing HoldCo Common Stock by issuing additional Existing HoldCo Common Stock rather than cancelling the Existing HoldCo Common Stock. To the extent the Debtors determine to issue additional Existing HoldCo Common Stock, Class 8 will be Unimpaired under the Plan, though the Debtors will still solicit the votes of Holders of Class 8 Existing HoldCo Common Stock.

[5] The recoveries set forth below may change based upon changes in the amount of Claims that are "Allowed" as well as other factors related to the Debtors' business operations and general economic conditions. "Allowed" means, with respect to any Claim, except as otherwise provided herein: (a) a Claim that is evidenced by a Proof of Claim Filed by the Claims Bar Date or a request for payment of an Administrative Claim Filed by the Administrative Claims Bar Date, as applicable (or for

SUMMARY OF EXPECTED RECOVERIES				
Class	**Claim/Equity Interest**	**Treatment of Claim/Equity Interest**	**Projected Amount of Claims**	**Projected Recovery Under the Plan**
Unclassified Non-Voting Claims Against the Debtors				
N/A	Administrative Claims	Except with respect to Administrative Claims that are Professional Fee Claims and except to the extent that an Administrative Claim has already been paid during the Chapter 11 Cases or a holder of an Allowed Administrative Claim and the applicable Debtor agrees to less favorable treatment, each holder of an Allowed Administrative Claim shall be paid in full in Cash on the unpaid portion of its Allowed Administrative Claim on the latest of: (a) on the Effective Date if such Administrative Claim is Allowed as of the Effective Date; (b) on or as soon as reasonably practicable after the date such Administrative Claim is Allowed; and (c) the date such Allowed Administrative Claim becomes due and payable, or as soon thereafter as is reasonably practicable; *provided* that Allowed Administrative Claims that arise in the ordinary course of the Debtors' businesses shall be paid in the ordinary course of business in accordance with the terms and subject to the conditions of any agreements and/or arrangements governing, instruments evidencing, or other documents relating to such transactions. Notwithstanding the foregoing, no request for payment of an Administrative Claim need be Filed with respect to an Administrative Claim previously Allowed by Final Order.	$60 million	100%
N/A	Priority Tax Claims	Except to the extent that a holder of an Allowed Priority Tax Claim agrees to a less favorable treatment, in full and final satisfaction, settlement,	$0 to $50,000	100%

which Claim under the Plan, the Bankruptcy Code, or pursuant to a Final Order, a Proof of Claim or request for payment of Administrative Claim is not or shall not be required to be Filed); (b) a Claim that is listed in the Schedules as not contingent, not unliquidated, and not disputed, and for which no Proof of Claim, as applicable, has been timely Filed; or (c) a Claim that becomes Allowed pursuant to the Plan or a Final Order of the Bankruptcy Court; provided, that with respect to a Claim described in clauses (a) and (b) above, such Claim shall be considered Allowed only if and to the extent that with respect to such Claim no objection to the allowance thereof is interposed within the applicable period of time fixed by the Plan, the Bankruptcy Code, the Bankruptcy Rules, or the Bankruptcy Court, or such an objection is so interposed and the Claim has been Allowed by a Final Order. ~~Any~~Except for Claims that become allowed pursuant to Section 3.2(d)(2) of the Plan, any Claim that has been or is hereafter listed in the Schedules as contingent, unliquidated, or disputed, and for which no Proof of Claim is or has been timely Filed, is not considered Allowed and shall be expunged without further action by the Debtors and without further notice to any party or action, approval, or order of the Bankruptcy Court. Notwithstanding anything to the contrary herein, no Claim of any Entity subject to section 502(d) of the Bankruptcy Code shall be deemed Allowed unless and until such Entity pays in full the amount that it owes the applicable Debtor or Reorganized Debtor, as applicable. For the avoidance of doubt, a Proof of Claim Filed after the Claims Bar Date or a request for payment of an Administrative Claim Filed after the Administrative Claims Bar Date, as applicable, shall not be Allowed for any purposes whatsoever absent entry of a Final Order allowing such late-filed Claim~~.~~, provided, that this clause shall not affect any Claim that becomes Allowed pursuant to Section 3.2(d)(2) of the Plan. "Allow~~" and~~," "Allowing," and "Allowance" shall have correlative meanings.

		release, and discharge of and in exchange for each Allowed Priority Tax Claim, each holder of such Allowed Priority Tax Claim shall be treated in accordance with the terms set forth in section 1129(a)(9)(C) of the Bankruptcy Code. In the event an Allowed Priority Tax Claim is also a Secured Tax Claim, such Claim shall, to the extent it is Allowed, be treated as an Secured Claim if such Claim is not otherwise paid in full.		
Classified Claims and Interests of the Debtors				
1	Other Priority Claims	Each holder of an Allowed Other Priority Claim shall receive payment in full, in Cash, of the unpaid portion of its Allowed Other Priority Claim on the latest of: (i) on or as soon as reasonably practicable after the Effective Date if such Allowed Other Priority Claim is Allowed as of the Effective Date; (ii) on or as soon as reasonably practicable after the date such Other Priority Claim is Allowed; and (iii) the date such Allowed Other Priority Claim becomes due and payable, or as soon thereafter as is reasonably practicable.	N/A	100%
2	Secured Non-Tax Claims	Each holder of an Allowed Secured Non-Tax Claim shall receive, at the Debtors' option, either (i) Reinstatement of its Allowed Secured Non-Tax Claim or (ii) payment in full, in Cash, of the unpaid portion of its Allowed Secured Non-Tax Claim on the latest of: (a) on or as soon as reasonably practicable after the Effective Date if such Allowed Secured Non-Tax Claim is Allowed as of the Effective Date; (b) on or as soon as reasonably practicable after the date such Secured Non-Tax Claim is Allowed; and (c) the date such Allowed Secured Non-Tax Claim becomes due and payable, or as soon thereafter as is reasonably practicable.	N/A	100%
3	HoldCo Note Claims	On the Effective Date, each holder of an Allowed HoldCo Note Claim shall receive its Pro Rata share of the HoldCo Noteholder New Common Stock Distribution. In addition, each holder of an Allowed HoldCo Note Claim as of the Subscription Commencement Date shall receive its Pro Rata share of the HoldCo Noteholder Subscription Rights.	$1.34 billion	100%

4	OpCo Funded Debt Claims	~~As soon as reasonably practicable after, and to the extent that, a Class 4 Claim becomes Allowed, each holder of an Allowed Class 4 Claim shall be paid the amount of such Allowed Class 4 Claim in full in Cash.~~Notwithstanding Section 7.8 of the Plan, on the Effective Date or as soon as reasonably practicable thereafter, each holder of a Class 4 Claim shall be paid cash equal to the amount of the portion of such Claim that has been Allowed as of the Effective Date. As soon as reasonably practicable after determination by a Final Order of the Bankruptcy Court as to the Allowed amount of any other portion of such Class 4 Claim, each such holder shall be paid cash equal to the amount of such portion of such Claim that is Allowed by such Final Order.	$2.523 billion[6]	100%
5	General Unsecured Claims	Except to the extent that the holder of an Allowed General Unsecured Claim and the Debtor(s) agree to different treatment, as soon as reasonably practicable after a General Unsecured Claim becomes Allowed, each holder of an Allowed General Unsecured Claim shall either (a) be paid in full in Cash or (b) receive such other treatment rendering such Claim Unimpaired.	$190 million to $255 million	100%
6	Intercompany Claims	Each Intercompany Claim shall be, at the option of the Debtors or Reorganized Debtors, either (a) Reinstated as of the Effective Date; (b) cancelled, in which case no distribution shall be made on account of such Intercompany Claims; or (c) treated in such other manner as determined by the Debtors or Reorganized Debtors.	N/A	100%
7	Intercompany Interests	Each Intercompany Interest shall be, at the option of the Debtors or Reorganized Debtors, either (a) Reinstated as of the Effective Date or (b) cancelled, in which case no distribution shall be made on account of such interests.	N/A	100%

[6] ~~To the extent that any OpCo Note Makewhole Claim (as defined herein), each of which is a Disputed Claim under the Plan, becomes an Allowed Claim after the Effective Date, the amount of OpCo Funded Debt Claims would increase by the amount of any such Allowed OpCo Note Makewhole Claim.~~ The OpCo Group asserts that the full amount of the OpCo Funded Debt Claims is no less than $2,936,021,181, which assertion is based on several assumptions including, without limitation, an assumed Effective Date of April 15, 2017 and calculation of postpetition interest only through such assumed Effective Date. Further such assertion is claimed to include estimates for the OpCo Group's expenses to date (and not other fees and expenses that may be asserted to be due under the OpCo MNPA and the OpCo RCF, or additional interest that may be asserted to be due thereon). The OpCo Group states that this estimate remains subject to change in all respects. Other than as set forth in Section 3.2(d) of the Plan, the Allowed amount of the OpCo Funded Debt Claims will be determined by a Final Order of the Bankruptcy Court in accordance with the Plan, and all rights of all parties with respect thereto are expressly reserved and preserved.

8	Existing HoldCo Common Stock	On the Effective Date, each holder of Existing HoldCo Common Stock shall receive its Pro Rata share of the HoldCo Equityholder New Common Stock Distribution. In addition, each holder of Existing HoldCo Common Stock as of the Subscription Commencement Date shall receive its Pro Rata share of the HoldCo Equityholder Subscription Rights.	N/A	N/A
9	Other Existing HoldCo Equity Interests	On the Effective Date, each Other Existing HoldCo Equity Interest shall be cancelled and of no further force and effect, and the holders thereof shall not receive or retain any distribution on account of their Other Existing HoldCo Equity Interests.	N/A	N/A

The Debtors shall seek Confirmation of the Plan pursuant to section 1129(b) of the Bankruptcy Code with respect to any rejecting Class of Claims or Interests. The Debtors reserve the right, to the extent permitted or required by the Bankruptcy Code, to modify the Plan in accordance with Article X of the Plan to the extent, if any, that Confirmation (including Confirmation pursuant to section 1129(b) of the Bankruptcy Code) requires modification of any provision of the Plan, including, without limitation, by (a) modifying the treatment applicable to a Class of Claims or Interests to render such Class of Claims or Interests Unimpaired to the extent permitted by the Bankruptcy Code and the Bankruptcy Rules, (b) reclassifying any Claim or Interest in one particular Class together with any substantially similar Claim or Interest in a different Class, as applicable, to the extent permitted by the Bankruptcy Code and the Bankruptcy Rules, and/or (c) withdrawing the Plan as to an individual Debtor at any time before the Confirmation Date.

The rights of all parties in interest with respect to any modification of the Plan, including the right to object to confirmation of the Plan on the grounds that any such modification is impermissible under the Bankruptcy Code or was insufficiently described in this Disclosure Statement, are fully reserved and preserved in all respects.

E. What will I receive from the Debtors if I hold an Allowed Administrative Claim or a Priority Tax Claim?

In accordance with section 1123(a)(1) of the Bankruptcy Code, Administrative Claims and Priority Tax Claims have not been classified and, thus, are excluded from the Classes of Claims and Interests set forth in Article III of the Plan. Administrative Claims will be satisfied as set forth in Article II.1 of the Plan, and Priority Tax Claims will be satisfied as set forth in Article II.3 of the Plan.

F. What are the settlements contemplated by the Plan?

As described in this Disclosure Statement, the principal settlement contemplated by the Plan is the Debtors' settlement with their HoldCo stakeholders. The Debtors believe that this settlement, which will fund all distributions under the Plan, is in the best interests of all stakeholders because it will: (1) permit the Debtors to satisfy all Claims against the Debtors in full; (2) permit the Debtors to provide a significant recovery to HoldCo's equityholders; and (3) permit the Debtors to expeditiously emerge from chapter 11 and eliminate the need to continue to pay significant professional fees and expenses.

In addition to the Debtors' settlement with their HoldCo stakeholders, the Plan contemplates a settlement of the $303 million General Unsecured Claim asserted by REX against OpCo [Claim No. 279]. The compromise contemplated by the REX Settlement Letter Agreement is beneficial to the OpCo Estate because it reduces by more than half the significant Claim asserted by REX against OpCo and clears the way for the Debtors to enter into a new, seven-year contract with REX on favorable terms.

Finally, the ~~p~~Plan contemplates treatment for the OpCo funded debt creditors that pays Allowed OpCo Funded Debt Claims in full in Cash**.** No settlement has been reached with the holders of the OpCo Funded Debt Claims (excepting any Plan Support Parties who hold OpCo Funded Debt Claims) with respect to the Plan, and all such parties' rights with respect to the Plan are reserved and preserved.

The Debtors remain engaged in discussions with the Committee and their stakeholders regarding other potential settlements and will seek approval of any such settlements in accordance with the Bankruptcy Code and the Bankruptcy Rules.

G. Are any regulatory approvals required to consummate the Plan?

Other than approvals which may be required under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, there are no known regulatory approvals that are required to consummate the Plan.

H. What happens to my recovery if the Plan is not confirmed or does not go effective?

In the event that the Plan is not Confirmed or the Effective Date does not occur, there is no assurance that the Debtors will be able to reorganize their businesses. It is possible that any alternative transaction may provide holders of Claims and Interests with less than they would have received pursuant to the Plan. For a more detailed description of the consequences of an extended chapter 11 case, or of a liquidation scenario, *see* "*Confirmation of the Plan - Best Interests of Creditors/Liquidation Analysis*," which begins on page 59 of this Disclosure Statement, and the Liquidation Analysis attached as **Exhibit F**.

I. If the Plan provides that I get a distribution, do I get it upon Confirmation or when the Plan goes effective, and what is meant by "Confirmation," "Effective Date," and "Consummation?"

"Confirmation" of the Plan refers to approval of the Plan by the Bankruptcy Court. Confirmation of the Plan does not guarantee that you will receive the distribution indicated under the Plan. After Confirmation of the Plan by the Bankruptcy Court, there are conditions that need to be satisfied or waived so that the Plan can go effective. Initial distributions to holders of Allowed Claims and Existing HoldCo Common Stock will only be made on the date the Plan becomes effective—the "Effective Date"—or as soon as practicable thereafter, as specified in the Plan. *See* "*Confirmation of the Plan*," which begins on page 59 of this Disclosure Statement, for a discussion of the conditions precedent to consummation of the Plan.

J. What are the sources of Cash and other consideration required to fund the Plan?

The Debtors intend to fund distributions under the Plan with: (a) the Debtors' Cash on hand; (b) Reorganized HoldCo's issuance of the New Common Stock; (c) the proceeds of the Exit Facility; and (d) the proceeds of the Rights Offering.~~[7]~~

~~[7] As set forth herein, based upon the Financial Projections, the Debtors believe that the Reorganized Debtors will have the financial wherewithal to satisfy OpCo Note Makewhole Claims (if any) in full in Cash as provided in the Plan to the extent that any such Claim is Allowed after the Effective Date. For this reason, the Debtors submit that the Plan is feasible notwithstanding the fact that the Debtors will not "reserve" for any such Claims that may become Allowed Claims after the Effective Date.~~

CERTAIN PARTIES ASSERT THAT THE PLAN IS NOT CONFIRMABLE BECAUSE THE REORGANIZED DEBTORS MAY NOT HAVE THE FINANCIAL WHEREWITHAL TO SATISFY THE CURRENTLY DISPUTED PORTIONS OF THE OPCO NOTE CLAIMS (WHICH DISPUTED PORTIONS ARE BASED ON, WITHOUT LIMITATION, ASSERTED CLAIMS ON ACCOUNT OF A MAKEWHOLE AMOUNT, POSTPETITION INTEREST THEREON AT THE CONTRACTUAL DEFAULT RATE, AND OTHER AMOUNTS ASSERTED TO BE DUE AND OWING UNDER THE OPCO NOTES MNPA, THE OPCO NOTES, AND THE OPCO RCF, INCLUDING WITHOUT LIMITATION, POSTPETITION INTEREST AT THE CONTRACTUAL DEFAULT RATE AND ALL FEES AND EXPENSES) IN FULL IN CASH TO THE EXTENT THAT ANY PORTION OF SUCH CLAIMS IS ALLOWED AFTER THE EFFECTIVE DATE.

The Debtors disagree. As set forth in this Disclosure Statement, based upon the Financial Projections, the Debtors believe that the Reorganized Debtors will have the financial wherewithal to satisfy any currently disputed portions of the OpCo Funded Debt Claims, in full and in Cash as provided in the Plan, to the extent that any such Claim is Allowed after the Effective Date. For this reason, the Debtors submit that the Plan is feasible notwithstanding the fact that the Debtors will not "reserve" for any such Claims that may become Allowed Claims after the Effective Date.

The rights of all parties are fully preserved with respect to such matters.

K. Are there risks to owning the New Common Stock upon emergence from chapter 11?

Yes. *See* "Risk Factors," which begins on page 45 of this Disclosure Statement. The Debtors will use commercially reasonable efforts to cause the New Common Stock to become publicly traded and listed on the Nasdaq Stock Market (the "Nasdaq"), the New York Stock Exchange (the "NYSE"), or another comparable national securities exchange on or as soon as reasonably practicable after the Effective Date.

L. Will the final amount of Allowed General Unsecured Claims affect my recovery under the Plan?

The Debtors do not anticipate at this time that Allowed General Unsecured Claims total will affect the ultimate distribution to any holder of an Allowed General Unsecured Claim given the valuation contemplated by the Plan. Although the Debtors' estimate of General Unsecured Claims is the result of the Debtors' and their advisors' careful analysis of available information, the Allowed amount of General Unsecured Claims actually asserted against the Debtors may be higher or lower than the Debtors' estimate provided herein, which difference could be material. Moreover, the Debtors may in the future reject certain Executory Contracts and Unexpired Leases, which may result in additional rejection damages claims not accounted for in this estimate. Further, the Debtors or other parties in interest may object to certain Proofs of Claim, and any such objections could ultimately cause the total amount of General Unsecured Claims to change.

M. Will there be releases and exculpation granted to parties in interest as part of the Plan?

Yes, Article VIII of the Plan proposes to release the Released Parties and to exculpate the Exculpated Parties. The Debtors' releases, third-party releases, and exculpation provisions included in the Plan are an integral part of the Debtors' overall restructuring efforts and were an essential element of the Plan.

All of the Released Parties and the Exculpated Parties have made substantial and valuable contributions to the Debtors' restructuring through efforts to negotiate and implement the Plan, which will maximize and preserve the going-concern value of the Debtors for the benefit of all parties in interest. Accordingly, each of the Released Parties and the Exculpated Parties warrants the benefit of the release and exculpation provisions.

All holders of Claims or Interests that (1) vote to accept or are presumed to accept the Plan or (2) are in voting Classes who abstain from voting on the Plan and ~~either opt in or~~who do not opt out of the release provisions

contained in Article VIII of the Plan will be deemed to have expressly, unconditionally, generally, individually, and collectively released and discharged all Claims and Causes of Action against the Debtors and the Released Parties.

Based on the foregoing, the Debtors believe that the releases and exculpations in the Plan are necessary and appropriate and meet the requisite legal standard promulgated by the United States Court of Appeals for the Fifth Circuit. Moreover, the Debtors will present evidence at the Confirmation Hearing to demonstrate the basis for and propriety of the release and exculpation provisions.

CERTAIN PARTIES ASSERT THAT THE RELEASES UNDER ARTICLE VIII OF THE PLAN ARE NOT CONSISTENT WITH APPLICABLE LAW~~.~~, INCLUDING THAT HOLDERS OF CLAIMS IN CLASSES THAT ARE PRESUMED TO ACCEPT THE PLAN CAN BE FORCED TO GRANT THE RELEASES CONTAINED IN THE PLAN. The Debtors disagree with this characterization of these matters.

The Debtors will demonstrate at the Confirmation Hearing that, given the significant consideration being provided by the Released Parties to the Debtors and other Releasing Parties, the Debtors' releases in favor of the Released Parties are appropriate and within their reasonable business judgment, particularly, as is the case here, where the Debtors are solvent and all claims against the Debtors are being satisfied in full (and the Debtors will satisfy all OpCo Funded Debt Claims in full in Cash). Accordingly, the Debtors believe that the releases under Article VIII of the Plan are consistent with applicable law and that the Bankruptcy Court should approve such releases.

N. What impact does the Claims Bar Date have on my Claim?

The Bankruptcy Court has established September 1, 2016, as the general Claims bar date and October 26, 2016, as the governmental Claims bar date (collectively, the "Bar Date") in the Chapter 11 Cases. The following Entities holding Claims against the Debtors that arose (or that are deemed to have arisen) prior to the Petition Date must file a Proof of Claim on or before the Bar Date: (1) any Entity whose Claim against a Debtor is not listed in the applicable Debtor's schedules of assets and liabilities ("Schedules") or is listed in the applicable Debtor's Schedules as contingent, unliquidated, or disputed if such Entity desires to participate in any of the Chapter 11 Cases or share in any distribution in any of the Chapter 11 Cases; (2) any Entity that believes its Claim is improperly classified in the Schedules or is listed in an incorrect amount and desires to have its Claim allowed in a different classification or amount from that identified in the Schedules; (3) any Entity that believes its Claim as listed in the Schedules is not an obligation of the specific Debtor against which the Claim is listed and that desires to have its Claim allowed against a Debtor other than that identified in the Schedules; and (4) any Entity that believes its Claim against a Debtor is or may be an administrative expense pursuant to section 503(b)(9) of the Bankruptcy Code (but not any Entity that believes it holds an Administrative Expense Claim under section 503(b)(1) of the Bankruptcy Code).

O. Does the Plan provide that the Debtors or Reorganized Debtors will ~~s~~Satisfy Makewhole Claims Under the OpCo Notes?

The OpCo Note Purchase Agreement contains a so-called "make-whole" provision, which, if enforceable in the Chapter 11 Cases, may entitle the OpCo Noteholders to an ~~unsecured claim (any such claim, an "~~OpCo Note Makewhole Claim~~")~~. Although the OpCo Note Makewhole Claims are Disputed under the Plan, the Plan expressly provides that ~~any potential OpCo Note Makewhole Claim~~such asserted Claims, if and to the extent Allowed (as determined by the Bankruptcy Court), will be satisfied in full in Cash~~ after a determination by the Bankruptcy Court with respect to the Allowed amount of any OpCo Note Makewhole Claims (if any).~~. It is not expected that the Debtors will satisfy the OpCo Note Makewhole Claims on the Effective Date. The Debtors anticipate ~~such Claims will be subject to litigation following the Effective Date~~that such Claims will be subject to litigation following the Effective Date. The OpCo Group[8] has commenced an adversary proceeding seeking to litigate the allowance of the

[8] As used in this Disclosure Statement, "OpCo Group" means the ad hoc group of holders of OpCo Funded Debt Claims that is represented by Milbank, Tweed, Hadley & McCloy LLP.

OpCo Note Makewhole Claims before or in connection with the Confirmation of the Plan. The OpCo Noteholder Group (as defined below) has intervened in this adversary proceeding. The Debtors have filed a motion to dismiss this adversary proceeding and the OpCo Group and the OpCo Noteholder Group have filed oppositions to the Debtors' motion to dismiss. The Bankruptcy Court has not yet ruled on the Debtors' motion to dismiss.

P. What is the deadline to vote on the Plan?

The deadline to vote on the Plan under the order approving the Disclosure Statement is **~~[TBD,~~March 13, 2017 at ~~[__:__] [a/~~4:00 p~~]~~.m~~.]~~.** (prevailing Central Time).

Q. How do I vote for or against the Plan?

Detailed instructions regarding how to vote on the Plan are contained on the ballots distributed to holders of Claims and Interests that are entitled to vote on the Plan. For your vote to be counted, your ballot must be completed and signed so that it is **actually received** by **~~[TBD,~~March 13, 2017 at ~~[__:__] [a/~~4:00 p~~]~~.m~~.]~~.** (prevailing Central Time) at the following address: Ultra Ballot Processing, c/o Epiq Bankruptcy Solutions, LLC, 777 Third Avenue, 3rd Floor, New York, NY 10017 (or returned in accordance with the instructions otherwise set forth on your ballot). *See* Article XI of this Disclosure Statement, which begins on page 57 of this Disclosure Statement.

R. Why is the Bankruptcy Court holding a Confirmation Hearing?

Section 1128(a) of the Bankruptcy Code requires the Bankruptcy Court to hold a hearing on confirmation of the Plan and recognizes that any party in interest may object to Confirmation of the Plan.

S. When is the Confirmation Hearing set to occur?

The Bankruptcy Court has scheduled the Confirmation Hearing for **~~[TBD,~~March 14, 2017 at ~~[__:__] [~~9:00 a~~/p]~~.m~~.]~~.** (prevailing Central Time). The Confirmation Hearing may be adjourned from time to time without further notice.

Objections to Confirmation of the Plan must be filed and served on the Debtors, and certain other parties, by no later than **~~[TBD,~~March 6, 2017 at ~~[__:__] [a/~~4:00 p~~]~~.m~~.]~~.** (prevailing Central Time) in accordance with the notice of the Confirmation Hearing that accompanies this Disclosure Statement and the Disclosure Statement Order attached hereto as **Exhibit C** and incorporated herein by reference.

The Debtors will publish the notice of the Confirmation Hearing, which will contain the deadline for objections to the Plan and the date and time of the Confirmation Hearing, in *The Houston Chronicle* and the *USA Today* to provide notification to those persons who may not receive notice by mail. The Debtors may also publish the notice of the Confirmation Hearing in such trade or other publications as the Debtors may choose.

T. What is the purpose of the Confirmation Hearing?

The confirmation of a plan of reorganization by a bankruptcy court binds the debtor, any issuer of securities under a plan of reorganization, any person acquiring property under a plan of reorganization, any creditor or equity interest holder of a debtor, and any other person or entity as may be ordered by the bankruptcy court in accordance with the applicable provisions of the Bankruptcy Code. Subject to certain limited exceptions, the order issued by the bankruptcy court confirming a plan of reorganization discharges a debtor from any debt that arose before the confirmation of such plan of reorganization and provides for the treatment of such debt in accordance with the terms of the confirmed plan of reorganization.

U. What is the effect of the Plan on the Debtors' ongoing business?

The Debtors are reorganizing under chapter 11 of the Bankruptcy Code. As a result, Confirmation means that the Debtors will not be liquidated or forced to go out of business. Following Confirmation, the Plan will be

consummated on the Effective Date, which is a date selected by the Debtors that is the first business day after which all conditions to Consummation have been satisfied or waived. *See* Article IX of the Plan. On or after the Effective Date, and unless otherwise provided in the Plan, the Reorganized Debtors may operate their businesses and, except as otherwise provided by the Plan, may use, acquire, or dispose of property and compromise or settle any Claims, Interests, or Causes of Action without supervision or approval by the Bankruptcy Court and free of any restrictions of the Bankruptcy Code or Bankruptcy Rules. Additionally, upon the Effective Date, all actions contemplated by the Plan will be deemed authorized and approved.

V. Will any party have significant influence over the corporate governance and operations of the Reorganized Debtors?

The Reorganized HoldCo Board shall have seven (7) members. The five (5) members of the Board of HoldCo as of the date prior to the Effective Date shall remain on the Board of HoldCo post-Effective Date and two (2) additional directors reasonably acceptable to the Chairman of the pre-Effective Date Board shall be selected by the pre-Effective Date Board after solicitation from a list of director candidates proposed by individual members of the HoldCo Noteholder Committee and the Equityholder Committee. These two (2) additional directors shall have a two-year term and the votes of such directors shall be required to approve any Material M&A Transaction during such two-year term. Michael D. Watford shall remain Chairman of the Board post-Effective Date.

W. What is the Rights Offering?

The Rights Offering is an opportunity for holders of Allowed HoldCo Note Claims and Existing HoldCo Common Stock to invest up to $580 million to acquire New Common Stock on the Effective Date through Subscription Rights issued under the Rights Offering.

X. What is the Exit Facility?

The Plan provides that prior to the Effective Date, the Reorganized Debtors will enter into the Exit Facility, which consists of a revolving credit facility, a secured term loan and an unsecured bridge facility (to the extent incurred) effective as of the Effective Date and/or unsecured notes (to the extent issued) issued on or prior to the Effective Date. The material terms of the agreements (which may include credit agreements, indentures, security, collateral or pledge agreements or documents and mortgages) or instruments to be executed or delivered in connection with the Exit Facility will be included as an exhibit to the Plan Supplement.

Y. Who do I contact if I have additional questions with respect to this Disclosure Statement or the Plan?

If you have any questions regarding this Disclosure Statement or the Plan, please contact the Notice and Claims Agent, Epiq Bankruptcy Solutions, LLC:

By regular mail at:
Ultra Ballot Processing
c/o Epiq, Bankruptcy Solutions, LLC
777 Third Avenue, 3rd Floor
New York, NY 10017

By hand delivery or overnight mail at:
Ultra Petroleum Ballot Processing
c/o Epiq Bankruptcy Solutions, LLC
777 Third Avenue, 3rd Floor
New York, NY 10017

By electronic mail at:
tabulation@epiqsystems.com (reference “Ultra Petroleum Corp.” in the subject line)

By telephone at:
+1 (646) 282-2500 (ask for the Solicitation Group)

Copies of the Plan, this Disclosure Statement, and any other publicly filed documents in the Chapter 11 Cases are available upon written request to the Debtors' notice, claims, and solicitation agent at the address above or by downloading the exhibits and documents from the website of the Notice and Claims Agent at http://dm.epiq11.com/ultra (free of charge) or the Bankruptcy Court's website at www.txsb.uscourts.gov (for a fee).

Z. Do the Debtors recommend voting in favor of the Plan?

Yes. The Debtors believe the Plan provides for a larger distribution to the Debtors' creditors than would otherwise result from any other available alternative. The Debtors believe the Plan, which contemplates a significant deleveraging, is in the best interest of all holders of Claims and Interests, and that other alternatives fail to realize or recognize the value inherent under the Plan.

AA. Who supports the Plan?

As of the date of this Disclosure Statement, the Plan is supported by the Debtors, the Consenting HoldCo Noteholders, the Consenting HoldCo Equityholders, REX, Corridor, and Big West. The Debtors are engaged in discussions with their other stakeholders (including the Committee, the OpCo Group, an ad hoc group of approximately 28 OpCo Noteholders (the "OpCo Noteholder Group"), and Third Point Loan LLC ("Third Point") in the hopes of obtaining their support for the Plan.

AS OF THE DATE HEREOF, CERTAIN PARTIES—INCLUDING THE COMMITTEE, THE OPCO GROUP, ~~AN AD HOC~~THE OPCO NOTEHOLDER GROUP~~ OF OPCO NOTEHOLDERS~~, AND THIRD POINT—DO NOT SUPPORT THE PLAN. The Debtors, the HoldCo Noteholder Committee, and the Equityholder Committee will address all ~~such~~ arguments and assertions of these parties in connection with Confirmation of the Plan.

BB. What was the process underlying formulation of the Plan and related transactions?

Since the commencement of the Chapter 11 Cases, the Debtors and their advisers have engaged with the Debtors' stakeholders.

To facilitate those discussions, the Debtors entered into nondisclosure agreements with: (a) Milbank, Tweed, Hadley & McCloy LLP, counsel to the OpCo Group (June 8, 2016);[9] (b) Moelis & Company LLC, financial adviser to the OpCo Group (July 5, 2016); (c) Paul, Weiss, Rifkind, Wharton & Garrison LLP, counsel to the HoldCo Noteholder Committee (June 20, 2016); (d) Houlihan Lokey, Inc., financial adviser to the HoldCo Noteholder Committee (June 22, 2016); (e) Brown Rudnick LLP, counsel to the Equityholder Committee (August 8, 2016); and (f) Peter J. Solomon Company, financial adviser to the Equityholder Committee (August 8, 2016). In addition, the Committee adopted confidentiality arrangements with respect to its professionals.

Furthermore, in anticipation of these efforts and discussions, the Debtors established a virtual data room, uploaded diligence materials, and provided access credentials to applicable professionals.

The Debtors and their professionals also participated in in-person meetings with their stakeholders and/or their respective professionals. For example, on July 14, 2016, the Debtors' management team and professionals participated in a meeting with the Committee's professionals in Houston, Texas. On October 27, 2016, the Debtors and their professionals participated in a second in-person meeting with the Committee and its professionals in Houston, Texas to discuss the Debtors' business outlook and other matters.

~~9 As used in the Disclosure Statement, "OpCo Group" means the ad hoc group of holders of OpCo Funded Debt Claims that is represented by Milbank, Tweed, Hadley & McCloy LLP.~~

The Debtors also spent significant time seeking to engage in discussions with their stakeholders regarding the Debtors' long-term business plan, which the Debtors developed in accordance with the Final Order granting the KEIP Motion and the Exclusivity Order. On August 9, 2016, the Debtors invited the Committee, the HoldCo Noteholder Committee, the Equityholder Committee, and the OpCo Group and their respective professionals to participate in an in-person meeting in Houston, Texas to discuss the Debtors' revised business outlook and revenue forecast. On August 11, 2016, the Debtors—which have continued to satisfy their public reporting requirements under the securities laws—filed their updated business outlook presentation with the U.S. Securities and Exchange Commission and posted it to their corporate website. Finally, following that meeting, the Debtors responded to various due diligence requests from their stakeholders regarding the long-term business plan and certain related matters.

Thereafter, the Debtors, with the assistance of their professionals, began to review and assess potential reorganization alternatives predicated on the Debtors' long-term business plan. On September 27, 2016, the Debtors and their advisers met in person to discuss potential alternatives. Following that meeting, the Debtors directed their advisers to prepare a comprehensive restructuring proposal to serve as the basis of restructuring discussions. On October 4, 2016, the Debtors presented the key economic terms of a potential plan of reorganization to the advisers to the HoldCo Noteholder Committee and the Equityholder Committee and requested that the members of the HoldCo Noteholder Committee and the members of the Equityholder Committee become restricted to facilitate negotiations. At the time that the Debtors made this proposal, no party—including any of the Debtors' stakeholders—had submitted a comprehensive restructuring proposal to the Debtors since the Petition Date. Subsequently, after agreeing to certain restriction periods and cleansing materials, certain members of the HoldCo Noteholder Committee and the Equityholder Committee executed NDAs on October 17, 2016. Thereafter, the Debtors and the advisers to the HoldCo Noteholder Committee and the Equityholder Committee continued to engage in discussions regarding the Debtors' restructuring proposal on a regular basis.

These efforts led to a meeting at K&E's offices on October 18, 2016, with certain members of the HoldCo Noteholder Committee and the Equityholder Committee, whose ownership interests in HoldCo's funded indebtedness and HoldCo's equity represented at least 50% of the Debtors' HoldCo debt and 50% of HoldCo's equity. The purpose of the meeting was to present a framework for a consensual restructuring pursuant to a chapter 11 plan of reorganization that would pay all creditors in full.

Thereafter, these parties continued to engage in extensive, arm's-length discussions, at both the principal and adviser level. On November 4, 2016, these negotiations resulted in an agreement in principle among the Debtors, the members of the HoldCo Noteholder Committee, and the members of the Equityholder Committee on the plan term sheet for a consensual plan of reorganization that would provide a 100% recovery to all creditors and a distribution to the Debtors' common stockholders, to be effectuated through a fully committed $580 million rights offering.

Between November 4, 2016, and November 21, 2016, the Debtors and their advisors engaged in drafting negotiations with members of the HoldCo Noteholder Committee and members of the Equityholder Committee regarding the documentation of the Plan Support Agreement and Backstop Commitment Agreement, consistent with the framework agreed to in the November 4, 2016 plan term sheet. The negotiations included the exchange of multiple revised versions of the Plan Support Agreement and the Backstop Commitment Agreement among the parties, as well as meetings and discussions among the advisors and principals. These negotiations culminated in the Debtors' entry into the Plan Support Agreement and the Backstop Commitment Agreement on November 21, 2016. The Debtors entered into the Plan Support Agreement following approval by HoldCo's Board of Directors; the boards of directors of OpCo and UP Energy Corporation did not meet to consider or otherwise approve the Debtors' entry into the Plan Support Agreement. On the morning of November 22, 2016, the Debtors issued a news release describing the transactions and filed a Form 8-K with the U.S. Securities and Exchange Commission including copies of the executed agreements.

During the period between October 17, 2016, and November 22, 2016, the Debtors engaged in discussions regarding the Plan Support Agreement and the Plan exclusively with the members of the HoldCo Noteholder Committee and the Equityholder Committee. The Debtors believe that the structure of the transactions contemplated by the Plan Support Agreement and the Plan are substantially similar in nature to the structure of the

transactions contemplated by the Debtors' original October 4, 2016 proposal.[10] Prior to November 22, 2016, the Debtors did not engage in discussions regarding the Plan Support Agreement and the Plan with any OpCo funded debt creditor other than any Backstop Commitment Parties that also held OpCo Funded Debt Claims during such period.

Thereafter, the Debtors, the Consenting HoldCo Noteholders, and the Consenting HoldCo Equityholders negotiated the proposed forms of the Plan and Disclosure Statement, as contemplated by the Plan Support Agreement, which the Debtors filed with the Bankruptcy Court on December 6, 2016.

Following the consensual adjournment of the January 19, 2017 hearing regarding approval of the adequacy of the Disclosure Statement, the Debtors began to explore potential Plan modifications that would permit the Debtors to satisfy OpCo Funded Debt Claims in full in Cash. On January 21, 2017 the Debtors' advisers solicited indications of interest for a proposed exit facility that would permit the Debtors to satisfy all Allowed Claims against OpCo in full in Cash. In addition, in an effort to forege greater stakeholder consensus, the Debtors held an in-person meeting with the advisors for the OpCo Group, the Committee, the OpCo Noteholder Group, and the Backstop Commitment Parties on January 25, 2017.

On February 8, 2017, the Debtors entered into the Exit Financing Agreements, pursuant to which, among other things, each Exit Commitment Party has committed to fund the Exit Facility, the proceeds of which will permit the Debtors to satisfy the OpCo Funded Debt Claims in full in Cash, in each case, solely as provided pursuant to the Plan. Thereafter, the Debtors modified the Plan to provide for the satisfaction of all Allowed OpCo Funded Debt Claims in full in Cash as provided in the Plan.

IV. THE DEBTORS' PLAN SUPPORT AGREEMENT AND PLAN.

A. The Plan Support Agreement.

On November 21, 2016, the Debtors, the Consenting HoldCo Noteholders, and the Consenting HoldCo Equityholders entered into the Plan Support Agreement. Since executing the Plan Support Agreement, the Debtors have documented the terms of the restructuring contemplated thereby, including the Plan.[11] The restructuring transactions contemplated by the Plan will significantly reduce the Debtors' funded-debt obligations and result in a stronger balance sheet for the Debtors. The Plan represents a significant step in the Debtors' restructuring process.

B. The Plan.

1. New Common Stock.

All existing Interests in HoldCo shall be cancelled as of the Effective Date and Reorganized HoldCo shall issue the New Common Stock to the holders of Claims and Interests entitled to receive New Common Stock pursuant to the Plan, the Rights Offering Procedures, and the Backstop Commitment Agreement. The issuance of New Common Stock shall be authorized without the need for any further corporate action and without any further action by the Debtors or Reorganized Debtors, as applicable. Reorganized HoldCo's New Organizational Documents shall authorize the issuance and distribution on the Effective Date of New Common Stock to the Distribution Agent for the benefit of holders of Allowed Claims in Class 3 and Interests in Class 8. All New Common Stock issued under the Plan shall be duly authorized, validly issued, fully paid, and non-assessable.

2. Exit Facility.

On or prior to the Effective Date, the Reorganized Debtors shall enter into the Exit Facility Documents, including, without limitation, any documents required in connection with the creation or perfection of Liens in

[10] As noted herein, the Plan provides for certain modifications to the treatment of OpCo Funded Debt Claims and OpCo General Unsecured Claims.

[11] The key terms of the Plan are discussed in greater detail in Article IV.B of this Disclosure Statement, entitled "The Plan."

connection therewith, in accordance with the Exit Financing Agreements and Exit Financing Order. The Confirmation Order shall include approval of the Exit Facility and the Exit Facility Documents, all transactions contemplated thereby, and all actions to be taken, undertakings to be made, and obligations to be incurred by the Reorganized Debtors in connection therewith, including the payment of all fees and expenses and provision of all indemnities provided for therein, authorization of the Reorganized Debtors to enter into and execute the Exit Facility Documents, and authorization for the Reorganized OpCo and the other Reorganized Debtors to create or perfect the Liens in connection therewith. The lenders under the Exit Facility shall have valid, binding and enforceable Liens on the collateral specified in the Exit Facility Documents. The guarantees, mortgages, pledges, Liens and other security interests granted pursuant to the Exit Facility Documents are granted in good faith as an inducement to the lenders under the Exit Facility to extend credit thereunder and shall be deemed not to constitute a fraudulent conveyance or fraudulent transfer, shall not otherwise be subject to avoidance, and the priorities of such Liens and security interests shall be as set forth in the Exit Facility Documents. The Exit Revolver and the Exit Term Loan shall be *pari passu* for all purposes; the provisions of the Exit Facility Documents setting forth the payment priority of each of the Exit Facilities shall be fully enforceable in accordance with their terms.

3. The Rights Offering.

The Debtors shall distribute the Subscription Rights and Rights Offering Shares to the Rights Offering Participants as set forth in the Plan and the Rights Offering Procedures. Pursuant to the Backstop Commitment Agreement and the Rights Offering Procedures, the Rights Offering shall be open to all Rights Offering Participants, and (a) Rights Offering Participants that are holders of Allowed HoldCo Note Claims shall be entitled to participate in the Rights Offering to receive up to a maximum amount of each holder's Pro Rata share of the HoldCo Noteholders Rights Offering Shares, and (b) Rights Offering Participants that are holders of Existing HoldCo Common Stock shall be entitled to participate in the Rights Offering to receive up to a maximum amount of each holder's Pro Rata share of the HoldCo Equityholders Rights Offering Shares.

Upon exercise of the Subscription Rights by the Rights Offering Participants pursuant to the terms of the Backstop Commitment Agreement and the Rights Offering Procedures, the Reorganized Debtors shall be authorized to issue the New Common Stock in accordance with the Plan, the Backstop Commitment Agreement, and the Rights Offering Procedures.

In addition, on the Effective Date, New Common Stock in an amount equal to the Commitment Premium shall be distributed to the Backstop Parties under and as set forth in the Backstop Commitment Agreement, the Backstop Approval Order, and the Plan Term Sheet.

CERTAIN PARTIES ASSERT THAT THE DISCLOSURE STATEMENT LACKS ADEQUATE INFORMATION REGARDING THE RIGHTS OFFERING, INCLUDING PRICING OF THE RIGHTS OFFERING SHARES AND ESTIMATES FOR THE EXPENSE REIMBURSEMENT.

The Debtors disagree. The Debtors have filed financial projections for the Reorganized Debtors as Exhibit D to the Disclosure Statement, including estimated sources and uses of cash on the Effective Date and the estimated pro forma capitalization for the Reorganized Debtors. The Rights Offering Procedures are also annexed to the Disclosure Statement as Exhibit G.

The Debtors believe that the pricing of the Rights Offering Shares and other consideration contemplated by the Backstop Commitment Agreement is appropriate because: (a) the Backstop Commitment Parties have committed the capital required to backstop the Rights Offering, which has necessarily precluded them from committing to or funding other investment opportunities to that extent; (b) approval of commitment fees of the sort contemplated in the Backstop Commitment Agreement is a common practice in complex chapter 11 cases; (c) the form and amount of such consideration was negotiated on an arm's-length basis in connection with the negotiation of the Plan Support Agreement; (d) the cost of such consideration is not borne by OpCo's creditors, as their Claims are being satisfied in full pursuant to the Plan; (e) the form and amount of such consideration is comparable to what courts have approved in other complex chapter 11 cases; and (f) in the Debtors' business judgment, the Rights Offering and the Debtors' entry into the Backstop Commitment Agreement are in the best interests of the Estates.

Finally, prior to the Voting Deadline, the Debtors will include an estimate of the Expense Reimbursement in the Plan Supplement. Accordingly, the Debtors submit that the Disclosure Statement contains adequate information regarding the Rights Offering.

4. Use of Proceeds.

The Debtors' Cash on hand, the Rights Offering proceeds, and the Exit Facility proceeds will be used to fund certain distributions under the Plan, the Debtors' operations, and for general corporate purposes.

5. Governance; Directors and Officers.

The Reorganized Debtors intend to adopt corporate governance practices that are consistent with the Debtors' prepetition practices and personnel; *provided* that the New Board shall have seven (7) members. The five (5) members of the HoldCo Board as of the date prior to the Effective Date shall remain on the New Board post-Effective Date and two (2) additional directors reasonably acceptable to the Chairman of the pre-Effective Date HoldCo Board shall be selected prior to the Effective Date by the existing board of directors after solicitation from a list of director candidates proposed by individual members of the HoldCo Noteholder Committee and the Equityholder Committee. These two (2) additional directors shall have a two-year term and the votes of such directors shall be required to approve any Material M&A Transaction during such two-year term. Michael D. Watford shall remain Chairman of the New Board post-Effective Date.

6. General Settlement of Claims and Interests.

Unless otherwise set forth in the Plan, pursuant to section 1123 of the Bankruptcy Code and Bankruptcy Rule 9019, and in consideration for the classification, distributions, releases, and other benefits provided under the Plan, on the Effective Date, the provisions of the Plan shall constitute a good-faith compromise and settlement of all Claims and Interests.

~~The~~Unless otherwise set forth in the Plan, the Plan will be deemed a motion to approve the good-faith compromise and settlement of all such Claims, Interests, and controversies pursuant to Bankruptcy Rule 9019, and the entry of the Confirmation Order will constitute the Bankruptcy Court's approval of the compromise or settlement of all such Claims, Interests, and controversies, as well as a finding by the Bankruptcy Court that such compromise or settlement is in the best interests of the Debtors, their Estates, and holders of Claims and Interests and is fair, equitable, and reasonable. In accordance with the provisions of the Plan, and unless otherwise set forth therein, pursuant to Bankruptcy Rule 9019, without any further notice to or action, order, or approval of the Bankruptcy Court, after the Effective Date, the Reorganized Debtors may compromise and settle Claims against, and Interests in, the Debtors and their Estates and Causes of Action against other Entities.

CERTAIN PARTIES OBJECTED TO THE DISCLOSURE STATEMENT BASED ON THE EXTENT OF ITS DISCLOSURE REGARDING ESTATE CLAIMS AND CAUSES OF ACTION AGAINST THE RELEASED PARTIES. No person or entity has advised the Debtors of any material Claims that the Debtors may hold against the Released Parties. Finally, given the significant consideration being provided by the Released Parties, the Debtors believe that the Debtors' releases in favor of the Released Parties are appropriate and within their reasonable business judgment, particularly, as is the case here, where the Debtors are solvent and all claims against the Debtors are being satisfied in full (and the Debtors will satisfy all Allowed Claims against OpCo in full in Cash).

CERTAIN PARTIES ASSERT THAT THE PLAN DOES NOT ADEQUATELY RESERVE, AND/OR PROVIDE NOTICE TO AFFECTED PARTIES OF, ESTATE CAUSES OF ACTION. The Debtors intend to file a list of retained Causes of Action, as an exhibit to the Plan Supplement, prior to the Voting Deadline. Disclosing the retained causes of action will give creditors sufficient detail regarding the the Debtors' retention of rights to pursue causes of action and will enable creditors to make an informed decision about the Plan. The rights of all parties are fully preserved with respect to such matters.

Pursuant to Rule 408 of the Federal Rules of Evidence, the Plan, this Disclosure Statement, the Plan Support Agreement (and any exhibits or supplements relating to the foregoing) and all negotiations relating thereto will not be admissible into evidence in any proceeding unless and until the Plan is consummated, and then only in accordance with the Plan. In the event the Plan is not consummated, provisions of the Plan, this Disclosure Statement, the Plan Support Agreement (and any exhibits or supplements relating to the foregoing), and all negotiations relating thereto will not be binding or probative.

No person or entity has advised the Debtors of any material Claims that the Debtors may hold against the Released Parties. Finally, given the significant consideration being provided by the Released Parties, the Debtors believe that the Debtors' releases in favor of the Released Parties are appropriate and within their reasonable business judgment, particularly, as is the case here, where the Debtors are solvent, all claims against the Debtors are being satisfied in full, and the Debtors will satisfy all Claims against OpCo in full in Cash as provided in the Plan.

7. Debtor Release.

Notwithstanding anything contained in the Plan to the contrary, pursuant to section 1123(b) of the Bankruptcy Code, for good and valuable consideration, on and after the Effective Date, each Released Party is deemed released and discharged by the Debtors, the Reorganized Debtors, and their Estates from any and all Claims and Causes of Action, whether known or unknown, including any derivative claims, asserted on behalf of the Debtors, that the Debtors, the Reorganized Debtors, or their Estates 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, based on or relating to, or in any manner arising from, in whole or in part, the Debtors (including the management, ownership or operation thereof), the Debtors' in- or out-of-court restructuring efforts, any Avoidance Actions (but excluding Avoidance Action brought as counterclaims or defenses to Claims asserted against the Debtors), the formulation, preparation, dissemination, negotiation, or Filing of the Plan Support Agreement, the Backstop Commitment Agreement, or any Restructuring Transaction, contract, instrument, release, or other agreement or document (including providing any legal opinion requested by any Entity regarding any transaction, contract, instrument, document, or other agreement contemplated by the Plan or the reliance by any Released Party on the Plan or the Confirmation Order in lieu of such legal opinion) created or entered into in connection with the Plan Support Agreement, the Disclosure Statement, the Plan, the Plan Supplement, the Rights Offering, the Backstop Commitment Agreement, the Exit Facility, the Chapter 11 Cases, the filing of the Chapter 11 Cases, the pursuit of Confirmation, the pursuit of Consummation, the administration and implementation of the Plan, including the issuance or distribution of Securities pursuant to the Plan, or the distribution of property under the Plan, or upon any other act or omission, transaction, agreement, event, or other occurrence taking place on or before the Effective Date related or relating to the foregoing. Notwithstanding anything to the contrary in the foregoing, the releases set forth above do not release (a) any post-Effective Date obligations of any party or Entity under the Plan, any Restructuring Transaction, or any document, instrument, or agreement (including those set forth in the Plan Supplement) executed to implement the Plan or (b) any individual from any claim related to an act or omission that is determined in a Final Order by a court competent jurisdiction to have constituted actual fraud or willful misconduct.

Entry of the Confirmation Order shall constitute the Bankruptcy Court's approval, pursuant to Bankruptcy Rule 9019, of the Debtor Release, which includes by reference each of the related provisions and definitions contained in the Plan, and further, shall constitute the Bankruptcy Court's finding that the Debtor Release is: (1) in exchange for the good and valuable consideration provided by the Released Parties; (2) a good faith settlement and compromise of the Claims released by the Debtor Release; (3) in the best interests of the Debtors and all holders of Claims and Interests; (4) fair, equitable, and reasonable; (5) given and made after due notice and opportunity for hearing; and (6) a bar to any of the Debtors, the Reorganized Debtors, or the Debtors' Estates asserting any Claim or Cause of Action released pursuant to the Debtor Release.

8. Release by Holders of Claims or Interests.

Notwithstanding anything contained in the Plan to the contrary, as of the Effective Date, each Releasing Party is deemed to have released and discharged each Debtor, Reorganized Debtor, and Released Party from any and all Claims and Causes of Action, whether known or unknown, including any derivative

claims, asserted on behalf of the Debtors, 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 (including the management, ownership or operation thereof), the Debtors' in- or out-of-court restructuring efforts, any Avoidance Actions, the formulation, preparation, dissemination, negotiation, or Filing of the Plan Support Agreement, the Backstop Commitment Agreement, or any Restructuring Transaction, contract, instrument, release, or other agreement or document (including providing any legal opinion requested by any Entity regarding any transaction, contract, instrument, document, or other agreement contemplated by the Plan or the reliance by any Released Party on the Plan or the Confirmation Order in lieu of such legal opinion) created or entered into in connection with the Plan Support Agreement, the Disclosure Statement, the Plan, the Plan Supplement, the Rights Offering, the Backstop Commitment Agreement, the Exit Facility, the Chapter 11 Cases, the filing of the Chapter 11 Cases, the pursuit of Confirmation, the pursuit of Consummation, the administration and implementation of the Plan, including the issuance or distribution of Securities pursuant to the Plan, or the distribution of property under the Plan, or upon any other act or omission, transaction, agreement, event, or other occurrence taking place on or before the Effective Date related or relating to the foregoing. Notwithstanding anything to the contrary in the foregoing, the releases set forth above do not release: (a) any post-Effective Date obligations of any party or Entity under the Plan, any Restructuring Transaction; (b) any post-Effective Date obligations of any party or Entity under the Plan Support Agreement, the Backstop Commitment, or any document, instrument, or agreement (including those set forth in the Plan Supplement) executed to implement the Plan or Plan Supplement; or (c) any individual from any claim related to an act or omission that is determined in a Final Order by a court competent jurisdiction to have constituted actual fraud or willful misconduct.

Entry of the Confirmation Order shall constitute the Bankruptcy Court's approval, pursuant to Bankruptcy Rule 9019, of the releases described in Section 8.3 of the Plan, which includes by reference each of the related provisions and definitions contained herein, and, further, shall constitute the Bankruptcy Court's finding that each release described in Section 8.3 of the Plan is: (1) consensual; (2) essential to the confirmation of the Plan; (3) given in exchange for the good and valuable consideration provided by the Released Parties; (4) a good faith settlement and compromise of such Claims; (5) in the best interests of the Debtors and their Estates; (6) fair, equitable, and reasonable; (7) given and made after due notice and opportunity for hearing; and (8) a bar to any of the Releasing Parties asserting any claim or Cause of Action released pursuant to Section 8.3 of the Plan.

9. Exculpation.

Notwithstanding anything contained in the Plan to the contrary, no Exculpated Party shall have or incur liability for, and each Exculpated Party is hereby released and exculpated from, any Cause of Action for any claim related to any act or omission in connection with, relating to, or arising out of, the Chapter 11 Cases, the formulation, preparation, dissemination, negotiation, or Filing of the Plan Support Agreement, the Backstop Commitment Agreement and related prepetition transactions, the Disclosure Statement, the Plan, the Plan Supplement, or any Restructuring Transaction, contract, instrument, release or other agreement or document (including providing any legal opinion requested by any Entity regarding any transaction, contract, instrument, document, or other agreement contemplated by the Plan or the reliance by any Exculpated Party on the Plan or the Confirmation Order in lieu of such legal opinion) created or entered into in connection with the Disclosure Statement, the Plan, the Plan Supplement, the Plan Support Agreement, the Rights Offering, the Backstop Commitment Agreement, the Exit Facility, the Filing of the Chapter 11 Cases, the pursuit of Confirmation, the pursuit of Consummation, the administration and implementation of the Plan, including the issuance of Securities pursuant to the Plan, or the distribution of property under the Plan, except for claims related to any act or omission that is determined in a Final Order by a court of competent jurisdiction to have constituted actual fraud or willful misconduct, but in all respects such Entities shall be entitled to reasonably rely upon the advice of counsel with respect to their duties and responsibilities pursuant to the Plan. The Exculpated Parties have, and upon Consummation of the Plan shall be deemed to have, participated in good faith and in compliance with the applicable laws with regard to the solicitation of, and distribution of, consideration pursuant to the Plan and, therefore, are not, and on account of such distributions shall not be, liable at any time for the violation of any applicable law, rule, or regulation governing the solicitation of acceptances or rejections of the Plan or such distributions made pursuant to the Plan.

10. Injunction.

Except as otherwise provided herein or for obligations issued pursuant hereto, all Entities that have held, hold, or may hold Claims or Interests that have been released pursuant to Section 8.3 of the Plan, discharged pursuant to Section 8.1 of the Plan, or are subject to exculpation pursuant to Section 8.4 of the Plan shall be permanently enjoined, from and after the Effective Date, from taking any of the following actions against, as applicable, the Debtors, the Reorganized Debtors, the Released Parties, or the Exculpated Parties: (a) commencing or continuing in any manner any action or other proceeding of any kind on account of or in connection with or with respect to any such Claims or Interests; (b) enforcing, attaching, collecting, or recovering by any manner or means any judgment, award, decree, or order against such Entities on account of or in connection with or with respect to any such Claims or Interests; (c) creating, perfecting, or enforcing any encumbrance of any kind against such Entities or the property or Estates of such Entities on account of or in connection with or with respect to any such Claims or Interests; (d) asserting any right of setoff, subrogation, or recoupment of any kind against any obligation due from such Entities or against the property of such Entities on account of or in connection with or with respect to any such Claims or Interests unless such Entity has timely asserted such setoff right in a document Filed with the Bankruptcy Court explicitly preserving such setoff, and notwithstanding an indication of a Claim or Interest or otherwise that such Entity asserts, has, or intends to preserve any right of setoff pursuant to applicable law or otherwise; and (e) commencing or continuing in any manner any action or other proceeding of any kind on account of or in connection with or with respect to any such Claims or Interests discharged, released, exculpated, or settled pursuant to the Plan.

11. Royalty Interests, Overriding Royalty Interests, Net Profits Interests and Working Interests.

For purposes of the Plan, any royalty interest, overriding royalty interest, net profit interest, working interest, or similar interest or property right in or related to the Debtors' oil and gas properties that is held by a non-Debtor and that is valid and enforceable under applicable nonbankruptcy law (collectively, the "Oil and Gas Property Rights"): (a) shall not constitute property of any Debtor's Estate for purposes of section 541 of the Bankruptcy Code; (b) shall not constitute a Claim for purposes of the Plan; and (c) shall not be classified as a Claim for purposes of Article II or Article III of the Plan.

The Plan shall not: (x) discharge, release, enjoin, or otherwise impair any Oil and Gas Property Rights; and/or (y) discharge, release, enjoin, or otherwise impair (including with respect to priority) any Liens, whether contractual or statutory, securing any Oil and Gas Property Rights.

Holders of any Oil and Gas Property Rights will receive, in the ordinary course of business according to ordinary payment terms and practices, any payments owed to such holders and attributable to revenue held for distribution to them by the Debtors or the Reorganized Debtors, as applicable, under applicable nonbankruptcy law. All Proofs of Claim Filed on account of any such ordinary course revenue payments on account of any Oil and Gas Property Rights held for distribution by the Debtors shall be deemed satisfied and expunged from the Claims Register to the extent such payments have been distributed to the Entity that filed such Proof of Claim, without any further notice to or action, order, or approval of the Bankruptcy Court, as of entry of the Confirmation Order or the date of distribution of the applicable revenue payment, whichever is later.

The rights, claims, and defenses of the Debtors and any holder of any Oil and Gas Property Right with respect to such matters shall be deemed fully reserved and preserved in all respects.

12. Surety Bond Program

Notwithstanding anything in the Plan to the contrary, the Surety Bond Program shall continue uninterrupted and in accordance with the ordinary course of business of the Debtors and/or Reorganized Debtors, including payment by the Debtors and/or Reorganized Debtors for any premiums associated with the renewal of existing surety bonds or the issuance of new surety bonds, as well as execution of any agreements required by The Surety in connection with the Surety Bond Program. To the extent necessary, any current bond issued on behalf of the

Debtors will be deemed and treated as an Executory Contract that has been assumed by the Reorganized Debtors under the Plan and shall survive the Effective Date.

Nothing contained in the Plan and/or the Confirmation Order shall in any way discharge, impair, or otherwise modify any indemnity obligations of the Debtors and/or Reorganized Debtors, whether existing now or in the future, related to issuance of bonds by The Surety pursuant to the Surety Bond Program. To the extent necessary, any current indemnity obligation of the Debtors will be deemed and treated as an Executory Contract that has been assumed by the Reorganized Debtors under the Plan and shall survive the Effective Date. Nothing in the Plan prevents The Surety from requiring the Reorganized Debtors to execute new indemnity agreements in connection with the issuance of bonds pursuant to the Surety Bond Program. Nothing contained in the Plan and/or the Confirmation Order shall constitute a release by The Surety for any future claims it might have against the Debtors, the Reorganized Debtors and/or any other indemnitor for indemnity tied to any loss, cost, fee, or expense incurred in connection with any bond issued by The Surety pursuant to the Surety Bond Program.

Nothing contained in the Plan and/or the Confirmation Order shall discharge, impair, or otherwise modify the collateral provided by the Debtors to The Surety in connection with the Surety Bond Program, and The Surety is not waiving or releasing any rights it has with respect to the collateral pledged by the Debtors. Nothing in the Plan shall impact the ability of The Surety to request additional collateral from the Reorganize Debtors in connection with continuation of the Surety Bond Program, including collateral required for the issuance of new bonds after the Effective Date.

Finally, as part of the ordinary course of business of the Surety Bond Program, the Debtors will pay any unpaid premiums and loss adjustment expenses that are due to The Surety on or before the Effective Date. If all unpaid premiums and loss adjustment expenses that are due to the Surety as of the Effective Date are paid to The Surety, all Proofs of Claim Filed by The Surety shall be deemed withdrawn automatically by The Surety without further notice to or action by the Bankruptcy Court.

V. IMPORTANT INFORMATION ABOUT THIS DISCLOSURE STATEMENT.

A. Certain Key Terms Used in This Disclosure Statement.

The following are some of the defined terms used in this Disclosure Statement. This is not an exhaustive list of defined terms in the Plan or this Disclosure Statement, but is provided for ease of reference only. Please refer to the Plan for additional defined terms.

"Bankruptcy Court" means the United States Bankruptcy Court for the Southern District of Texas, Houston Division, or any other court having jurisdiction over the Chapter 11 Cases, including, to the extent of the withdrawal of any reference under 28 U.S.C. § 157, the United States District Court for the Southern District of Texas.

"Bankruptcy Rules" means the Federal Rules of Bankruptcy Procedure as promulgated by the United States Supreme Court under section 2075 of title 28 of the United States Code, 28 U.S.C. § 2075, as applicable to the Chapter 11 Cases and the general, local, and chambers rules of the Bankruptcy Court.

"Chapter 11 Cases" means the procedurally consolidated chapter 11 cases pending for the Debtors in the Bankruptcy Court.

"Claim" has the meaning set forth in section 101(5) of the Bankruptcy Code.

"Confirmation Date" means the date upon which the Bankruptcy Court enters the Confirmation Order on the docket of the Chapter 11 Cases, within the meaning of Bankruptcy Rules 5003 and 9021.

"Confirmation Hearing" means the hearing(s) before the Bankruptcy Court under section 1128 of the Bankruptcy Code at which the Debtors seek entry of the Confirmation Order.

"Interest" means the common stock, preferred stock, limited liability company interests, and any other equity, ownership, or profits interests of any Debtor, including, without limitation, the Existing HoldCo Equity Interests, and options, warrants, rights, or other securities or agreements to acquire the common stock, preferred stock, limited liability company interests, or other equity, ownership, or profits interests of any Debtor (whether or not arising under or in connection with any employment agreement), including any Claim against the Debtors that is subject to subordination pursuant to section 510(b) of the Bankruptcy Code arising from or related to any of the foregoing; *provided* that the term "Interests" shall not include the Intercompany Interests.

"Person" shall have the meaning set forth in section 101(41) of the Bankruptcy Code.

"Plan Supplement" means the compilation of documents and forms of documents, schedules, and exhibits to the Plan (as amended, supplemented, or modified from time to time in accordance with the terms thereof, the Plan, the Bankruptcy Code, the Bankruptcy Rules, the Backstop Commitment Agreement, and the Plan Support Agreement), to be initially Filed by the Debtors no later than 20 days before the Confirmation Hearing, and additional documents or amendments to previously Filed documents, Filed before the Effective Date as additions or amendments to the Plan Supplement, including the following, as applicable: (a) the New Organizational Documents; (b) a list of retained Causes of Action; (c) the Registration Rights Agreement; (d) the Schedule of Assumed Executory Contracts and Unexpired Leases; (e) the Schedule of Rejected Executory Contracts and Unexpired Leases; (f) the form of the Management Incentive Plan; (g) the Exit Facility Debt Documents, when such documents are available; (h) the REX Settlement Letter Agreement; ~~and (i)~~ (i) an estimate of the Expense Reimbursement incurred under the Backstop Commitment Agreement (to be provided in advance of the Voting Deadline); and (j) any and all other documentation necessary to effectuate the Restructuring Transactions or that is contemplated by the Plan subject to the process and approval rights of the Required Consenting Parties set forth in the Backstop Commitment Agreement and the Plan Support Agreement~~; *provided* that the Schedule of Assumed Executory Contracts and Unexpired Leases and Schedule of Rejected Executory Contracts and Unexpired Leases shall be Filed no later than 20 days before the Confirmation Hearing.~~. The Debtors shall have the right to amend the documents contained in, and exhibits to, the Plan Supplement through the Effective Date in accordance with the processes and approval rights of the Required Consenting Parties set forth in the Plan Support Agreement and the Backstop Commitment Agreement.

B. Additional Important Information.

The confirmation and effectiveness of the Plan are subject to certain material conditions precedent described herein and set forth in Article IX of the Plan. There is no assurance that the Plan will be confirmed, or if confirmed, that the conditions required to be satisfied for the Plan to go effective will be satisfied (or waived).

You are encouraged to read this Disclosure Statement in its entirety, including the section entitled "*Risk Factors*," and the Plan before submitting your ballot to vote on the Plan.

The Bankruptcy Court's approval of this Disclosure Statement does not constitute a guarantee by the Bankruptcy Court of the accuracy or completeness of the information contained herein or an endorsement by the Bankruptcy Court of the merits of the Plan.

Summaries of the Plan and statements made in this Disclosure Statement are qualified in their entirety by reference to the Plan. The summaries of the financial information and the documents annexed to this Disclosure Statement or otherwise incorporated herein by reference are qualified in their entirety by reference to those documents. The statements contained in this Disclosure Statement are made only as of the date of this Disclosure Statement, and there is no assurance that the statements contained herein will be correct at any time after such date. Except as otherwise provided in the Plan or in accordance with applicable law, the Debtors are under no duty to update or supplement this Disclosure Statement.

The information contained in this Disclosure Statement is included for purposes of soliciting acceptances to, and Confirmation of, the Plan and may not be relied on for any other purpose. In the event of any inconsistency between the Disclosure Statement and the Plan, the relevant provisions of the Plan will govern.

This Disclosure Statement has not been approved or disapproved by the United States Securities and Exchange Commission (the "SEC") or any similar federal, state, local or foreign regulatory agency, nor has the SEC or any other agency passed upon the accuracy or adequacy of the statements contained in this Disclosure Statement.

The Debtors have sought to ensure the accuracy of the financial information provided in this Disclosure Statement; however, the financial information contained in this Disclosure Statement or incorporated herein by reference has not been, and will not be, audited or reviewed by the Debtors' independent auditors unless explicitly provided otherwise.

Upon Confirmation ~~of the Plan~~, certain of the securities described in this Disclosure Statement will be issued pursuant to an effective registration statement under the Securities Act of 1933, 15 U.S.C. §§ 77a–77aa, together with the rules and regulations promulgated thereunder (the "Securities Act"), or (ii) in reliance on the exemption from registration under the Securities Act set forth in (a) section 1145 of the Bankruptcy Code or (b) Section 4(a)(2) of the Securities Act or Regulation D promulgated thereunder. Other securities may be issued pursuant to other applicable exemptions under the federal securities laws. All securities issued pursuant to the exemption from registration set forth in section 4(a)(2) of the Securities Act or Regulation D promulgated thereunder will be considered "restricted securities" and may not be transferred except pursuant to an effective registration statement under the Securities Act or an available exemption therefrom.

The Debtors make statements in this Disclosure Statement that are considered forward-looking statements under federal securities laws. The Debtors consider all statements regarding anticipated or future matters, to be forward-looking statements. Forward-looking statements may include statements about:

- risks associated with drilling oil and natural gas wells;
- the volatility of oil, natural gas and natural gas liquids ("NGL") prices;
- uncertainties in estimating oil, natural gas and NGL reserves;
- the need to replace the oil, natural gas and NGLs the Debtors produce;
- the Debtors' ability to execute their growth strategy by drilling wells as planned;
- the amount, nature and timing of capital expenditures, including future development costs, required to develop the Debtors' undeveloped areas;
- concentration of operations in the Pinedale Field in Wyoming;
- limitations of seismic data;
- the potential adverse effect of commodity price declines on the carrying value of the Debtors' oil and natural properties;
- severe or unseasonable weather that may adversely affect production;
- availability of satisfactory oil, natural gas and NGL marketing and transportation;
- availability and terms of capital to fund capital expenditures;
- amount and timing of proceeds of asset monetizations;
- substantial existing indebtedness and limitations on operations resulting from debt restrictions and financial covenants;
- potential financial losses or earnings reductions from commodity derivatives;
- potential elimination or limitation of tax incentives;

- competition in the oil and natural gas industry;
- general economic conditions, either in the areas where the Debtors operate or otherwise;
- costs to comply with current and future governmental regulation of the oil and natural gas industry, including environmental, health and safety laws and regulations, and regulations with respect to hydraulic fracturing and the disposal of produced water; and
- the need to maintain adequate internal control over financial reporting.

Statements concerning these and other matters are not guarantees of the Reorganized Debtors' future performance. There are risks, uncertainties, and other important factors that could cause the Debtors' actual performance or achievements to be different from those they may project, and the Debtors undertake no obligation to update the projections made herein. These risks, uncertainties, and factors may include: the Debtors' ability to confirm and consummate the Plan; the potential that the Debtors may need to pursue an alternative transaction if the Plan is not Confirmed; the Debtors' ability to reduce their overall financial leverage; the potential adverse impact of the Chapter 11 Cases on the Debtors' operations, management, and employees, and the risks associated with operating the Debtors' businesses during the Chapter 11 Cases; customer responses to the Chapter 11 Cases; the Debtors' inability to discharge or settle Claims during the Chapter 11 Cases; general economic, business and market conditions; currency fluctuations; interest rate fluctuations; price increases; exposure to litigation; a decline in the Debtors' market share due to competition or price pressure by customers; the Debtors' ability to implement cost reduction initiatives in a timely manner; the Debtors' ability to divest existing businesses; financial conditions of the Debtors' customers; adverse tax changes; limited access to capital resources; changes in domestic and foreign laws and regulations; trade balance; natural disasters; geopolitical instability; and the effects of governmental regulation on the Debtors' businesses.

VI. THE DEBTORS' CORPORATE HISTORY, STRUCTURE, AND BUSINESS OVERVIEW.

A. The Debtors and Their Corporate History.

HoldCo, along with its affiliated Debtors, is an oil and natural gas company headquartered in Houston, Texas. In the third quarter of 2016, the Debtors produced an average of 754 million cubic feet equivalent per day from approximately 2,000 net wells located on over 150,000 net acres of leasehold. The Debtors' E&P activities are principally focused in the Pinedale Field in Wyoming where the Debtors produce mainly natural gas. The Debtors also own oil producing assets in Utah and natural gas assets in Pennsylvania.

HoldCo was originally incorporated in 1979 as Starmark Resources Ltd. under the laws of British Columbia, Canada. Until 1990, the Debtors engaged in the acquisition and development of real estate ventures unrelated to the oil and gas industry. In 1990, the Debtors began to acquire oil and gas properties, initially in Texas, New Mexico, and Louisiana, and, in 1996, in Wyoming. Starmark Resources Ltd. later changed its name to Ultra Petroleum Corp. in 1993, and it became a Yukon corporation, by continuance from British Columbia, in 2000.

Between 2007 and 2016, HoldCo's common stock traded on the NYSE under the ticker "UPL." The stock previously traded on the Vancouver Stock Exchange, the Toronto Stock Exchange, and the American Stock Exchange. On May 3, 2016, HoldCo's stock was delisted from the NYSE, but it has continued to trade on the over-the-counter market.

B. The Debtors' Assets.

All of the Debtors' properties and operations are in the continental United States, where they own oil and natural gas properties located in Wyoming, Utah, and Pennsylvania. The Debtors are mainly focused on natural gas in the western states of the U.S. In the third quarter of 2016, over 94 percent of production was natural gas and 95 percent of total production came from Wyoming and Utah.

The table below summarizes, by asset, the Debtors' oil and gas acreage, well count, annual production, and proved oil and gas reserves, as of December 31, 2015.

Asset	Location	Net Acres	12/31/15 Net Producing Wells		2015 Production		12/31/2015 Proved Reserves	
			Count	% of total	Bcfe	% of total	Bcfe	% of total
Pinedale/Jonah	Sublette Co., WY	68,000	1,803	91%	265	91%	2,390	95%
Three Rivers	Uintah Co., UT	9,000	124	6%	11	4%	34	1%
Marcellus	Pennsylvania	74,000	52	3%	14	5%	104	4%
	Totals	**151,000**	**1,979**	**100%**	**290**	**100%**	**2,528**	**100%**

The Debtors' Wyoming properties are located in the Green River Basin and include acreage in the Pinedale Field and, to a much lesser extent, in the adjacent Jonah Field, both of which are located in Sublette County. The Debtors are the largest leaseholders in Pinedale Field, which was mostly acquired during the 1990s. The remainder of their Wyoming holdings were acquired in September 2014 from SWEPI LP, a wholly-owned subsidiary of Royal Dutch Shell, plc. The Debtors operate approximately 85 percent of their net Wyoming production, with QEP Resources, Inc. operating nearly all of the remainder. The Debtors have continued an active development program in the Pinedale Field throughout the pendency of the Chapter 11 Cases and are currently operating four rigs there, while QEP Resources, Inc. is operating one rig on acreage in which a Debtor is a participant.

The Pinedale Field is one of the top ten natural gas fields in the United States. The Pinedale Field is named after the Pinedale anticline, a subsurface feature about five miles wide and thirty-five miles long. It covers nearly 84 square miles of land and is estimated to contain approximately 39 trillion cubic feet of recoverable natural gas. The Pinedale Field has long been a target of oil and gas exploration with the first well drilled in 1939. However, the field was not commercial until the 1990s when modern completion technology, along with improved natural gas prices, made it economic to drill and complete wells. Beginning in the mid-1990s, the Debtors' exploration and development efforts in the Pinedale Field have targeted a stacked sequence of over-pressured sandstones in the Cretaceous-aged Lance and Mesaverde formations having a gross reservoir thickness of up to 5,700 feet and located at subsurface depths of up to 14,000 feet. Wells are not horizontal, but are directionally drilled from pads containing up to thirty wells and then completed utilizing multi-stage fracture stimulation. Although the Debtors' production from the Pinedale Field is primarily natural gas, their wells in the field also produce condensate (a light, sweet grade of crude oil).

The Jonah Field, in which the Debtors own a much smaller acreage position, is also a substantial natural gas field, estimated to contain over 10.5 trillion cubic feet of natural gas. It is located to the south and west of the southeastern end of the Pinedale Field. Similar to their Pinedale production, the Debtors' production from the Jonah Field consists primarily of natural gas and, to a lesser extent, condensate.

The Debtors' Utah acreage is in the Three Rivers Field, which is located within the Uinta Basin region and produces primarily black wax crude oil. The Debtors acquired their Utah properties in December 2013. The Debtors' exploration and development efforts in the Three Rivers Field target primarily the Eocene-aged Lower Green River Formation. Due to their capital constraints and low oil prices, the Debtors suspended their drilling operations in May 2015 and elected to defer completion of twenty two wells drilled during the first few months of 2015, thirteen of which were completed in the second and third quarters of 2016.

The Debtors' Pennsylvania properties produce natural gas and are located in the Appalachian Basin in several counties in the north-central part of the state. The Debtors acquired their current Pennsylvania properties in February 2010. The Debtors previously owned, until September 2014, certain other operated and non-operated properties in Pennsylvania, which they sold to SWEPI LP in connection with the September 2014 transaction referenced above. The Debtors' exploration and development efforts in Pennsylvania have targeted primarily the Devonian-aged Marcellus Shale and, to a lesser extent, the Geneseo Shale. Due to their capital constraints and low natural gas prices, the Debtors have not drilled or completed any wells in Pennsylvania since 2012.

C. The Debtors' Operations.

The Debtors operate the vast majority of their properties, including over 90 percent of their productive acreage in the Pinedale and Jonah fields in Wyoming and 100 percent of their productive acreage in Utah. All of the Debtors' acreage in Pennsylvania is non-operated. Because the Debtors operate the vast majority of their properties, they are able to realize the significant benefits of being operators, including the ability to control the timing and

amount of their capital expenditures, the nature and scope of development activities, and lower costs of drilling, completion, and production operations.

The Debtors have historically been one of the lowest-cost operators in the domestic U.S. oil and gas industry, particularly with regard to the cash costs components of their drilling, completion, and production operations. The Debtors have demonstrated their ability to consistently improve their operating efficiencies, particularly in Pinedale field, over many years. Specifically, since 2006, the Debtors have reduced their average total Pinedale well cost by approximately 63 percent (from approximately $7.0 million in 2006 to approximately $2.6 million in 2016) and their average spud to total depth drill time by 87 percent (from approximately 67 days in 2006 to just under approximately 8.9 days in the third quarter of 2016).

As of the Petition Date, the Debtors had approximately 159 full-time employees. None of their employees are represented by a collective bargaining unit.

D. Prepetition Capital Structure.

As illustrated in the capitalization table below, and as discussed in detail herein, the Debtors' funded indebtedness—as of the Petition Date—consisted of: (a) approximately $1.3 billion in principal amount of unsecured senior notes issued by HoldCo which are structurally subordinated to OpCo's funded indebtedness; (b) approximately $999.0 million in unsecured bank debt borrowed by OpCo (and guaranteed by UP Energy and HoldCo); and (c) approximately $1.46 billion in principal amount of unsecured senior notes issued by OpCo (and guaranteed by UP Energy and HoldCo).

($ in millions)	Issuance Year	Maturity Date	Interest Rate	Principal Amount
Ultra Resources, Inc.				
$1 Billion Revolving Credit Facility	2011	Oct-16	Libor + 2.5%	$ 999.0
7.31% Senior Notes	2009	Mar-16	7.31%	62.0
4.98% Senior Notes	2010	Jan-17	4.98%	116.0
5.92% Senior Notes	2008	Mar-18	5.92%	200.0
7.77% Senior Notes	2009	Mar-19	7.70%	173.0
5.50% Senior Notes	2010	Jan-20	5.50%	207.0
4.51% Senior Notes	2010	Oct-20	4.51%	315.0
5.60% Senior Notes	2010	Jan-22	5.60%	87.0
4.66% Senior Notes	2010	Oct-22	4.66%	35.0
5.85% Senior Notes	2010	Jan-25	5.85%	90.0
4.91% Senior Notes	2010	Oct-25	4.91%	175.0
Total OpCo Funded Indebtedness				**$ 2,459.0**
Ultra Petroleum Corp.				
5.75% Senior Notes	2013	Dec-18	5.75%	$ 450.0
6.125% Senior Notes	2014	Oct-24	6.13%	850.0
Total HoldCo Funded Indebtedness				**$ 1,300.0**
Total Funded Indebtedness				**$ 3,759.0**

1. The OpCo Credit Agreement.

OpCo is the borrower of approximately $999.0 million of ***unsecured*** bank indebtedness under the OpCo Credit Agreement. The OpCo Credit Agreement provides the Debtors with a senior, unsecured revolving credit facility.

All obligations under the OpCo Credit Agreement are guaranteed, on an unsecured basis, by HoldCo and UP Energy. The obligations under the OpCo Credit Agreement are not guaranteed by any subsidiaries of OpCo. As of the Petition Date, the outstanding principal obligations under the OpCo Credit Agreement total approximately

$999.0 million. As of the Petition Date, there was no further borrowing availability under the OpCo Credit Agreement, which matured as of October 2016.

2. The OpCo Notes.

OpCo is also the primary obligor with respect to approximately $1.46 billion of unsecured private placement notes issued under the OpCo Note Purchase Agreement. The OpCo Note Purchase Agreement provides for the issuance of the ten tranches of unsecured senior notes.

All obligations under the OpCo Notes are guaranteed, on an unsecured basis, by HoldCo and UP Energy. The obligations under the OpCo Notes are not guaranteed by any subsidiaries of OpCo. The outstanding principal obligations under the OpCo Notes totaled approximately $1.46 billion as of the Petition Date. The maturity dates of the OpCo Notes range through October 2025.

3. The HoldCo Notes.

HoldCo is the obligor with respect to approximately $1.3 billion of ***unsecured*** notes. The HoldCo Notes are not guaranteed by, and do not have recourse against, any other Debtor entity. The HoldCo Notes were issued in two transactions: ***first***, in December 2013, as to $450.0 million in principal amount; and, ***second***, in September 2014, as to $850.0 million in principal amount.

The HoldCo Notes issued in December 2013 were issued pursuant to the Indenture, dated as of December 12, 2013 (as amended, modified, or supplemented in accordance with the terms thereof, the "2013 HoldCo Indenture"), by and between HoldCo, as issuer, and Delaware Trust Company, as successor trustee to U.S. Bank National Association, which provides for the issuance of HoldCo's 5.750 percent senior unsecured notes due 2018 (collectively, the "2018 Notes"). As of the Petition Date, the outstanding principal obligations under the 2018 Notes totaled approximately $450.0 million.

The HoldCo Notes issued in September 2014 were issued pursuant to the Indenture, dated as of September 18, 2014 (as amended, modified, or supplemented in accordance with the terms thereof, and, together with the 2013 HoldCo Indenture, the "HoldCo Indentures"), by and between HoldCo, as issuer, and Delaware Trust Company, as successor trustee to U.S. Bank National Association, which provides for the issuance of HoldCo's 6.125 percent senior unsecured notes due 2024 (collectively, the "2024 Notes"). As of the Petition Date, the outstanding principal obligations under the 2024 Notes totaled approximately $850.0 million.

4. HoldCo's Equity Interests.

HoldCo is a publicly held company that was listed on the NYSE, under the symbol "UPL," beginning in 2007. On May 3, 2016, HoldCo's stock was delisted from the NYSE, but it has continued to trade over the counter. As of the Petition Date, HoldCo had 153,388,832 outstanding shares of common stock.

VII. EVENTS LEADING TO THE CHAPTER 11 FILINGS.

A. Commodity Price Decline.

Between 2008, when the Debtors issued the first of the OpCo Notes, and continuing through 2014, when the Debtors issued the last of the HoldCo Notes, the Debtors and their lenders created a capital structure that was designed to support the Debtors in pursuing the profitable growth business model they had successfully employed since 1999.[12]

The Debtors' difficulties are consistent with those faced industry-wide. Natural gas and crude oil prices have been highly volatile over the past several years, and plunged to historically low levels during 2015 and early 2016. These dramatic changes in commodity prices created significant disruption and turmoil in all aspects of the oil and gas industry. Independent exploration and production companies with leveraged balance sheets like the Debtors were especially hard-hit. Dozens of oil and gas companies filed for chapter 11 in 2015 and 2016.

B. Financial Responses and Restructuring Negotiations.

In response to the decline in commodity prices, the Debtors undertook a series of operational and financial actions in 2014 and 2015 in an attempt to improve their liquidity position and stabilize their capital structure. Notwithstanding these initiatives, given the continued low commodity prices, it became clear that the Debtors' capital structure was not sustainable without, minimally, modifications to the terms of their debt agreements. Accordingly, the Debtors retained financial and legal advisors to assist them in discussions and negotiations with their creditors and equityholders.

More specifically, beginning in October 2015, the Debtors began negotiations with certain OpCo RCF Lenders and OpCo Noteholders. The Debtors' initial objective during these discussions—which ultimately continued over the next several months—was to negotiate an amendment to the OpCo Note Purchase Agreement that would alleviate the constraints of the consolidated leverage ratio financial covenant. The Debtors also sought to negotiate a replacement credit facility to the OpCo Credit Agreement, which matured as of October 2016.

Although many meetings were convened, negotiations conducted, and drafts of term sheets and proposals prepared and exchanged, conditions in the oil and gas business continued to be very poor, and the Debtors' financial condition continued to deteriorate through the end of 2015, and, as a result, no changes were agreed to regarding the Debtors' capital structure.

As 2016 began, the Debtors and their lenders continued their efforts to reach a consensual out-of-court restructuring of the Debtors' balance sheet. More specifically, in early January 2016, the Debtors delivered an updated proposal to a steering committee of OpCo Noteholders and, separately, to JPMorgan Chase Bank, N.A., on behalf of the OpCo RCF Lenders. The Debtors' proposal contemplated a comprehensive restructuring of the Debtors' capital structure, including the OpCo Notes. After receiving the proposal, the OpCo Noteholders engaged a financial advisor, who began a comprehensive diligence process. Although there was some discussion of the proposal, it did not result in an agreement.

By the beginning of February 2016, the OpCo RCF Lenders engaged a financial advisor, and the OpCo RCF Lenders began to focus on negotiating forbearance agreements to address the near-term interest and maturity payments under the OpCo Notes instead of the Debtors' overall restructuring proposal. These discussions continued throughout the month, and the Debtors, each of the OpCo RCF Lenders and OpCo Noteholders signed waiver and amendment agreements on March 1, 2016.

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[12] The Debtors increased the PV-10 value of their proved reserves more than 17,000 percent between year-end 1999, when its proved reserves had a PV-10 value of less than $50.0 million, and 2014, when its proved reserves had a PV-10 value of $7.1 billion.

These agreements—which were intended to provide time to attempt to negotiate an out-of-court restructuring transaction—allowed the Debtors to defer approximately $102.0 million in principal and interest payments due March 1, 2016 under the OpCo Notes as well as $2.7 million in interest payments payable between March 1, 2016 and April 30, 2016 under the OpCo Credit Agreement. The agreements also conditioned the waivers on the Debtors electing not to make an April 1, 2016 interest payment due on certain HoldCo Notes.

On March 8, 2016, the Debtors invited the OpCo RCF Lenders and OpCo Noteholders to a meeting in New York City. At the meeting, the Debtors presented another, different proposal to restructure all of the Debtors' debt on an out-of-court basis. On April 1, 2016, as contemplated by the waiver and amendment agreements, HoldCo elected to defer the approximately $26.0 million interest payment on the 2024 Notes, entering a 30-day grace period. On April 4, 2016, the OpCo RCF Lenders and OpCo Noteholders provided a joint counterproposal to the Debtors. Thereafter, the Debtors realized the parties would struggle to reach an agreement prior to the April 30, 2016 expiration of the forbearance and waiver agreements and that a comprehensive restructuring of the Debtors' obligations could only be achieved through the chapter 11 process. Over the course of their lengthy discussions with the lenders to OpCo, the Debtors and their advisors also engaged in several constructive discussions with certain holders of the HoldCo Notes and their advisors. However, no agreement could be reached with the holders of the HoldCo Notes prior to the Petition Date.

Accordingly, with the help of their advisors, the Debtors began working in earnest to consider restructuring alternatives and ensure that their businesses were best positioned to compete in the exploration and production industry going forward. To achieve an orderly restructuring and maximize the value of the Debtors' businesses, a series of steps were undertaken in a coordinated manner leading up to the filing of the Chapter 11 Cases.

VIII. EVENTS OF THE CHAPTER 11 CASES.

A. First Day Relief.

On the Petition Date, the Debtors filed several motions (the "First Day Motions") designed to facilitate the administration of the Chapter 11 Cases and minimize disruption to the Debtors' operations, by, among other things, easing the strain on the Debtors' relationships with employees, vendors, and customers following the commencement of the Chapter 11 Cases. At a hearing on May 3, 2016, the Bankruptcy Court granted all of the relief requested in the First Day Motions. The First Day Motions, and all orders for relief granted in the Chapter 11 Cases, can be viewed free of charge at http://dm.epiq11.com/ultra.

B. Second Day Relief.

1. Ordinary Course Professionals.

On May 20, 2016, the Debtors filed the *Debtors' Motion for Entry of an Order Authorizing the Debtors to Retain and Compensate Professionals Utilized in the Ordinary Course of Business* [Docket No. 190] (the "OCP Motion"). Thereafter, on June 13, 2016 the Court entered an order granting the OCP Motion [Docket No. 294], authorizing the Debtors to compensate certain non-bankruptcy professionals in the ordinary course.

2. Employment and Compensation of Advisors.

To assist the Debtors in carrying out their duties as debtors-in-possession and to otherwise represent the Debtors' interests in the Chapter 11 Cases, the Bankruptcy Court entered orders authorizing the Debtors to retain and employ the following advisors: (a) Kirkland & Ellis LLP as counsel to the Debtors [Docket No. 357]; (b) Jackson Walker LLP as co-counsel to the Debtors [Docket No. 296]; (c) Watt Thompson & Henneman LLP as special claims litigation counsel to the Debtors [Docket No. 780]; (d) Farnsworth & vonBerg, LLP as special claims litigation counsel to the Debtors [Docket No. 781]; (e) Holland & Hart LLP as special claims litigation counsel to the Debtors [Docket No. 995]; (f) Rothschild, Inc. and Petrie Partners Securities, LLC as investment bankers to the Debtors [Docket No. 337]; and (g) Epiq Bankruptcy Solutions, LLC as claims, noticing, and solicitation agent [Docket No. 148]. On June 13, 2016, the Bankruptcy Court entered an order approving procedures for the interim compensation and reimbursement of expenses of retained Professionals in the Chapter 11 Cases [Docket No. 295].

On November 1, 2016, Jackson Walker LLP filed its *Motion to Withdraw as Co-Counsel For Debtors* [Docket No. 680], which motion was granted on December 1, 2016 [Docket No. 799].

C. Appointment of the Official Committee of Unsecured Creditors.

On May 5, 2016, the U.S. Trustee filed the *Notice of Organization Meeting for Official Joint Committee of Unsecured Creditors* [Docket No. 121], notifying parties in interest that the U.S. Trustee had appointed a statutory committee of unsecured creditors in the Chapter 11 Cases. On September 26, 2016, the U.S. Trustee filed the *Notice of Reconstitution of Official Joint Committee of Unsecured Creditors* [Docket No. 569], notifying parties in interest that two creditors had resigned as members to the Committee. The Committee is currently composed of Delaware Trust Company, The Prudential Insurance Company of America, REX, Sunoco Partners Marketing & Terminals L.P. ("Sunoco") and Doyle and Margret Hartman. On October 27, 2016, the Debtors held a meeting with the Committee, which included a discussion of certain claims against the Debtors as well as the Debtors new business plan.

D. Other Creditors and Equityholders.

In addition to the Committee, the following committees organized during the pendency of the Chapter 11 Cases.

- Equityholder Committee. An ad hoc committee of investors in HoldCo equity. On June 8, 2016, the Equityholder Committee submitted a letter to the U.S. Trustee requesting appointment of an official committee of equity security holders. On June 29, 2016, the U.S. Trustee announced that it would not appoint an official committee of equity security holders at that time. On July 20, 2016, the Equityholder Committee filed the *Verified Statement of Brown Rudnick LLP Pursuant to Bankruptcy Rule 2019* [Docket No. 422, as modified, Docket No. 884].

- HoldCo Noteholder Committee. An ad hoc committee of investors in HoldCo indebtedness. On June 13, 2016, the HoldCo Noteholder Committee filed the *Verified Statement of the Ad Hoc Committee of Holdco Noteholders Pursuant to Bankruptcy Rule 2019* [Docket No. 286] and the *First Supplemental Verified Statement of the Ad Hoc Committee of Holdco Noteholders Pursuant to Bankruptcy Rule 2019* [Docket No. 556, as modified, Docket No. 883].

- OpCo Group. On June 8, 2016, the OpCo Group filed the *Verified Statement Pursuant to Bankruptcy Rule 2019* [Docket No. 228, as modified, Docket No. 979].

- OpCo Noteholder Group. On January 6, 2017, an ad hoc committee of OpCo Noteholders filed the *Verified Statement of Morgan, Lewis, & Bockius LLP Pursuant to Rule 2019 of the Federal Rules of Bankruptcy Procedure* [Docket No. 896, as modified, Docket No. 1020].

The Debtors and/or their advisors have engaged principals and advisors from each of these committees in discussions and negotiations during the pendency of the Chapter 11 Cases.

E. Schedules and Statements.

On June 8, 2016, the Debtors filed their Schedules of Assets and Liabilities and Statements of Financial Affairs. On October 14, 2016, Ultra Wyoming LGS, LLC amended its schedules to include an intercompany payable amount on that Debtor's schedule of unsecured claims [Docket No. 615].

F. Section 341 Meeting.

On June 14, 2016, the Debtors attended a meeting of their creditors pursuant to section 341 of the Bankruptcy Code and addressed inquiries from the U.S. Trustee and certain creditors regarding, among other topics, the Debtors' operations and finances and other issues related to the Chapter 11 Cases.

G. Employee Compensation Motions.

On May 30, 2016 the Debtors filed the *Debtors' Motion for Entry of an Order Authorizing and Approving Non-Insider Retention Program* [Docket No. 207] (the "KERP Motion") and the *Debtors' Motion for Entry of an Order Authorizing and Approving the Debtors' Key Employee Incentive Plan* [Docket No. 206] (the "KEIP Motion," and together with the KERP Motion, the "Employee Compensation Motions"). After the Petition Date, and prior to filing their Employee Compensation Motions, the Debtors engaged in discussions with, and provided relevant information to, the U.S. Trustee and the Committee's advisors regarding the terms of the Debtors' proposed retention program and incentive plan, including sharing copies of the applicable plan documents and advance drafts of the motions with the Committee's counsel. The Debtors also convened an in-person meeting with the U.S. Trustee that the Committee's counsel attended during which senior management answered questions regarding the compensation programs. These efforts ultimately resulted in a settlement that resolved the Committee's objection to the KEIP Motion. The U.S. Trustee's objection, to the extent it was not withdrawn, was overruled, and the KEIP Motion was granted.

H. Exclusivity.

Under the Bankruptcy Code, a debtor has the exclusive right to file and solicit acceptance of a plan or plans of reorganization for an initial period of 120 days from the date on which the debtor filed for voluntary relief (which may be extended by the Bankruptcy Court for a period of up to 18 months from the petition date) (the "Exclusive Filing Period"). If a debtor files a plan within this initial exclusive period, then the debtor has the exclusive right for 180 days from the petition date to solicit acceptances to the plan (which may be extended by the Bankruptcy Court for a period of up to 20 months from the petition date) (the "Exclusive Solicitation Period," and together with the Exclusive Filing Period, the "Exclusive Periods"). During these Exclusive Periods, no other party in interest may file a competing plan of reorganization, however, a court may extend these periods upon request of a party in interest and "for cause."

The Debtors' initial 120-day Exclusive Filing Period was initially scheduled to expire on August 27, 2016 with the initial 180-day Exclusive Solicitation Period set to expire on October 26, 2016. The Debtors filed a motion to extend Exclusive Periods by six months on July 27, 2016 [Docket No. 445]. Both the Committee and the OpCo Creditors filed objections to the Exclusivity Motion [Docket Nos. 498 and 501]. After a contested hearing on August 25, 2016, the Bankruptcy Court extended the Exclusive Filing Period to March 1, 2017 and the Exclusive Solicitation Period to May 1, 2017 [Docket No. 522]; *provided* that the Debtors provide a long-term business plan to counsel for their key stakeholder constituencies on or before December 1, 2016. On November 30, 2016, the Debtors provided a long-term business plan to counsel to their key stakeholder constituencies.

The Debtors filed the Plan and Disclosure Statement within the Exclusive Filing Period. On February 1, 2017, the Debtors filed the *Debtors' Motion To Further Extend Their Exclusivity Periods to File A Chapter 11 Plan And Solicit Acceptances Thereof* [Docket No. 1049], which is scheduled to be heard on February 22, 2017 at 3:30 p.m. (prevailing Central Time).

I. Claim Resolution Process.

1. The Bar Date; Bar Date Stipulation.

The Debtors' general bar date was established as September 1, 2016, with the deadline for filing governmental claims established as October 26, 2016 [Docket No. 83]. On August 22, 2016, the Court entered an order approving certain modification with respect to the Bar Date requested by certain holders of OpCo's funded indebtedness [Docket No. 508].

2. The Claims Process.

During the Chapter 11 Cases, the Debtors have—and continue to—reviewed, reconciled, and contested certain potential significant contingent Claims (including, among other things, Claims asserted against, or that may be asserted against HoldCo, OpCo and UP Energy Corporation). To facilitate this process, the Debtors have worked with the Notice and Claims Agent, the Debtors' primary restructuring counsel, and certain law firms to be engaged

pursuant to section 327(e) of the Bankruptcy Code as special claims litigation counsel [Docket Nos. 631 and 632]. In particular, the Debtors have worked during these Chapter 11 Cases to resolve following claims.

3. REX.

On April 4, 2016, the Debtors received a demand for payment from REX in which REX demanded that OpCo pay approximately $303.2 million by April 20, 2016. On April 14, 2016, REX filed a lawsuit against OpCo in Texas state court in Harris County, Texas alleging breach of contract and seeking damages related to the alleged breach. On August 26, 2016, REX filed a Proof of Claim with the Bankruptcy Court for approximately $303.3 million [Claim No. 276]. On October 28, 2016, the Debtors filed an objection to the REX Proof of Claim [Docket No. 677]. On November 28, 2016, the Bankruptcy Court entered a scheduling order establishing March 1, 2017, as the trial date with respect to the Debtors' claim objection [Docket No. 782]. On January 11, 2017, the Debtors and REX entered into the REX Settlement Letter Agreement pursuant to which: (a) REX will have an Allowed General Unsecured Claim in the amount of $150,000,000, which will be treated as an Allowed General Unsecured Claim for purposes of the Plan; and (b) OpCo will enter into a new seven-year firm transportation agreement with REX commencing December 1, 2019, for service west-to-east of 200,000 dekatherms per day at a rate of approximately $0.37, or approximately $26.8 million annually.

4. Sempra.

On February 26, 2016, the Debtors received a letter from Sempra Rockies Marketing, LLC ("Sempra") alleging that the Debtors were in breach of the Capacity Release Agreement, dated as of March 5, 2009. The letter also notified the Debtors that Sempra would immediately and permanently recall the capacity released to the Debtors. On March 8, 2016, the Debtors received a letter from Sempra notifying the Debtors that Sempra had in fact completely and permanently recalled the capacity previously made available to the Debtors on the Rockies Express Pipeline effective as of March 9, 2016. On August 25, 2016, Sempra filed a Proof of Claim with the Bankruptcy Court for approximately $63.8 million [Claim No. 245]. On October 28, 2016, the Debtors filed an objection to the Sempra proof of Claim [Docket No. 676]. On January 23, 2017, the Bankruptcy Court entered the *Scheduling Order Regarding Objection to Claim of Sempra Rockies Marketing, LLC* [Docket No. 1037].

5. Big West.

Prior to the Petition Date, the Debtors and Big West entered into several contracts related to the purchase and sale of crude oil produced in Wyoming and Utah. On April 26, 2016, Big West and the Debtors entered into a Temporary Suspension of Contracts and Interim Crude Oil Purchase and Sale Agreement (the "Suspension Agreement"). Pursuant to the Suspension Agreement, the Debtors and Big West suspended performance under their prepetition agreements on the condition that the Debtors would continue to sell and deliver crude oil to Big West during the suspension period. On October 10, 2016, Big West and the Debtors entered an extension of the Suspension Period through January 21, 2017. On August 30, 2016, Big West filed Proofs of Claim with the Bankruptcy Court asserting approximately $32.6 million related to lost profits associated with the interim purchase agreement [Claim No. 310, 311, 313, 318, 320, 321, 323, and 324]. On December 13, 2016, the Debtors objected to Big West Claims [Docket No. 830]. The Debtors and Big West have engaged in discussions and have reached a proposed settlement which provides that Big West shall be deemed to have Allowed General Unsecured Claims against each of the Debtors in the amount of $17,350,000. On January 31, 2017 the Debtors filed the *Debtors' Motion For Entry Of Stipulation and Consent Order Between the Debtors and Big West Oil LLC* [Docket No. 1047], which is set for hearing on February 22, 2017 at 3:30 p.m. (prevailing Central Time).

6. Sunoco.

On April 29, 2016, the Debtors received a letter from counsel to Sunoco asserting that the Debtors had breached, by anticipatory repudiation, a contract for the purchase and sale of crude oil between OpCo and Sunoco and the contract was terminated. In the letter, Sunoco demanded payment for damages resulting from the breach in the amount of $38.6 million. On August 31, 2016, Sunoco filed a Proof of Claim with the Bankruptcy Court for approximately $16.9 million [Claim No. 335]. The Debtors dispute Sunoco's positions in the letter and its Proof of Claim, and the Debtors intend to object to Sunoco's Proof of Claim. Accordingly, on December 13, 2016, the Debtors filed their *Objection to Proof of Claim of Sunoco Partners Marketing & Terminals, L.P.* [Docket No. 829].

The Debtors also commenced an adversary proceeding against Sunoco, which proceeding is styled as *Ultra Resources, Inc. v. Sunoco Partners Marketing & Terminals, L.P. (In re Ultra Petroleum Corp.)*, Adv. Proc. No. 16-3272 (MI) (Bankr. S.D. Tex.). On January 19, 2017, the Bankruptcy Court entered a comprehensive scheduling order with respect to such matters [Docket No. 998]. Sunoco is a member of the Committee.

7. Pinedale Corridor L.P.

Corridor leases a liquids gathering system to Ultra Wyoming LGS, LLC ("UWLGS") (the "UWLGS Lease"). On August 30, 2016, Corridor filed Proofs of Claim with the Bankruptcy Court asserting approximately over $450 million in claims related to the UWLGS Lease and the Debtors' guarantees related to the UWLGS Lease [Claim Nos. 281, 282, 283, 284, and 291].

On September 20, 2016, Corridor filed a motion to dismiss UWLGS's Chapter 11 Case, or alternatively, to appoint a trustee or examiner [Docket No. 559] (the "Corridor Motion"). On October 11, 2016, the Debtors filed an objection to the Corridor Motion [Docket No. 610] in which the Debtors demonstrated that: (a) they had an alternative to the liquids gathering system that would completely replace Corridor and could be available to the Debtors following a modest capital investment; (b) unless Corridor and the Debtors could reach agreement on a modified UWLGS Lease that saved the Debtors money, the Debtors might find it within their business interest to reject the UWLGS Lease; and (c) the Corridor Motion was otherwise without merit. On October 13, 2016, the Committee filed a joiner to the Debtors' objection to the Corridor Motion [Docket No 613] On October 14, 2016, the Equityholder Committee filed a joiner to the Debtors' objection as well [Docket No 616].

On October 20, 2016, the Debtors and Corridor agreed to engage in mediation of all of their disputes and to defer any further action on the Corridor Motion [Docket No. 628]. The mediation took place on November 2, 2016, and was successful. On November 11, 2016, the Debtors filed the *Debtors' Expedited Motion for Entry of Order (I) Approving Term Sheet with Pinedale Corridor L.P. and (II) Authorizing the Debtors to Assume Unexpired Lease of Non-Residential Real Property* [Docket No. 710], which was approved on November 28, 2016 [Docket No 779]. The term sheet provides, among other things, that: Corridor will withdraw all of its Proofs of Claim; the Debtors would assume the UWLGS Lease with a $0.00 cure; Corridor will support the Plan; and Corridor will have an Allowed General Unsecured Claim against OpCo up to a maximum of $250,000 on account of legal fees actually incurred. On January 11, 2017, the Debtors and Corridor entered into a stipulation pursuant to which the parties agreed that Corridor had incurred not less than $250,000 in legal fees and that Corridor would, accordingly, have an Allowed General Unsecured Claim against OpCo in the amount of $250,000.

8. Stonegate Resources.

In February 26, 2015, Ouray Park Irrigation Company filed a lawsuit against HoldCo, Three Rivers Holding, LLC, and Stonegate Resources LLC ("Stonegate") to quiet title in certain mineral rights in Utah. This litigation is pending in Utah state court under the caption *Ouray Park Irrigation Co. v. Stonegate Resources LLC, et al.,* Civil No. 150800019. On July 14, 2016, Stonegate filed a motion to lift the automatic stay to resolve the Utah state court proceeding, where several dispositive motions were set for trial as of June 2016. On August 12, 2016, the Bankruptcy Court entered an order granting the requested relief from the automatic stay for that purpose [Docket No. 488].

9. ONRR Proceeding.

On April 19, 2016, the Debtors received a preliminary determination notice from the Office of Natural Resources Revenue (the "ONRR") asserting that the Debtors' allocation of certain processing costs and plant fuel use at certain processing plants were impermissibly charged as deductions in the determination of royalties owed under federal oil and gas leases. During the second quarter of 2016, the Debtors responded to the preliminary determination asserting the reasonableness of their allocation methodology of such costs, noting several matters the Debtors believed should have been considered in the preliminary determination notice. The ONRR unbundling review could ultimately result in an order for payment of additional royalties under the Debtors' federal oil and gas leases for current and prior periods. On October 27, 2016, ONRR filed a Proof of Claim with the Bankruptcy Court asserting approximately $35.1 million in claims attributable to the Debtors' royalty calculations. The Debtors are

not able to determine the likelihood or range of any additional royalties or, if and when assessed, whether such amounts would be material.

10. Proceedings Related to Royalty and Working Interests.

Certain of the Debtors are currently party to the following adversary proceedings: (a) *Hartman et al. v. Ultra Petroleum Corp., et al.*, Adv. No. 16-03250; (b) *Jonah LLC et al. v. Ultra Petroleum Corp. et al.*, Adv. No. 16-03278; and (c) *Gasconade Oil Co. et al v. Ultra Res., Inc. et al.*, Adv. No. 17-03019. Each of these adversary proceedings relates to disputes between the Debtors and their counterparties to such proceedings with respect to royalty interests, overriding royalty interests, or net profits interests burdening the Debtors' oil and gas properties. Certain of these adversary proceedings request the imposition of a constructive trust; although the Debtors do not expect any such remedy to be granted, such a remedy may have a material adverse effect on the Debtors' financial position, results of operation, and ability to confirm the Plan.

11. Other Claims.

The Debtors are currently involved in various routine disputes and allegations incidental to their business operations. While it is not possible to determine the ultimate disposition of these matters, the Debtors believe that the resolution of all such pending or threatened litigation is not likely to have a material adverse effect on the Debtors' financial position, results of operations, or ability to confirm the Plan.

12. The Backstop Commitment Agreement's Cap on Allowed General Unsecured Claims.

The Backstop Commitment Agreement provides that a condition to the Backstop Parties' obligations thereunder is that Allowed General Unsecured Claims not exceed $330 million, as set forth in section 7.1(r) of the Backstop Commitment Agreement.

CERTAIN PARTIES ASSERT THAT THE DISCLOSURE STATEMENT LACKS ADEQUATE INFORMATION REGARDING HOW THE DEBTORS WILL SATISFY THE CONDITION OF THE BACKSTOP COMMITMENT AGREEMENT THAT ALLOWED GENERAL UNSECURED CLAIMS WILL NOT EXCEED $330 MILLION.

Pursuant to Section 7.1.(r) of the Backstop Commitment Agreement, the Backstop Parties may, but are not required to, terminate the Backstop Commitment Agreement if the Claims Cap (as defined in the Backstop Commitment Agreement) exceeds $330 million. Upon any such termination of the Backstop Commitment Agreement, the Backstop Parties would no longer be obligated to fund the $580 million rights offering, and the Plan Support Agreement may be terminated. *See* Plan Support Agreement § 7.E.

In determining whether such General Unsecured Claims have exceeded the Claims Cap: (a) the Debtors and the Backstop Parties may consider any such general unsecured claims that have been allowed pursuant to the terms of settlements; (b) the Debtors, upon the reasonable request of the Backstop Parties, will, subject to professional responsibilities, estimate and/or object to any claims; and (c) if the Debtors and the Backstop Parties do not agree on such determination, they shall seek such a determination from the Bankruptcy Court.

The Debtors, in consultation with their advisers, believe that they can and will satisfy the Claims Cap condition under the Backstop Commitment Agreement. The Debtors have conducted considerable analysis to determine what they believe is the ultimate allowed amount of General Unsecured Claims subject to the Claims Cap, and, as reflected in the Summary of Expected Recoveries table above, currently estimate that number to be approximately $255 million, before reductions attributable to any cost savings resulting from potential renegotiations of operational contracts. On the other hand, the Committee and the OpCo Group have not purported to have conducted any such analysis to substantiate their objection to this provision. The Debtors will consult with advisers to the Committee regarding the Debtors' claims base.

The Debtors are prepared to meet their evidentiary burden (if any) with respect to such matters at the Confirmation Hearing. The rights of all parties are fully preserved with respect to such matters.

J. Assumption of Unexpired Leases.

The Debtors have a number of agreements for the lease of nonresidential real property, which consist of surface lease agreements, office space leases, and oil and gas leases, depending on the real property laws of the states in which their oil and gas leases are located. The Debtors have worked diligently to determine whether to assume or reject any of their unexpired leases of nonresidential real property. Pursuant to the *Order Extending the Time Within Which the Debtors Must Assume or Reject Unexpired Leases of Nonresidential Property* [Docket No. 520], the Court extended the deadline under section 365(d)(4) of the Bankruptcy Code for the Debtors to assume their unexpired leases of nonresidential real property through and including November 28, 2016. On November 7, 2016, the Debtors filed omnibus motions [Docket Nos. 690 & 691] for authorization to assume certain unexpired leases of nonresidential real property, including all of their oil and gas leases. On November 28, 2016, the Court granted such relief.

K. Maintenance and Administration of Customer Programs and Agreements.

The Debtors are party to approximately 116 agreements (collectively, the "Customer Agreements") for the purchase, sale, and transportation of the Debtors' oil and natural gas production with major energy companies, oil refiners, pipeline companies, distribution companies, and various end-users in several industries. In April, the Debtors filed *Debtors' Corrected Emergency Motion for Entry of Interim and Final Orders Authorizing Debtors to (I) Maintain and Administer Customer Programs and Honor Related Obligations and (II) Assume Customer Agreements* [Docket No. 20] requesting the Court allow the Debtors to continue to perform under the ordinary course of business and consistent with past practice the Customer Agreements. In August, pursuant to the Court's *Final Order Authorizing the Debtors to (I) Maintain and Administer Customer Programs and Honor Related Obligations and (II) Assume Customer Agreements* [Docket No. 521], the Debtors are authorized to continue to maintain and perform under all Customer Agreements.

L. Equity Trading Order.

The Debtors have substantial tax net operating loss carryforwards and other tax attributes. Under the U.S. Internal Revenue Code, the Debtors' ability to use these net operating losses and other tax attributes may be limited if the Debtors experience a change of control, as determined under the U.S. Internal Revenue Code. Accordingly, the Debtors obtained entry of the *Final Order Approving Notification and Hearing Procedures for Certain Transfers of and Declarations of Worthlessness with Respect to Common Stock* [Docket No. 297] (the "NOL Order"). The NOL Order is intended to protect the Debtors' ability to use their tax attributes by imposing certain notice procedures and transfer restrictions on the trading of HoldCo's common stock. In general, the NOL Order applies to any person or entity that, directly or indirectly, beneficially owns (or would beneficially own as a result of a proposed transfer) at least 4.5 percent of Existing HoldCo Equity Interests. Such persons are required to notify the Debtors and the Bankruptcy Court before effecting a transaction that might result in the Debtors losing the ability to use their tax attributes, and the Debtors have the right to seek an injunction to prevent the transaction if it might adversely affect the Debtors' ability to use their tax attributes. Any purchase, sale or other transfer of HoldCo equity securities in violation of the restrictions of the NOL Order is null and void ab initio as an act in violation of a Bankruptcy Court order and would therefore confer no rights on a proposed transferee. Under the Backstop Commitment Agreement, transfers of the Backstop Commitments or Subscription Rights, and the fulfillment of the Backstop Commitments or the exercise of the Subscription Rights, in each case in accordance with the Backstop Commitment Agreement, are not precluded by the NOL Order.

M. Hedging Program.

To limit exposure to fluctuations in market prices with respect to their oil, natural gas, and natural gas liquids production activities—principally, the prevailing price for the Debtors' Wyoming natural gas production—the Debtors, like most other large, complex oil and gas exploration and production businesses, have historically hedged a portion of their oil, natural gas, and/or natural gas liquids production through the use of financial derivative

transactions, including cash-settled swaps, with creditworthy financial counterparties, or through the use of physically settled forward contracts under which the Debtors agree to physically deliver natural gas or crude oil at a fixed delivery point over a fixed period of time for a fixed price, each as specified in the contract.

The board of directors for HoldCo has adopted a Commodity Price Hedging Policy (the "Hedging Policy"), pursuant to which the Debtors are authorized to enter into physical and financial hedging transactions covering up to 50 percent of the Debtors' forecast production during a fiscal year without further board approval. Consistent with the Hedging Policy, the Debtors may also enter into physical and financial hedging transactions covering more than 50 percent of the Debtors' forecast production during a fiscal year with board approval.[13]

The Debtors' historic hedging transactions have generated significant value, with the Debtors realizing hedging-related gains of nearly $1 billion during the decade prior to the Petition Date. However, the Debtors elected not to hedge any of their forecasted production for 2016 because commodity prices at which hedges could be executed at the end of 2015 and early in 2016 prior to the Petition Date were too low. Therefore, as of the Petition Date, the Debtors did not have any hedging transactions in place. However, because commodity prices have improved since the Petition Date, the Debtors are engaged in discussions with several potential third-party hedge counterparties regarding the terms of postpetition hedging transactions, and the Debtors believe it is likely that they will, in the near future, be able to enter into postpetition hedging transactions with one or more counterparties at price levels and on other commercials terms that would render the decision to enter into such postpetition hedging transactions in the best interest of the Debtors and their estates.

The Debtors believe entering into postpetition hedging transactions would be a significant and, most importantly, low-risk means to reduce the impact of commodity-price volatility on the Debtors' cash-flow stream. ~~All of the Debtors' prepetition hedging transactions since at least 2009 were consummated on an unsecured basis, which the Debtors believed was in their best interests. The Debtors also expect that any postpetition hedging transactions entered into will be on an unsecured basis, which the Debtors still believe is in their best interests as well as the best interests of all of their stakeholders.~~

To provide assurance to counterparties regarding the Debtors' ability to enter into and perform under postpetition hedging transactions notwithstanding the pendency of these chapter 11 cases, the Debtors filed the *Debtors' Motion for Entry of Order (A) Authorizing the Debtors to Enter into and Perform Postpetition Hedging Transactions, (B) Providing Administrative Expense Status to Authorized Postpetition Hedging Transactions, and (C) Modifying the Automatic Stay* [Docket No. 637] (the "Postpetition Hedging Transactions Motion"). To address certain informal comments from the Committee, the HoldCo Noteholder Committee, the Equityholder Committee, and certain other parties, the Debtors revised the proposed form of order approving the Postpetition Hedging Transactions Motion to, among other things, require that the Debtors provide their major constituencies with information regarding postpetition hedging transactions and certain related matters. On November 28, 2016, the Bankruptcy Court entered an order granting the Postpetition Hedging Transactions Motion [Docket No. 778]. The Debtors also filed the *Debtors' Third Omnibus Motion For Entry Of An Order Authorizing The Debtors To Assume Executory Contracts (Gas Processing and Gathering Agreements)* [Docket No. 1048] (the "Gas Processing Motion"). The Gas Processing Motion contemplates the assumption of new gas processing agreements that will lock in favorable terms for the Debtors' gas processing requirements and generate significant savings and additional revenue for the Debtors in the years ahead.

N. Corporate Structure upon Emergence.

Except as otherwise provided in the Plan, or any agreement, instrument, or other document incorporated in the Plan or the Plan Supplement, on the Effective Date, each Debtor shall continue to exist after the Effective Date as a separate corporation, limited liability company, partnership, or other form of entity, as the case may be, with all the powers of a corporation, limited liability company, partnership or other form of entity, as the case may be,

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[13] From time to time over the past several years, the Debtors have received board approval to hedge more than 50 percent of forecasted production during a fiscal year. For example, during 2011, 2012, 2013, and 2015, the Debtors hedged 67, 51, 51, and 62 percent, respectively, of their forecasted production for such periods.

pursuant to the applicable law in the jurisdiction in which each applicable Debtor is incorporated or formed and pursuant to the respective certificate of incorporation and bylaws (or other analogous formation documents) in effect before the Effective Date, except to the extent such certificate of incorporation and bylaws (or other analogous formation documents) are amended by the Plan or otherwise, and to the extent such documents are amended, such documents are deemed to be amended pursuant to the Plan and require no further action or approval (other than any requisite filings required under applicable state, provincial, or federal law).

O. Trustee Motion.

On December 23, 2016, the OpCo Group filed a motion [Docket No. 875] seeking the appointment of a trustee at OpCo pursuant to section 1104(a) of the Bankruptcy Code or, in the alternative, the appointment of three independent directors to OpCo's board of directors. On January 13, 2017, the Debtors filed their objection to the OpCo Group's trustee motion [Docket No. 941].

P. Bankruptcy Rule 3013 Motion.

On December 29, 2016, the OpCo Group filed a motion [Docket No. 878] seeking certain determinations regarding the Plan's classification structure pursuant to Bankruptcy Rule 3013. On January 17, 2017, the Debtors filed their objection to the OpCo Group's classification motion [Docket No. 961]. Certain other parties joined in the Debtors' objection [Docket No. 965].

Q. Makewhole Litigation.

On December 29, 2016, the OpCo Group commenced an adversary proceeding against HoldCo, OpCo, and UP Energy Corporation seeking, among other things, a determination by the Bankruptcy Court that each OpCo Note Makewhole Claim is valid and enforceable and that OpCo Note Makewhole Claims should be Allowed plus postpetition interest thereon at the contractual Default Rate (as defined by the OpCo Notes MNPA). The Debtors, in consultation with their advisers, determined that they may have valid defenses to the OpCo Note Makewhole Claims. In light of the fact that the asserted amount of OpCo Note Makewhole Claims exceeds $207 million, the Debtors believe that it is prudent and in the best interests of their stakeholders to dispute the OpCo Note Makewhole Claims. To this end, the Debtors have considered certain strategies to challenge the OpCo Note Makewhole Claims and, on January 30, 2017, filed a motion to dismiss the OpCo Note Makewhole Claim adversary proceeding commenced by the OpCo Group. The Bankruptcy Court has not yet ruled on the Debtors' motion to dismiss.

The Debtors believe that they have valid defenses with respect to the OpCo Note Makewhole Claims and the arguments made in the OpCo Group's adversary proceeding, including the OpCo Group's assertion that OpCo Note Makewhole Claims should include postpetition interest. Under the Plan, the Class 4 OpCo Funded Debt Claims, ~~if~~ to the extent Allowed, will receive a distribution on account of postpetition interest ~~only if and~~ to the extent ~~such interest is~~ Allowed by the Plan or pursuant to an order from the Bankruptcy Court. ~~To be clear, notwithstanding the fact that the OpCo Funded Debt Claims are Disputed Claims, the Holders of such Claims are entitled to vote to accept or reject the Plan, to the extent of their ownership of OpCo Notes.~~

Notwithstanding the fact that OpCo Note Makewhole Claims are Disputed by the Debtors, the OpCo Funded Debt Claimants are presumed to accept the Plan as the OpCo Funded Debt Claims are Unimpaired.

IX. PROJECTED FINANCIAL INFORMATION.

Attached hereto as **Exhibit D** is a projected consolidated income statement, which includes consolidated, projected, unaudited, financial statement information of the Reorganized Debtors (collectively, the "Financial Projections") for the period beginning 2016 and continuing through 2020. To the extent that the Effective Date

occurs before or after the projected Effective Date therein, recoveries on account of Allowed Claims and Existing HoldCo Common Stock could be affected.[14]

CERTAIN PARTIES ASSERT THAT THE PLAN IS NOT CONFIRMABLE BECAUSE THE REORGANIZED DEBTORS MAY NOT HAVE THE FINANCIAL WHEREWITHAL TO SATISFY THE CURRENTLY DISPUTED PORTIONS OF THE OPCO NOTE CLAIMS (WHICH DISPUTED PORTIONS ARE BASED ON, WITHOUT LIMITATION, ASSERTED CLAIMS ON ACCOUNT OF A MAKEWHOLE AMOUNT, POSTPETITION INTEREST THEREON AT THE CONTRACTUAL DEFAULT RATE, AND OTHER AMOUNTS ASSERTED TO BE DUE AND OWING UNDER THE OPCO NOTES MNPA, THE OPCO NOTES, AND THE OPCO RCF, INCLUDING WITHOUT LIMITATION, POSTPETITION INTEREST AT THE CONTRACTUAL DEFAULT RATE AND ALL FEES AND EXPENSES) IN FULL IN CASH TO THE EXTENT THAT ANY PORTION OF SUCH CLAIMS IS ALLOWED AFTER THE EFFECTIVE DATE.

The Debtors disagree. As set forth in this Disclosure Statement, based upon the Financial Projections, the Debtors believe that the Reorganized Debtors will have the financial wherewithal to satisfy any currently disputed portions of the OpCo Funded Debt Claims, in full and in Cash as provided in the Plan, to the extent that any such Claim is Allowed after the Effective Date. For this reason, the Debtors submit that the Plan is feasible notwithstanding the fact that the Debtors will not "reserve" for any such Claims that may become Allowed Claims after the Effective Date.

The rights of all parties are fully preserved with respect to such matters.

Creditors, equityholders, and other interested parties should see the below "Risk Factors" for a discussion of certain factors that may affect the future financial performance of the Reorganized Debtors.

X. RISK FACTORS.

Holders of Claims and Interests should read and consider carefully the risk factors set forth below before voting to accept or reject the Plan. Although there are many risk factors discussed below, these factors should not be regarded as constituting the only risks present in connection with the Debtors' businesses or the Plan and its implementation.

A. Bankruptcy Law Considerations.

The occurrence or non-occurrence of any or all of the following contingencies, and any others, could affect distributions available to holders of Allowed Claims and Existing HoldCo Common Stock under the Plan but will not necessarily affect the validity of the vote of the Impaired Classes to accept or reject the Plan or necessarily require a re-solicitation of the votes of holders of Claims and Interests in such Impaired Classes.

1. Parties in Interest May Object to the Plan's Classification of Claims and Interests.

Section 1122 of the Bankruptcy Code provides that a plan may place a claim or an equity interest in a particular class only if such claim or equity interest is substantially similar to the other claims or equity interests in such class. Certain parties may object to the Plan's proposed classification structure, and it is possible that other parties may object to Confirmation of the Plan on similar bases. It is possible that such parties or other parties in interest may object to Confirmation of the Plan on the same or similar bases. The Debtors believe that the

[14] As set forth herein, based upon the Financial Projections, the Debtors believe that the Reorganized Debtors will have the financial wherewithal to satisfy OpCo Note Makewhole Claims (if any) in full in Cash as provided in the Plan to the extent that any such Claim is Allowed after the Effective Date. For this reason, the Debtors submit that the Plan is feasible notwithstanding the fact that the Debtors will not "reserve" for any such Claims that may become Allowed Claims after the Effective Date.

classification of the Claims and Interests under the Plan complies with the requirements set forth in the Bankruptcy Code. Each of the Classes of Claims and Interests created by the Debtors encompass Claims or Interests, as applicable, that are substantially similar to the other Claims or Interests, as applicable, in each such Class. Furthermore, the Plan expressly permits the Debtors to combine one Class with another Class, or to substantively consolidate one Estate with another Estate, to the extent that it is necessary to confirm the Plan. Nevertheless, there can be no assurance that the Bankruptcy Court will reach the same conclusion. The Conditions Precedent to the Effective Date of the Plan May Not Occur.

As more fully set forth in Article IX of the Plan, the Effective Date is subject to a number of conditions precedent. If such conditions precedent are not met or waived, the Effective Date will not take place.

2. The Debtors May Fail to Satisfy Vote Requirements.

If votes are received in number and amount sufficient to enable the Bankruptcy Court to confirm the Plan, the Debtors intend to seek, as promptly as practicable thereafter, ~~C~~confirmation of the Plan. In the event that sufficient votes are not received, the Debtors may seek to confirm an alternative chapter 11 plan. There can be no assurance that the terms of any such alternative chapter 11 plan would be similar or as favorable to the holders of Allowed Claims and Existing HoldCo Common Stock as those proposed in the Plan.

3. The Debtors May Not Be Able to Secure Confirmation of the Plan.

Section 1129 of the Bankruptcy Code sets forth the requirements for confirmation of a chapter 11 plan, and requires, among other things, a finding by the Bankruptcy Court that: (a) such plan "does not unfairly discriminate" and is "fair and equitable" with respect to any non-accepting classes; (b) confirmation of such plan is not likely to be followed by a liquidation or a need for further financial reorganization unless such liquidation or reorganization is contemplated by the plan; and (c) the value of distributions to non-accepting holders of claims and equity interests within a particular class under such plan will not be less than the value of distributions such holders would receive if the Debtors were liquidated under chapter 7 of the Bankruptcy Code.

There can be no assurance that the requisite acceptances to confirm the Plan will be received. Even if the requisite acceptances are received, there can be no assurance that the Bankruptcy Court will confirm the Plan. A non-accepting holder of an Allowed Claim or Existing HoldCo Common Stock might challenge either the adequacy of this Disclosure Statement or whether the balloting procedures and voting results satisfy the requirements of the Bankruptcy Code or Bankruptcy Rules. Even if the Bankruptcy Court determines that this Disclosure Statement, the balloting procedures, and voting results are appropriate, the Bankruptcy Court could still decline to confirm the Plan if it finds that any of the statutory requirements for Confirmation are not met. If a chapter 11 plan of reorganization is not confirmed by the Bankruptcy Court, it is unclear whether the Debtors will be able to reorganize their business and what, if anything, holders of Allowed Claims and Interests against them would ultimately receive on account of such Allowed Claims and Interests.

CERTAIN PARTIES ASSERT THAT THE DISCLOSURE STATEMENT LACKS ADEQUATE INFORMATION REGARDING LIQUIDATION VALUES FOR EACH DEBTOR AND, THEREFORE, THAT A SEPARATE LIQUIDATION ANALYSIS IS REQUIRED FOR EACH DEBTOR TO DEMONSTRATE THAT THE PLAN SATISFIES THE BEST INTERESTS OF CREDITORS TEST.

The Committee asserts that the Disclosure Statement does not contain adequate information because the Liquidation Analysis has been prepared on a consolidated basis. The Bankruptcy Code requires the Debtors to demonstrate that the Plan is in the "best interests" of creditors, which requires that each holder of an Allowed Claim accept the Plan or receive or retain under the Plan property of a value, as of the Effective Date, that is not less than the amount that such holder would receive if the Debtors were liquidated under chapter 7 of the Bankruptcy Code. Whether the Liquidation Analysis is prepared on a consolidated basis or an individual debtor basis, even assuming that the analysis shows that any particular creditor's Allowed Claim would be satisfied in full in liquidation, the Plan still satisfies the best interests of creditors test, because the Plan proposes to satisfy all Allowed Claims in full (including all Allowed Claims against OpCo, which Claims the Debtors or the Reorganized Debtors, as applicable, will satisfy in full in Cash as provided in the Plan). To the extent that any party disputes whether the Plan will satisfy all Allowed Claims in full, the Debtors are prepared to meet their evidentiary burden (if any) with respect to such matters at the Confirmation Hearing. The rights of all parties are fully preserved with respect to such matters.

Confirmation of the Plan is also subject to certain conditions as described in Article IX of the Plan. If the Plan is not confirmed, it is unclear what distributions, if any, holders of Allowed Claims and Interests will receive on account of such Allowed Claims and Interests.

It is possible that other parties may object to confirmation of the Plan. The Debtors, subject to the terms and conditions of the Plan, reserve the right to modify (in accordance with the Bankruptcy Code) the terms and conditions of the Plan to the extent necessary to obtain Confirmation of the Plan. Any such modifications (which may include combining certain Classes with other Classes or substantively consolidating certain Estates~~,~~ (to the extent ~~that such actions are necessary to obtain Confirmation of the Plan)~~permitted by applicable law)) could result in an alternative treatment of any non-accepting Class, as well as any Class junior to such non-accepting Class, than the treatment currently provided in the Plan, without the need for the Debtors to resolicit the Plan. Such a less favorable treatment could include a distribution of ~~property with~~ a different type of consideration or combination of different types of consideration than currently provided in the Plan~~ or no distribution whatsoever under the Plan.~~.

~~**Certain parties (including the OpCo Group and an ad hoc committee of OpCo Noteholders) dispute whether the Debtors may modify the Plan in connection with the Confirmation Hearing in the manner set forth in the Plan.**~~ **The rights of all parties in interest with respect to ~~this matter~~any modification of the Plan, including the right to object to ~~C~~confirmation of the Plan on the grounds that any such modification is impermissible under the Bankruptcy Code and ~~whether~~that the Disclosure Statement ~~contains~~did not contain sufficient disclosure of any such potential modification~~s~~, are fully reserved and preserved in all respects.**

4. Nonconsensual Confirmation.

In the event that any impaired class of claims or interests does not accept a chapter 11 plan, a bankruptcy court may nevertheless confirm a plan at the proponents' request if at least one impaired class (as defined under section 1124 of the Bankruptcy Code) has accepted the plan (with such acceptance being determined without including the vote of any "insider" in such class), and, as to each impaired class that has not accepted the plan, the bankruptcy court determines that the plan "does not discriminate unfairly" and is "fair and equitable" with respect to the dissenting impaired class(es). The Debtors believe that the Plan satisfies these requirements, and the Debtors may request such nonconsensual Confirmation in accordance with subsection 1129(b) of the Bankruptcy Code. Nevertheless, there can be no assurance that the Bankruptcy Court will reach this conclusion. In addition, the pursuit of nonconsensual Confirmation or Consummation of the Plan may result in, among other things, increased expenses relating to professional compensation.

5. Continued Risk upon Confirmation.

Even if a chapter 11 plan of reorganization is consummated, the Debtors will continue to face a number of risks, including certain risks that are beyond their control, such as further deterioration or other changes in economic conditions, changes in the industry, potential revaluing of their assets due to chapter 11 proceedings, changes in consumer demand for, and acceptance of, their oil and gas, and increasing expenses. Some of these concerns and effects typically become more acute when a case under the Bankruptcy Code continues for a protracted period

without indication of how or when the case may be completed. As a result of these risks and others, there is no guarantee that a chapter 11 plan of reorganization reflecting the Plan will achieve the Debtors' stated goals.

In addition, at the outset of the Chapter 11 Cases, the Bankruptcy Code will give the Debtors the exclusive right to propose the Plan and will prohibit creditors and others from proposing a plan. The Debtors will have retained the exclusive right to propose the Plan upon filing their petitions for chapter 11 relief. If the Bankruptcy Court terminates that right, however, or the exclusivity period expires, there could be a material adverse effect on the Debtors' ability to achieve confirmation of the Plan to achieve the Debtors' stated goals.

Furthermore, even if the Debtors' debts are reduced and/or discharged through the Plan, the Debtors may need to raise additional funds through public or private debt or equity financing or other various means to fund the Debtors' business after the completion of the proceedings related to the Chapter 11 Cases. Adequate funds may not be available when needed or may not be available on favorable terms.

6. The Chapter 11 Cases May Be Converted to Cases under Chapter 7 of the Bankruptcy Code.

If the Bankruptcy Court finds that it would be in the best interest of creditors and/or the debtor in a chapter 11 case, the Bankruptcy Court may convert a chapter 11 bankruptcy case to a case under chapter 7 of the Bankruptcy Code. In such event, a chapter 7 trustee would be appointed or elected to liquidate the debtor's assets for distribution in accordance with the priorities established by the Bankruptcy Code. The Debtors believe that liquidation under chapter 7 would result in significantly smaller distributions being made to creditors than those provided for in a chapter 11 plan because of (a) the likelihood that the assets would have to be sold or otherwise disposed of in a disorderly fashion over a short period of time rather than reorganizing or selling in a controlled manner affecting the business as a going concern, (b) additional administrative expenses involved in the appointment of a chapter 7 trustee, and (c) additional expenses and Claims, some of which would be entitled to priority, that would be generated during the liquidation, and including Claims resulting from the rejection of Unexpired Leases and other Executory Contracts in connection with cessation of operations.

7. The Debtors May Object to the Amount or Classification of a Claim.

Except as otherwise provided in the Plan or the Disclosure Statement Order, the Debtors reserve the right to object to the amount or classification of any Claim under the Plan. The estimates set forth in this Disclosure Statement cannot be relied upon by any holder of a Claim where such Claim is subject to an objection. Any holder of a Claim which is subject to an objection, thus, may not receive its expected share of the estimated distributions described in this Disclosure Statement.

8. Risk of Non-Occurrence of the Effective Date.

Although the Debtors believe that the Effective Date may occur quickly after the Confirmation Date, there can be no assurance as to such timing or as to whether the Effective Date will, in fact, occur.

9. Contingencies Could Affect Votes of Impaired Classes to Accept or Reject the Plan.

The distributions available to holders of Allowed Claims and Existing HoldCo Common Stock under the Plan can be affected by a variety of contingencies, including, without limitation, whether the Bankruptcy Court orders certain Allowed Claims to be subordinated to other Allowed Claims and Existing HoldCo Common Stock. The occurrence of any and all such contingencies, which could affect distributions available to holders of Allowed Claims and Existing HoldCo Common Stock under the Plan, will not affect the validity of the vote taken by the Impaired Classes to accept or reject the Plan or require any sort of revote by the Impaired Classes.

The estimated Claims and Interests and creditor recoveries and equityholder treatments set forth in this Disclosure Statement are based on various assumptions, and the actual Allowed amounts of Claims may significantly differ from the estimates. Should one or more of the underlying assumptions ultimately prove to be incorrect, the actual Allowed amounts of Claims may vary from the estimated Claims contained in this Disclosure

Statement. Moreover, the Debtors cannot determine with any certainty at this time, the number, or amount, of Claims that will ultimately be Allowed. Such differences may materially and adversely affect, among other things, the percentage recoveries to holders of Allowed Claims and Existing HoldCo Common Stock under the Plan.

10. Releases, Injunctions, and Exculpations Provisions May Not Be Approved.

Article VIII of the Plan provides for certain releases, injunctions, and exculpations, including a release of liens and third-party releases that may otherwise be asserted against the Debtors, Reorganized Debtors, or Released Parties, as applicable. The releases, injunctions, and exculpations provided in the Plan are subject to objection by parties in interest and may not be approved. If the releases are not approved, certain Released Parties may withdraw their support for the Plan.

B. Risks Related to Recoveries under the Plan.

1. The Debtors May Not Be Able to Achieve Their Projected Financial Results.

With respect to holders of Interests in the Reorganized Debtors, the Reorganized Debtors may not be able to achieve their projected financial results. The Financial Projections set forth in this Disclosure Statement represent the Debtors' management team's best estimate of the Debtors' future financial performance, which is necessarily based on certain assumptions regarding the anticipated future performance of the Reorganized Debtors' operations, as well as the United States and world economies in general, and the particular industry segments in which the Debtors operate in particular. While the Debtors believe that the Financial Projections contained in this Disclosure Statement are reasonable, there can be no assurance that they will be realized. If the Debtors do not achieve their projected financial results, (a) the value of the New Common Stock may be negatively affected, (b) the Debtors may lack sufficient liquidity to continue operating as planned after the Effective Date, and (c) the Debtors may be unable to service their debt obligations as they come due. Moreover, the financial condition and results of operations of the Reorganized Debtors from and after the Effective Date may not be comparable to the financial condition or results of operations reflected in the Debtors' historical financial statements. The Reorganized Debtors' New Common Stock May Not Be Publicly Traded As of the Effective Date.

The Debtors will use commercially reasonable efforts to cause the New Common Stock to become publicly traded and listed on a national securities exchange on or as soon as reasonably practicable after the Effective Date. There can be no assurance that an active market for the New Common Stock will develop, nor can any assurance be given as to the prices at which such stock might be traded.

2. The Bankruptcy Court May Allow the OpCo Note Makewhole Claims, Which Could Significantly Reduce Recovery for the Debtors' Creditors and Equityholders.

The OpCo Note Purchase Agreement contains a so-called "make-whole" provision which, if enforceable in the Chapter 11 Cases, may entitle the OpCo Noteholders to a significant unsecured damages claim. The Plan provides that any potential OpCo Note Makewhole Claim will be satisfied in full in Cash after a determination by the Bankruptcy Court with respect to the Allowed amount of any OpCo Note Makewhole Claims (if any). It is possible the Bankruptcy Court may Allow the OpCo Note Makewhole Claims. In such case, the Plan provides that holders of Allowed OpCo Note Makewhole Claims (if any) shall receive an amount of Cash equal to the amount of Allowed OpCo Note Makewhole Claims held by such holders. Thus, if the Debtors are required to satisfy the make-whole claim, the Reorganized Debtors would emerge from chapter 11 with a higher amount of funded indebtedness incurred to satisfy such Claims in full in Cash as provided under the Plan.

3. Federal Income Tax Consequences of the Plan.

For a detailed description of the effect consummation of the Plan may have on the Debtors' tax attributes, see "*Certain United States Federal Income Tax Consequences of the Plan*," which begins on page 70 herein.

4. The Debtors May Not Be Able to Accurately Report Their Financial Results.

The Debtors have established internal controls over financial reporting. However, internal controls over financial reporting may not prevent or detect misstatements or omissions in the Debtors' financial statements because of their inherent limitations, including the possibility of human error, and the circumvention or overriding of controls or fraud. Therefore, even effective internal controls can provide only reasonable assurance with respect to the preparation and fair presentation of financial statements. Although the Debtors do not anticipate this condition occurring, if the Debtors fail to maintain the adequacy of their internal controls, the Debtors may be unable to provide financial information in a timely and reliable manner within the time periods required for the Debtors' financial reporting under SEC rules and regulations and the terms of the agreements governing the Debtors' indebtedness. Any such difficulties or failure could materially adversely affect the Debtors' business, results of operations, and financial condition.

C. Risks Related to the Debtors' and the Reorganized Debtors' Businesses.

1. The Debtors May Not Be Able to Generate Sufficient Cash to Service All of Their Indebtedness (Including General Unsecured Claims That Are Disputed As of the Effective Date and That Become Allowed After the Effective Date).

The Reorganized Debtors will emerge from chapter 11 carrying approximately a $600 million Exit Term Loan, a $400 million Exit Revolver, and a $1.4 billion Exit Bridge which will otherwise convert into unsecured term loans, in accordance with the terms of the Exit Facility Documents. The aggregate principal amount of commitments under the Exit Bridge will be reduced by any Exit Notes issued in accordance with the Exit Facility Documents. The Debtors' ability to make scheduled payments on, or refinance their debt obligations, including the Exit Facility, depends on the Debtors' financial condition, available cash reserves, access to additional funding, and operating performance, which are subject to prevailing economic, industry, and competitive conditions and to certain financial, business, legislative, regulatory, and other factors beyond the Debtors' control (including the factors discussed in Article X, which begins on page 45 hereof). The Debtors may be unable to maintain a level of cash flow from operating activities sufficient to permit the Debtors to pay the principal, premium, if any, and interest on their indebtedness, including the Exit Facility.

2. The Debtors Will Be Subject to the Risks And Uncertainties Associated with the Chapter 11 Cases.

For the duration of the Chapter 11 Cases, the Debtors' ability to operate, develop, and execute a business plan, and continue as a going concern, will be subject to the risks and uncertainties associated with bankruptcy. These risks include the following: (a) ability to develop, confirm, and consummate the restructuring transactions specified in the Plan or an alternative restructuring transaction; (b) ability to obtain court approval with respect to motions filed in the Chapter 11 Cases from time to time; (c) ability to maintain relationships with suppliers, service providers, customers, employees, royalty interest holders, working interest holders, and other third parties; (d) ability to maintain contracts that are critical to the Debtors' operations; (e) ability of third parties to seek and obtain court approval to terminate contracts and other agreements with the Debtors; (f) ability of third parties to seek and obtain court approval to terminate or shorten the exclusivity period for the Debtors to propose and confirm a chapter 11 plan, to appoint a chapter 11 trustee, or to convert the Chapter 11 Cases to chapter 7 proceedings; and (g) the actions and decisions of the Debtors' creditors and other third parties who have interests in the Chapter 11 Cases that may be inconsistent with the Debtors' plans.

These risks and uncertainties could affect the Debtors' businesses and operations in various ways. For example, negative events associated with the Chapter 11 Cases could adversely affect the Debtors' relationships with suppliers, service providers, customers, employees, and other third parties, which in turn could adversely affect the Debtors' operations and financial condition. Also, the Debtors will need the prior approval of the Bankruptcy Court for transactions outside the ordinary course of business, which may limit the Debtors' ability to respond timely to certain events or take advantage of certain opportunities. Because of the risks and uncertainties associated with the Chapter 11 Cases, the Debtors cannot accurately predict or quantify the ultimate impact of events that occur during the Chapter 11 Cases that may be inconsistent with the Debtors' plans.

3. Operating in Bankruptcy for a Long Period of Time May Harm the Debtors' Businesses.

The Debtors' future results will be dependent upon the successful confirmation and implementation of a plan of reorganization. A long period of operations under Bankruptcy Court protection could have a material adverse effect on the Debtors' businesses, financial condition, results of operations, and liquidity. So long as the proceedings related to the Chapter 11 Cases continue, senior management will be required to spend a significant amount of time and effort dealing with the reorganization instead of focusing exclusively on business operations. A prolonged period of operating under Bankruptcy Court protection also may make it more difficult to retain management and other key personnel necessary to the success and growth of the Debtors' businesses. In addition, the longer the proceedings related to the Chapter 11 Cases continue, the more likely it is that customers and suppliers will lose confidence in the Debtors' ability to reorganize their businesses successfully and will seek to establish alternative commercial relationships.

So long as the proceedings related to the Chapter 11 Cases continue, the Debtors will be required to incur substantial costs for professional fees and other expenses associated with the administration of the Chapter 11 Cases. The chapter 11 proceedings may also require the Debtors to seek debtor-in-possession financing to fund operations. If the Debtors are unable to obtain such financing on favorable terms or at all, the chances of successfully reorganizing the Debtors' businesses may be seriously jeopardized, the likelihood that the Debtors will instead be required to liquidate their assets may be enhanced, and, as a result, creditor recoveries may be significantly impaired.

Furthermore, the Debtors cannot predict the ultimate amount of all settlement terms for the liabilities that will be subject to a plan of reorganization. Even after a plan of reorganization is approved and implemented, the Debtors' operating results may be adversely affected by the possible reluctance of prospective lenders and other counterparties to do business with a company that recently emerged from bankruptcy protection.

4. Financial Results May Be Volatile and May Not Reflect Historical Trends.

During the Chapter 11 Cases, the Debtors expect that their financial results will continue to be volatile as asset impairments, asset dispositions, restructuring activities and expenses, contract terminations and rejections, and claims assessments may significantly impact the Debtors' consolidated financial statements. As a result, the Debtors' historical financial performance likely will not be indicative of their financial performance after the Petition Date.

In addition, if the Debtors emerge from chapter 11, the amounts reported in subsequent consolidated financial statements may materially change relative to historical consolidated financial statements, including as a result of revisions to the Debtors' operating plans pursuant to a plan of reorganization. The Debtors also may be required to adopt fresh start accounting, in which case their assets and liabilities will be recorded at fair value as of the fresh start reporting date, which may differ materially from the recorded values of assets and liabilities on the Debtors' consolidated balance sheets. The Debtors' financial results after the application of fresh start accounting also may be different from historical trends.

5. The Debtors Will Need Adequate Liquidity to Execute Their Business Plan.

The Debtors' principal sources of liquidity historically have been cash flow from operations, their revolving credit facility, and the issuances of debt securities. Since filing for chapter 11, the Debtors have increased their cash on hand substantially from operations despite continuing a capital program and incurring professional fees related to the Chapter 11 Cases. The Debtors plan to significantly increase their capital budget upon emergence from chapter 11 in order to accelerate production and increase cash flows from operations. The Debtors' future capital program is expected to be self-funding at current futures prices for crude oil and natural gas. The majority of the Debtors' capital expenditures are discretionary and uncommitted, which allows them the flexibility to adjust their capital spending to match their operational cash flow and market dynamics. Also, since the vast majority of their acreage is held by production, the Debtors are not obligated to drill wells to hold acreage. This factor, along with their role as operator of such a significant portion of their acreage, allows the Debtors almost complete control of their capital allocation.

The Debtors' ability to maintain adequate liquidity depends, in part, upon industry conditions and general economic, financial, competitive, regulatory, and other factors beyond the Debtors' control. The Debtors' liquidity, including the ability to meet ongoing operational obligations, will be dependent upon, among other things: (a) ability to maintain adequate cash on hand; (b) ability to generate cash flow from operations; (c) ability to develop, confirm, and consummate a chapter 11 plan or other alternative restructuring. Furthermore, the Debtors' liquidity is contingent upon the proceeds of the Exit Facility. Without approval of the Exit Facility and the Exit Facility Documents under the Confirmation Order, the Debtors will have insufficient funds to maintain adequate liquidity to fund the Plan.

In the event that cash on hand and cash flow from operations are not sufficient to meet the Debtors' liquidity needs, the Debtors may be required to seek additional financing. The Debtors may seek to enter into a revolving credit facility, effective as of or after the Effective Date, the implementation of which would require the consent of the Required Consenting Parties. However, the Debtors can provide no assurance that a revolving credit facility or other financing would be available or, if available, offered to the Debtors on acceptable terms.

6. **Drilling For and Producing Natural Gas and Crude Oil Are High Risk Activities with Many Uncertainties That Could Adversely Affect the Debtors' Business, Financial Condition or Results of Operations**.

The Debtors' oil and natural gas operations are subject to all of the risks and hazards typically associated with drilling, completion, production and transportation of, oil and natural gas. These risks include blowouts, fire, explosion, pipe failure, casing collapse, abnormally pressured formations, and environmental hazards such as oil spills, natural gas leaks, discharges of toxic gases, underground migration and surface spills or mishandling of fracture fluids, including chemical additives. The Debtors' operations could also be interrupted by severe weather, natural disasters, or drilling restrictions. The Debtors' operations are conducted primarily in the Rocky Mountain region of the United States. The Debtors also have properties in the north-central Pennsylvania area of the Appalachian Basin. The weather in these areas can be extreme and can cause interruption in the Debtors' exploration and production operations. Severe weather can result in damage to their facilities entailing longer operational interruptions and significant capital investment.

These risks of the oil and gas industry also include the necessity of spending large amounts of money for identification and acquisition of properties and for drilling and completion of wells and risks and uncertainty associated with marketing any production that is obtained. In the drilling and completing of wells, failures and losses may occur before any deposits of oil or natural gas are found and produced. If oil or natural gas is encountered, there can be no assurance that it can be produced in quantities sufficient to justify the cost of continuing such operations or that it can be marketed satisfactorily.

The occurrence of any or several of these events with respect to any property the Debtors own or operate (in whole or in part) could have a material adverse impact on the Debtors. The Debtors and the operators of their properties maintain insurance in accordance with customary industry practices and in amounts that the Debtors' management believes to be reasonable. However, insurance coverage is not always economically feasible and is not obtained to cover all types of operational risks. The occurrence of a significant event that is not fully insured could have a material adverse effect on the Debtors' financial condition.

7. **Natural Gas and Crude Oil Prices Can Fluctuate Widely Due to a Number of Factors That Are Beyond the Debtors' Control, and Depressed or Declining Natural Gas or Crude Oil Prices Could Significantly Affect the Debtors' Financial Condition and Results of Operations**.

The price the Debtors receive for their oil and natural gas heavily influences their revenue, profitability, access to capital and future rate of growth. Oil and natural gas are commodities and, therefore, their prices are subject to wide fluctuations in response to relatively minor changes in supply and demand. Historically, the markets for oil and natural gas have been volatile. For example, spot natural gas prices during 2015 ranged from a high of $3.30 to a low of $1.54 per MMBtu and the spot oil prices during 2015 ranged from a high of $61.43 to a low of $34.73 per Bbl. During 2016, commodity prices have continued to be volatile, with spot natural gas prices ranging

as low as $1.81 per MMBtu and the spot oil prices ranging as low as $26.21 per Bbl earlier this year. These markets will likely continue to be volatile in the future.

The prices the Debtors receive for their production and the levels of the Debtors' production depend on numerous factors beyond the Debtors' control. These factors include the following:

- worldwide and regional economic conditions impacting the global supply and demand for oil and natural gas;
- the actions of the Organization of Petroleum Exporting Countries;
- the price and quantity of imports of foreign oil and natural gas;
- political conditions in or affecting other oil and natural gas-producing countries;
- the level of global oil and natural gas exploration and production;
- the level of global oil and natural gas inventories;
- localized supply and demand fundamentals and transportation availability;
- weather conditions and natural disasters;
- domestic, local and foreign governmental regulations and taxes;
- speculation as to the future price of oil and natural gas and the speculative trading of oil and natural gas futures contracts;
- price and availability of competitors' supplies of oil and natural gas;
- technological advances affecting energy consumption; and
- the price and availability of alternative fuels.

Substantially all of the Debtors' production is currently sold at market based prices. Lower oil and natural gas prices reduce their cash flows, borrowing ability and the present value of their reserves. Lower oil and natural gas prices also reduce the amount of oil and natural gas the Debtors can produce economically. Substantial decreases in oil and natural gas prices could render uneconomic a significant portion of the Debtors' identified drilling locations, and may cause the Debtors to make significant downward adjustments to their estimated proved reserves or to be unable to claim proved undeveloped reserves at all. If oil and natural gas prices experience a substantial or extended decline from current levels, the Debtors' future business, financial condition, results of operations, liquidity or ability to finance planned capital expenditures will be materially and adversely affected.

Natural gas comprised approximately 93 percent of the Debtors' total production for its fiscal year ended December 31, 2015 and represented 92 percent of the Debtors' total proved reserves as of December 31, 2015. Crude oil comprised approximately 7.3 percent of the Debtors' total production for the fiscal year ended December 31, 2015 and represented 5 percent of the Debtors' total proved reserves as of December 31, 2015. Crude oil prices declined substantially during 2015 and have remained very low during the first months of 2016. Most of the production from the Debtors' Uinta Basin properties is crude oil.

Volatility of natural gas and crude oil prices also makes it difficult to budget for and project the return on potential acquisitions and development and exploration projects, and sustained lower natural gas prices have caused and may, in the future continue to cause, the Debtors and/or the operators of properties in which the Debtors have ownership interests to curtail projects and limit or suspend drilling, completion or even production activities.

8. Unless the Debtors Are Able to Replace Reserves They Have Produced, Their Cash Flows and Production Will Decrease over Time. The Debtors Will Be Required to Make Substantial Capital Expenditures to Develop Their Existing Reserves and to Discover New Oil and Gas Reserves. The Debtors May Not Be Able to Replace Their Reserves or Generate Cash Flows If They Are Unable to Raise Capital.

The Debtors' future success depends on their ability to find, acquire, develop and produce additional oil and gas reserves that are economically recoverable. Without successful exploration, development or acquisition activities, the Debtors' reserves and production will decline. The Debtors' ability to continue exploration and development of their properties and to replace reserves depends upon their ability to fund the related and substantial capital expenditures for such activities. Continued periods of depressed commodity prices or further commodity price decreases could have a material adverse effect on the Debtors' ability to fund such capital expenditures. Without the ability to fund capital expenditures, the Debtors will be unable to replace reserves and production. There can also be no assurance that the Debtors will be able to fund the capital expenditures necessary to allow further exploration and development of their properties.

9. The Debtors' Reserve Estimates May Be Incorrect If the Assumptions upon Which These Estimates Are Based Are Inaccurate. Any Material Inaccuracies in These Reserve Estimates or Underlying Assumptions Will Materially Affect the Quantities and Present Value of the Debtors' Reserves.

There are numerous uncertainties inherent in estimating quantities of proved reserves and projected future rates of production and timing of development expenditures, including many factors beyond the Debtors' control. The reserve data and standardized measures set forth herein represent only estimates. Reserve engineering is a subjective process of estimating underground accumulations of oil and natural gas that cannot be measured in an exact way and the accuracy of any reserve estimate is a function of the quality of available data and of engineering and geological interpretation and judgment. As a result, estimates of different engineers often vary. In addition, drilling, testing and production data acquired subsequent to the date of an estimate may justify revising such estimates. Accordingly, reserve estimates are often different from the quantities of oil, natural gas and natural gas liquids ("NGLs") that are ultimately recovered. Further, the estimated future net revenues from proved reserves and the present value thereof are based upon certain assumptions, including geologic success, the timing and identification of future drilling locations, commodity prices, future production levels, costs and the ability to finance future development that may not prove correct over time. Predictions of future production levels, development schedules (particularly with regard to non-operated properties), commodity prices and future operating costs are subject to great uncertainty, and the meaningfulness of such estimates is highly dependent upon the accuracy of the assumptions upon which they are based.

The present value of net proved reserves included any of the Debtors' reserve reports should not be considered as the market value of the reserves attributable to the Debtors' properties. In accordance with SEC requirements, the Debtors base the present value, discounted at 10 percent, of the pre-tax future net cash flows attributable to their net proved reserves on the average oil and natural gas prices during the 12-month period before the ending date of the period covered by this report determined as an un-weighted, arithmetic average of the first-day-of-the-month price for each month within such period, adjusted for quality and transportation fees. The costs to produce the reserves remain constant at the costs prevailing on the date of the estimate. Actual current and future commodity prices and costs may be materially higher or lower, and higher future costs and/or lower future commodity prices may impact whether development of the Debtors' reserves in the future occurs as scheduled or at all. In addition, the 10 percent discount factor, which the SEC requires the Debtors to use in calculating their discounted future net revenues for reporting purposes, may not be the most appropriate discount factor based on the Debtors' cost of capital from time to time and/or the risks associated with the Debtors business.

10. The Debtors May Fail To Fully Identify Problems with Any Properties They Acquire. For Example, the Debtors' Acquisitions May Perform Worse Than They Expected or Prove to Be Worth Less Than What the Debtors Paid Because of Uncertain Factors and Matters Beyond the Debtors' Control. In Addition, the Debtors' Acquisitions May Expose Them to Potentially Significant Liabilities.

The Debtors acquired a portion of the Debtors' acreage position in Wyoming, Pennsylvania, and Utah through property acquisitions and acreage trades, and the Debtors may acquire additional acreage in these or other regions in the future. Although the Debtors conduct a review of properties they acquire which they believe is consistent with industry practices, the Debtors can give no assurance that they have identified or will identify all existing or potential problems associated with such properties or that they will be able to mitigate any problems they do identify. When the Debtors make acquisitions of oil and gas properties, they make assumptions about many uncertain factors, including estimates of recoverable reserves, expected timing of recovering acquired reserves, future commodity prices, expected development and operating costs, and other matters, many of which are beyond their control. Assumptions about uncertain factors may be wrong, and the properties the Debtors acquire may perform worse than they expect, materially and adversely affecting their operations and financial condition.

11. Competitive Industry Conditions May Negatively Affect The Debtors' Ability to Conduct Operations and to Execute Their Business Plan.

The Debtors compete with numerous other companies in virtually all facets of their business. Their competitors in development, exploration, acquisitions and production include major integrated oil and natural gas companies as well as numerous independents, including many that have significantly greater resources. Therefore, competitors may be able to pay more for desirable leases and evaluate, bid for and purchase a greater number of properties or prospects than the Debtors' financial or personnel resources permit. The Debtors also compete for the materials, equipment and services that are necessary for the exploration, development and operation of their properties. The Debtors' ability to increase reserves in the future will be dependent on their ability to select and acquire suitable prospects for future exploration and development.

12. Compliance with Legislation and Regulatory Actions, Including Environmental and Other Government Regulations, Could Be Costly and Could Negatively Impact the Debtors' Financial Condition and Operations.

The Debtors' operations are subject to numerous laws and regulations, including laws and regulations relating to environmental protection and other governmental regulations. These laws and regulations, which are continuously being reviewed for amendment and/or expansion, may require that the Debtors obtain permits before developing their properties, restrict substances that can be released into the environment in connection with the Debtors' drilling, completion and/or production activities, limit or prohibit the Debtors' drilling activities on protected areas such as wetlands or wilderness areas, and require remedial measures to mitigate pollution from former operations, such as plugging abandoned wells.

Under these laws and regulations or under the common law, the Debtors could be liable for personal injury and clean-up costs and other environmental, natural resource and property damages, as well as administrative, civil and criminal penalties. The Debtors could also be affected by more stringent laws and regulations adopted in the future, including any related to climate change, engine emissions, greenhouse gases and hydraulic fracturing. The Debtors maintain limited insurance coverage for sudden and accidental environmental damages, but do not maintain insurance coverage for the full potential liability that could be caused by accidental environmental damages. Accordingly, the Debtors may be subject to liability in excess of their insurance coverage or may be required to cease production from properties in the event of environmental damages.

A significant percentage of the Debtors' operations are conducted on federal and state lands. These operations are subject to a wide variety of regulations as well as other permits and authorizations which must be obtained from and issued by state and federal agencies. To conduct these operations, the Debtors may be required to file applications for permits, seek agency authorizations and comply with various other statutory and regulatory requirements. Complying with any of these requirements may adversely affect the Debtors' ability to complete their drilling programs at the costs and in the time periods anticipated.

13. Federal Legislation and State Legislative and Regulatory Initiatives Relating to Hydraulic Fracturing Could Result in Increased Costs and Additional Operating Restrictions or Delays.

The Debtors use hydraulic fracturing to stimulate production of hydrocarbons, particularly natural gas, from tight formations in their properties. The process involves the injection of water, sand and chemicals under pressure into formations to fracture the surrounding rock and stimulate production. The process is typically regulated by state oil and gas commissions but is not subject to regulation at the federal level (except for fracturing activity involving the use of diesel). The U.S. Environmental Protection Agency ("EPA") has commenced a study of the potential environmental impacts of hydraulic fracturing activities and has released a draft report; the final study has not yet been released. A committee of the U.S. House of Representatives is also conducting an investigation of hydraulic fracturing practices. In past sessions, legislation was introduced before Congress to provide for federal regulation of hydraulic fracturing and to require disclosure of the chemicals used in the fracturing process. In addition, some states have adopted, and other states are considering adopting, regulations that could restrict hydraulic fracturing in certain circumstances. Pennsylvania has adopted a variety of regulations limiting how and where fracturing can be performed. Wyoming has adopted regulations requiring producers to provide detailed information about wells they hydraulically fracture in that state. Some states have adopted or are considering adopting regulations requiring disclosure of chemicals in fluids used in hydraulic fracturing or other restrictions on drilling and completion operations, including requirements regarding casing and cementing of wells; testing of nearby water wells; restrictions on access to, and usage of, water; and restrictions on the type of chemical additives that may be used in hydraulic fracturing operations.

Any new laws or regulations that significantly restrict hydraulic fracturing could make it more difficult or costly for the Debtors to perform hydraulic fracturing activities and thereby affect their determination of whether a well is commercially viable. In addition, if hydraulic fracturing is regulated at the federal level, the Debtors' fracturing activities could become subject to additional permit requirements or operational restrictions and also to associated permitting delays and potential increases in costs. The Debtors have conducted hydraulic fracturing operations on most of their existing wells, and they anticipate conducting hydraulic fracturing operations on substantially all of their future wells. As a result, restrictions on hydraulic fracturing could reduce the amount of oil and natural gas that the Debtors are ultimately able to produce in commercial quantities and adversely affect their operations and financial condition.

14. The Reorganized Debtors May Be Adversely Affected by Potential Litigation, Including Litigation Arising out of the Chapter 11 Cases.

The Debtors are currently subject to or interested in certain legal proceedings, some of which may adversely affect the Debtors. For example, on December 29, 2016, an adversary proceeding against HoldCo, OpCo, and UP Energy Corporation was initiated seeking a determination by the Bankruptcy Court of whether the OpCo Note Makewhole Claims on account of the OpCo Funded Debt Claims are valid and enforceable and should be Allowed in the amount ~~in excess~~ of not less than $200~~ million~~,725,869 plus postpetition interest thereon at the contractual Default Rate. The Debtors filed their Motion to Dismiss in response thereto on on January 30, 2017~~,~~ ~~which motion~~. A status conference with respect to the adversary proceeding is ~~set~~scheduled for ~~hearing on~~ February 16, 2017, at 2:00 p.m. (prevailing Central Time).

In the future, the Reorganized Debtors may become party to litigation. In general, litigation can be expensive and time consuming to bring or defend against. Such litigation could result in settlements or damages that could significantly affect the Reorganized Debtors' financial results. It is also possible that certain parties will commence litigation with respect to the treatment of their Claims and Interests under the Plan. It is not possible to predict the potential litigation that the Reorganized Debtors may become party to, nor the final resolution of such litigation. The impact of any such litigation on the Reorganized Debtors' businesses and financial stability, however, could be material.

15. The Loss of Key Personnel Could Adversely Affect the Debtors' Operations.

The Debtors' operations are dependent on a relatively small group of key management personnel, including the Debtors' executive officers. The Debtors' recent liquidity issues and the Chapter 11 Cases have created

distractions and uncertainty for key management personnel and employees. As a result, the Debtors have experienced and may continue to experience increased levels of employee attrition. Because competition for experienced personnel in the oil and gas industry can be significant, the Debtors may be unable to find acceptable replacements with comparable skills and experience and the loss of such key management personnel could adversely affect the Debtors' ability to operate their businesses. In addition, a loss of key personnel or material erosion of employee morale at the corporate and/or field levels could have a material adverse effect on the Debtors' ability to meet customer and counterparty expectations, thereby adversely affecting the Debtors' businesses and the results of operations.

16. Certain Claims May Not Be Discharged and Could Have a Material Adverse Effect on the Debtors' Financial Condition and Results of Operations.

The Bankruptcy Code provides that the confirmation of a plan of reorganization discharges a debtor from substantially all debts arising prior to confirmation. With few exceptions, all claims that arise prior to the Debtors' filing a petition for reorganization under the Bankruptcy Code or before confirmation of the plan of reorganization (a) would be subject to compromise and/or treatment under the plan of reorganization and/or (b) would be discharged in accordance with the terms of the plan of reorganization. Any claims not ultimately discharged through a plan of reorganization could be asserted against the reorganized entity and may have an adverse effect on the Reorganized Debtors' financial condition and results of operations on a post-reorganization basis.

IN RESPONSE TO AN INQUIRY FROM THE UNITED STATES GOVERNMENT, THE DEBTORS INTEND TO INCLUDE THE FOLLOWING RESERVATION OF RIGHTS IN THE PLAN:

Nothing in the Confirmation Order or the Plan discharges, releases, precludes, or enjoins: (i) any liability to any Governmental Unit that is not a Claim; (ii) any Claim of a Governmental Unit arising on or after the Effective Date; (iii) any police or regulatory liability to a Governmental Unit that any Entity would be subject to under applicable non-bankruptcy law as the owner or operator of property after the Effective Date; or (iv) any liability to a Governmental Unit under applicable non-bankruptcy law on the part of any Entity other than the Debtors or Reorganized Debtors. Nor shall anything in the Confirmation Order or the Plan enjoin or otherwise bar a Governmental Unit from asserting or enforcing, outside this Court, any liability described in the preceding sentence. Nothing in the Confirmation Order or the Plan shall affect any setoff or recoupment rights of any Governmental Unit under section 553 of the Bankruptcy Code or applicable non-bankruptcy law. Nothing in the Confirmation Order or the Plan divests any tribunal of any jurisdiction it may have under police or regulatory law to adjudicate any defense asserted under the Confirmation Order or the Plan. Nothing in the Confirmation Order or the Plan shall require the United States to file a request for the payment of an expense described in section 503(b)(1)(B) or (C) of the Bankruptcy Code as a condition of it being an Allowed Administrative Claim.

XI. SOLICITATION AND VOTING PROCEDURES.

This Disclosure Statement, which is accompanied by a Ballot or Ballots to be used for voting on the Plan, is being distributed to the holders of Claims and Interests in those Classes that are entitled to vote to accept or reject the Plan. The procedures and instructions for voting and related deadlines are set forth in the exhibits annexed to the Disclosure Statement Order, which is attached hereto as **Exhibit C**.

The Disclosure Statement Order is incorporated herein by reference and should be read in conjunction with this Disclosure Statement and in formulating a decision to vote to accept or reject the Plan.

THE DISCUSSION OF THE SOLICITATION AND VOTING PROCESS SET FORTH IN THIS DISCLOSURE STATEMENT IS ONLY A SUMMARY.
PLEASE REFER TO THE DISCLOSURE STATEMENT ORDER ATTACHED HERETO FOR A MORE COMPREHENSIVE DESCRIPTION OF THE SOLICITATION AND VOTING PROCESS.

A. Holders of Claims and Interests Entitled to Vote on the Plan.

Under the provisions of the Bankruptcy Code, not all holders of claims against or interests in a debtor are entitled to vote on a chapter 11 plan. The table in section III.C of this Disclosure Statement, which begins on page 9 hereof, provides a summary of the status and voting rights of each Class (and, therefore, of each holder within such Class absent an objection to the holder's Claim or Interest, as applicable) under the Plan.

As shown in the table, the Debtors are soliciting votes to accept or reject the Plan only from holders of Claims and Interests in Classes 3, 6, 7, 8 and 9 (collectively, the "Voting Classes"). The holders of Claims and Interests in the Voting Classes are Impaired under the Plan and may, in certain circumstances, receive a distribution under the Plan. Accordingly, holders of Claims and Interests in the Voting Classes have the right to vote to accept or reject the Plan.

The Debtors are ***not*** soliciting votes from holders of Claims and Interests in Classes 1, 2, 4, and 5. Additionally, the Disclosure Statement Order provides that certain holders of Claims and Interests in the Voting Classes, such as those holders whose Claims or Interests have been disallowed or are subject to a pending objection, are not entitled to vote to accept or reject the Plan.

B. Voting Record Date.

The order approving the Disclosure Statement will provide that the voting record date is [ ]. The voting record date under the order approving the Disclosure Statement is the date on which it will be determined which holders of Claims and Interests in the Voting Classes are entitled to vote to accept or reject the Plan and whether Claims and Interests have been properly assigned or transferred under Bankruptcy Rule 3001(e) such that an assignee or transferee, as applicable, can vote to accept or reject the Plan as the holder of a Claim or Interest.

C. Voting on the Plan.

The order approving the Disclosure Statement will provide that the deadline to vote on the Plan is [ ]March 13, 2017 at 4:00 p.m. (prevailing Central Time). To be counted as votes to accept or reject the Plan, all ballots must be properly executed, completed, and delivered in accordance with the instructions on your ballot so that the ballots are **actually received** by the Debtors' voting and claims agent (the "Voting and Claims Agent") on or before the deadline to vote on the Plan under the order approving the Disclosure Statement.

D. Ballots Not Counted.

No ballot will be counted toward Confirmation if, among other things: (1) it is illegible or contains insufficient information to permit the identification of the holder of the Claim or Interest; (2) it was transmitted by facsimile, email, or other electronic means not specifically approved pursuant to the Disclosure Statement Order; (3) it was cast by an entity that is not entitled to vote on the Plan; (4) it was cast for a Claim or Interest listed in the Debtors' schedules as contingent, unliquidated, or disputed for which the applicable Bar Date has passed and no Proof of Claim was timely filed; (5) it was cast for a Claim that is subject to an objection pending as of the voting record date (unless temporarily allowed in accordance with the Disclosure Statement Order); (6) it was sent to the Debtors, the Debtors' agents/representatives (other than the Voting and Claims Agent), an indenture trustee, or the Debtors' financial or legal advisors instead of the Voting and Claims Agent; (7) it is unsigned; or (8) it is not clearly marked to either accept or reject the Plan or it is marked both to accept and reject the Plan. **Please refer to the Disclosure Statement Order for additional requirements with respect to voting to accept or reject the Plan.**

IF YOU HAVE ANY QUESTIONS ABOUT THE SOLICITATION OR VOTING PROCESS, PLEASE CONTACT THE VOTING AND CLAIMS AGENT TOLL-FREE (844) 276-3028. ANY BALLOT RECEIVED AFTER THE VOTING DEADLINE OR OTHERWISE NOT IN COMPLIANCE WITH THE SOLICITATION ORDER WILL NOT BE COUNTED.

XII. CONFIRMATION OF THE PLAN.

A. Requirements for Confirmation of the Plan.

Among the requirements for Confirmation of the Plan pursuant to section 1129 of the Bankruptcy Code are: (1) the Plan is accepted by all Impaired Classes of Claims or Interests, or if rejected by an Impaired Class, the Plan "does not discriminate unfairly" and is "fair and equitable" as to the rejecting Impaired Class; (2) the Plan is feasible; and (3) the Plan is in the "best interests" of holders of Claims and Interests.

At the Confirmation Hearing, the Bankruptcy Court will determine whether the Plan satisfies all of the requirements of section 1129 of the Bankruptcy Code. The Debtors believe that: (1) the Plan satisfies, or will satisfy, all of the necessary statutory requirements of chapter 11; (2) the Debtors have complied, or will have complied, with all of the necessary requirements of chapter 11; and (3) the Plan has been proposed in good faith.

CERTAIN PARTIES ASSERT THAT THE PLAN HAS NOT BEEN PROPOSED IN GOOD FAITH. THE OPCO GROUP'S ARGUMENTS WITH RESPECT TO SUCH MATTERS ARE SET FORTH IN, AMONG OTHER THINGS, ITS MOTION PURSUANT TO BANKRUPTCY RULE 3013 [DOCKET NO. 878] AND ITS MOTION FOR THE APPOINTMENT OF A CHAPTER 11 TRUSTEE AT OPCO [DOCKET NO. 875].

The Debtors strongly disagree with this characterization and believe that the Plan has been proposed in good faith. As explained in greater detail in the Debtors' objection to the OpCo Group's motion to appoint a chapter 11 trustee [Docket No. 941], there is not a "conflict" of any type between HoldCo and OpCo and the "conflicts" alleged by the OpCo Group are not conflicts at all and do not harm any stakeholders (let alone the OpCo Group). Furthermore, there is no deadlocked OpCo (or any other Debtor) board; instead, the Debtors' boards and management have functioned quite appropriately in negotiating and filing a Plan that calls for the payment in full of all claims against all Debtors and a substantial recovery for owners of Holdco equity. Furthermore, as to the alleged "conflicts" based on Messrs. Watford and Shaw's ownership of Existing HoldCo Common Stock, this is no different than employee-directors of other debtor-subsidiaries in complex chapter 11 cases who hold the equity in their respective upstream debtor entities. Finally, any awards under the the proposed Management Incentive Plan, which is subject to confirmation by the Bankruptcy Court as part of the Confirmation Hearing, are subject to approval by HoldCo's (and reorganized HoldCo's) boards, will have no impact whatsoever on any recovery to members of the OpCo Group, and will dilute only the owners of reorganized HoldCo (the majority of whom includes the parties to the PSA who negotiated the terms of the Plan).

For these reasons, the Debtors submit that the interests of OpCo and HoldCo are completely aligned.

The rights of all parties in interest with respect to this matter, including the right to object to ~~C~~confirmation of the Plan on the grounds that the Plan has not been proposed in good faith and whether the Disclosure Statement contains sufficient disclosure regarding this matter, are fully reserved and preserved in all respects.

B. Best Interests of Creditors/Liquidation Analysis.

Often called the "best interests" test, section 1129(a)(7) of the Bankruptcy Code requires that a bankruptcy court find, as a condition to confirmation, that a chapter 11 plan provides, with respect to each impaired class, that each holder of a claim or an equity interest in such impaired class either (1) has accepted the plan or (2) will receive or retain under the plan property of a value that is not less than the amount that the non-accepting holder would receive or retain if the Debtors liquidated under chapter 7 of the Bankruptcy Code. Attached hereto as **Exhibit F** and incorporated herein by reference is a liquidation analysis (the "Liquidation Analysis"). As reflected in the Liquidation Analysis, the Debtors believe that liquidation of the Debtors' businesses under chapter 7 of the Bankruptcy Code would result in substantial diminution in the value to be realized by holders of Claims and Interests as compared to distributions contemplated under the Plan. Consequently, the Debtors and their management believe that Confirmation of the Plan will provide a substantially greater return to holders of Claims and Interests than would a liquidation under chapter 7 of the Bankruptcy Code.

C. Feasibility.

Section 1129(a)(11) of the Bankruptcy Code requires that confirmation of a plan of reorganization is not likely to be followed by the liquidation, or the need for further financial reorganization of the debtor, or any successor to the debtor (unless such liquidation or reorganization is proposed in such plan of reorganization). To determine whether the Plan meets this feasibility requirement, the Debtors have analyzed their ability to meet their respective obligations under the Plan. As part of this analysis, the Debtors have prepared the Financial Projections. Based upon the Financial Projections, the Debtors believe that they will be a viable operation following their emergence from chapter 11 and that the Plan will meet the feasibility requirements of the Bankruptcy Code. ~~More specifically~~

CERTAIN PARTIES ASSERT THAT THE PLAN IS NOT CONFIRMABLE BECAUSE THE REORGANIZED DEBTORS MAY NOT HAVE THE FINANCIAL WHEREWITHAL TO SATISFY THE CURRENTLY DISPUTED PORTIONS OF THE OPCO NOTE CLAIMS (WHICH DISPUTED PORTIONS ARE BASED ON, WITHOUT LIMITATION, ASSERTED CLAIMS ON ACCOUNT OF A MAKEWHOLE AMOUNT, POSTPETITION INTEREST THEREON AT THE CONTRACTUAL DEFAULT RATE, AND OTHER AMOUNTS ASSERTED TO BE DUE AND OWING UNDER THE OPCO NOTES MNPA, THE OPCO NOTES, AND THE OPCO RCF, INCLUDING WITHOUT LIMITATION, POSTPETITION INTEREST AT THE CONTRACTUAL DEFAULT RATE AND ALL FEES AND EXPENSES) IN FULL IN CASH TO THE EXTENT THAT ANY PORTION OF SUCH CLAIMS IS ALLOWED AFTER THE EFFECTIVE DATE.

The Debtors disagree. As set forth in this Disclosure Statement, based upon the Financial Projections, the Debtors believe that the Reorganized Debtors will have the financial wherewithal to satisfy any currently disputed portions of the OpCo ~~Note Makewhole~~Funded Debt Claims ~~(if any)~~, in full and in Cash as provided in the Plan, to the extent that any such Claim is Allowed after the Effective Date. For this reason, the Debtors submit that the Plan is feasible notwithstanding the fact that the Debtors will not "reserve" for any such Claims that may become Allowed Claims after the Effective Date.

The rights of all parties are fully preserved with respect to such matters.

The Financial Projections are attached hereto as **Exhibit D** and incorporated herein by reference.

D. Acceptance by Impaired Classes.

The Bankruptcy Code requires, as a condition to confirmation, except as described in the following section, that each class of claims or equity interests impaired under a plan, accept the plan. A class that is not "impaired" under a plan is presumed to have accepted the plan and, therefore, solicitation of acceptances with respect to such a class is not required.[15]

Section 1126(c) of the Bankruptcy Code defines acceptance of a plan by a class of impaired claims as acceptance by holders of at least two-thirds in a dollar amount and more than one-half in a number of allowed claims in that class, counting only those claims that have *actually* voted to accept or to reject the plan. Thus, a class of claims will have voted to accept the plan only if two-thirds in amount and a majority in number actually cast their ballots in favor of acceptance. Pursuant to section 1126(d) of the Bankruptcy Code, a class of interests will be presumed to accept a plan if holders of at least two-third in amount of the allowed interests of such class have voted to accept the plan.

[15] A class of claims is "impaired" within the meaning of section 1124 of the Bankruptcy Code unless the plan (a) leaves unaltered the legal, equitable and contractual rights to which the claim or equity interest entitles the holder of such claim or equity interest or (b) cures any default, reinstates the original terms of such obligation, compensates the holder for certain damages or losses, as applicable, and does not otherwise alter the legal, equitable, or contractual rights to which such claim or equity interest entitles the holder of such claim or equity interest.

E. Confirmation without Acceptance by All Impaired Classes.

Section 1129(b) of the Bankruptcy Code allows a bankruptcy court to confirm a plan even if all impaired classes have not accepted it; *provided* that the plan has been accepted by at least one impaired class. Pursuant to section 1129(b) of the Bankruptcy Code, notwithstanding an impaired class's rejection or deemed rejection of the plan, the plan will be confirmed, at the plan proponent's request, in a procedure commonly known as a "cramdown" so long as the plan does not "discriminate unfairly" and is "fair and equitable" with respect to each class of claims or equity interests that is impaired under, and has not accepted, the plan.

If any Impaired Class rejects the Plan, the Debtors reserve the right to seek to confirm the Plan utilizing the "cramdown" provision of section 1129(b) of the Bankruptcy Code. To the extent that any Impaired Class rejects the Plan or is deemed to have rejected the Plan, the Debtors will request Confirmation of the Plan, as it may be modified from time to time, under section 1129(b) of the Bankruptcy Code. The Debtors reserve the right, subject to the Plan Support Agreement and Backstop Commitment Agreement, to alter, amend, modify, revoke, or withdraw the Plan or any Plan Supplement document, including the right to amend or modify the Plan or any Plan Supplement document to satisfy the requirements of section 1129(b) of the Bankruptcy Code. The Plan Support Agreement and the Backstop Commitment Agreement each provide that the Consenting HoldCo Noteholders and Consenting HoldCo Equityholders may terminate their obligations thereunder if the Debtors withdraw or revoke the Plan under certain circumstances.

THE PLAN PROVIDES THAT THE DEBTORS SHALL SEEK CONFIRMATION OF THE PLAN PURSUANT TO SECTION 1129(b) OF THE BANKRUPTCY CODE WITH RESPECT TO ANY REJECTING CLASS OF CLAIMS OR INTERESTS. The Debtors reserve the right, to the extent permitted or required by the Bankruptcy Code to modify the Plan in accordance with Article X of the Plan to the extent, if any, that Confirmation (including Confirmation pursuant to section 1129(b) of the Bankruptcy Code) requires modification of any provision of the Plan, including, without limitation, by (a) modifying the treatment applicable to a Class of Claims or Interests to render such Class of Claims or Interests Unimpaired to the extent permitted by the Bankruptcy Code and the Bankruptcy Rules, (b) reclassifying any Claim or Interest in one particular Class together with any substantially similar Claim or Interest in a different Class, as applicable, to the extent permitted by the Bankruptcy Code and the Bankruptcy Rules, and/or (c) withdrawing the Plan as to an individual Debtor at any time before the Confirmation Date.

The rights of all parties in interest with respect to any modification of the Plan, including the right to object to confirmation of the Plan on the grounds that any such modification is impermissible under the Bankruptcy Code or that there was insufficient disclosure of such modification in the Disclosure Statement, are fully reserved and preserved in all respects.

1. No Unfair Discrimination.

The "unfair discrimination" test applies to classes of claims or interests that are of equal priority and are receiving different treatment under a plan. The test does not require that the treatment be the same or equivalent, but that treatment be "fair." In general, bankruptcy courts consider whether a plan discriminates unfairly in its treatment of classes of claims and interests of equal rank (*e.g.*, classes of the same legal character). Bankruptcy courts will take into account a number of factors in determining whether a plan discriminates unfairly. A plan could treat two classes of unsecured creditors differently without unfairly discriminating against either class.

2. Fair and Equitable Test.

The "fair and equitable" test applies to classes of different priority and status (*e.g.*, secured versus unsecured) and includes the general requirement that no class of claims receive more than 100 percent of the amount of the allowed claims in the class. As to the dissenting class, the test sets different standards depending upon the type of claims or equity interests in the class.

The Debtors submit that if the Debtors "cramdown" the Plan pursuant to section 1129(b) of the Bankruptcy Code, the Plan is structured so that it does not "discriminate unfairly" and satisfies the "fair and equitable"

requirement. With respect to the unfair discrimination requirement, all Classes under the Plan are provided treatment that is substantially equivalent to the treatment that is provided to other Classes that have equal rank. The Debtors believe that the Plan and the treatment of all Classes of Claims and Interests under the Plan satisfy the foregoing requirements for nonconsensual ~~C~~confirmation of the Plan.

F. **Valuation of the Debtors**.

In conjunction with formulating the Plan and satisfying their obligations under section 1129 of the Bankruptcy Code, the Debtors determined that it was necessary to estimate the post-Confirmation going concern value of the Debtors. The Valuation Analysis is set forth in **Exhibit E** attached hereto and incorporated herein by reference. The Valuation Analysis, which was prepared by Petrie Partners LLC, one of the Debtors' investment bankers, estimates the total enterprise value of the Reorganized Debtors to be approximately $4.8 billion to $7.0 billion, with a midpoint of $5.9 billion as of the assumed Effective Date of March 31, 2017. Based on assumed pro forma net debt of $2.1 billion as of the assumed Effective Date, the total enterprise value implies an equity value range of $2.7 billion to $4.9 billion, with a midpoint of $3.8 billion. The Debtors are prepared to meet their evidentiary burden (if any) with respect to support for their valuation analysis at the Confirmation Hearing. The rights of all parties are fully preserved with respect to such matters.

G. **Substantive Consolidation**.

The Debtors are not currently proposing the substantive consolidation of their respective Estates~~ pursuant to the Plan~~; *provided* that subject to satisfying the requirements for substantive consolidation pursuant to applicable law, the Plan will provide for the substantive consolidation of certain of the Debtors to the extent necessary for Confirmation~~,~~. ~~c~~ Certain parties assert that the Debtors may not substantively consolidate their Estates. The Debtors disagree and submit that they may substantively consolidate certain Estates pursuant to applicable Fifth Circuit law. More specifically, courts in the Fifth Circuit have held that a court has the authority to order substantive consolidation of a debtors' estate. *See S.I. Acquisition, Inc. v. Eastway Delivery Serv., Inc. (In re S.I. Acquisition, Inc.)*, 817 F.2d 1142, 1145 n.2 (5th Cir. 1987) ("The bankruptcy court has authority to order de facto disregard of the corporate form through [substantive] consolidation proceedings."); *In re Permian Producers Drilling, Inc.*, 263 B.R. 510, 516 (W.D. Tex. 2000)(same).

The standard for determination of whether the circumstances merit substantive consolidation varies and takes into account the relative costs and benefits. *See Permian*, 263 B.R. at 517 (citing *In re Bonham*, 229 F.3d 750, 764 (9th Cir. 2000)); *see also In re Introgen Therapeutics, Inc.*, 429 B.R. 570, 584 (Bankr. W.D. Tex. 2010)("the party proposing consolidation must first show identity between the entities to be consolidated, and then show that consolidation is necessary in order to prevent harm or prejudice, or to effect a benefit generally.")

The Debtors believe that it may be appropriate to substantively certain Estates if it is necessary to obtain ~~C~~confirmation of the Plan given the significant benefits that the Plan would provide to the Debtors' stakeholders. The Debtors are prepared to meet their evidentiary burden (if any) with respect to such matters. The OpCo Group disputes that a valid basis may exist for the possible substantive consolidation of the Estates. The rights of all parties are fully preserved with respect to such matters.

XIII. RIGHTS OFFERING PROCEDURES.[16]

The procedures and instructions for exercising Subscription Rights are set forth in the Rights Offering Procedures, which are attached hereto as **Exhibit G**. The Rights Offering Procedures are incorporated herein by reference and should be read in conjunction with this Disclosure Statement in formulating a decision to exercise Subscription Rights. ***The discussion of the Rights Offering Procedures set forth in this Disclosure Statement is only a summary. Please refer to the Rights Offering Procedures attached as Exhibit G hereto for a more comprehensive description.***

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16 Capitalized terms used in this Article but not otherwise defined in this Disclosure Statement or the Plan shall have the meanings ascribed to them in the Backstop Commitment Agreement.

Pursuant to the Plan, each holder of an Allowed HoldCo Note Claim, as of the Subscription Commencement Date (defined as Rights Offering Participants in the Plan), will receive rights to subscribe for its pro rata portion of 75 percent of the Shares (as defined in the Rights Offering Procedures) offered in the Rights Offering (the "HoldCo Noteholders Rights Offering" and, such Shares, the "HoldCo Noteholders Rights Offering Shares"), which HoldCo Noteholder Rights Offering Shares, collectively, will reflect an aggregate purchase price of $435,000,000 calculated by multiplying the number of Shares offered in the HoldCo Noteholder Rights Offering by the Purchase Price; *provided* that it timely and properly executes and delivers its applicable Beneficial Holder Subscription Form(s) (with accompanying IRS Form W-9 or appropriate IRS Form W-8, as applicable) to the Subscription Agent or its Nominee (with accompanying other instructions required by such Nominee to deliver the relevant HoldCo Notes through The Depository Trust Company ("DTC") Automated Tender Offer Program ("ATOP")), as applicable, in advance of the Subscription Instruction Deadline (as defined in the Rights Offering Procedures).

Pursuant to the Plan, each holder of Existing HoldCo Common Stock, as of the Subscription Commencement Date, will receive rights to subscribe for its pro rata portion of 25 percent of the Shares offered in the Rights Offering (the "HoldCo Equityholders Rights Offering," and such Shares, the "HoldCo Equityholders Rights Offering Shares" and, together with the HoldCo Noteholders Rights Offering Shares, the "Rights Offering Shares"), which HoldCo Equityholder Rights Offering Shares, collectively, will reflect an aggregate purchase price of $145,000,000 calculated by multiplying the number of Shares offered in the HoldCo Equityholder Rights Offering by the Purchase Price; *provided* that it timely and properly executes and delivers its applicable Beneficial Holder Subscription Form(s) (with accompanying IRS Form W-9 or appropriate IRS Form W-8, as applicable) to the Subscription Agent or its Nominee (with accompanying other instructions required by such Nominee to deliver the relevant HoldCo Common Stock through ATOP), as applicable, in advance of the Subscription Instruction Deadline.

No Rights Offering Participant shall be entitled to participate in the Rights Offering unless the aggregate Purchase Price (as defined below) for the Rights Offering Shares it subscribes for is received by the Subscription Agent (i) in the case of a Rights Offering Participant that is not a Commitment Party, by the Subscription Payment Deadline (as defined in the Rights Offering Procedures), and (ii) in the case of a Rights Offering Participant that is a Commitment Party, no later than the deadline specified in a written notice (a "Funding Notice") delivered by or on behalf of the Debtors to the Commitment Parties in accordance with Section 2.4 of the Backstop Commitment Agreement (the "Backstop Funding Deadline"); *provided* that the Commitment Parties may deposit their aggregate Purchase Price in the Escrow Account (as defined below), in accordance with the terms of the Backstop Commitment Agreement. No interest is payable on any advanced funding of the Purchase Price. If the Rights Offering is terminated for any reason, the aggregate Purchase Price previously received by the Subscription Agent will be returned to eligible holders as provided in Section 6 of the Rights Offering Procedures. No interest will be paid on any returned Purchase Price. Any Rights Offering Participant who is not a Commitment Party submitting payment via its Nominee must coordinate such payment with its Nominee in sufficient time to allow the Nominee to forward such payment to the Subscription Agent by the Subscription Payment Deadline.

TO PARTICIPATE IN THE RIGHTS OFFERING, EACH RIGHTS OFFERING PARTICIPANT MUST COMPLETE ALL THE STEPS OUTLINED IN THE RIGHTS OFFERING PROCEDURES ATTACHED AS EXHIBIT G HERETO. IF ALL OF THE STEPS OUTLINED IN THE RIGHTS OFFERING PROCEDURES ARE NOT COMPLETED BY THE SUBSCRIPTION INSTRUCTION DEADLINE, SUBSCRIPTION PAYMENT DEADLINE OR THE BACKSTOP FUNDING DEADLINE, AS APPLICABLE, THE RIGHTS OFFERING PARTICIPANT SHALL BE DEEMED TO HAVE FOREVER AND IRREVOCABLY RELINQUISHED AND WAIVED ITS RIGHT TO PARTICIPATE IN THE RIGHTS OFFERING.

To validly exercise its Subscription Rights, each Rights Offering Participant that is not a Commitment Party must:

- return duly completed and executed applicable Beneficial Holder Subscription Form(s) (with accompanying IRS Form W-9 or appropriate IRS Form W-8, as applicable) to the Subscription Agent or its Nominee (or otherwise follow the directions of its Nominee), as applicable, so that such holder's subscription instructions may be effected by the Nominee by

delivering the applicable HoldCo Notes or HoldCo Common Stock via DTC's ATOP system prior to the Subscription Instruction Deadline; and

- at the same time it returns its Beneficial Holder Subscription Form(s) to its Nominee, but in no event later than the Subscription Payment Deadline, pay, or arrange for the payment by its Nominee of, the applicable Purchase Price to the Subscription Agent by wire transfer **ONLY** of immediately available funds in accordance with the instructions included in the applicable Beneficial Holder Subscription Form(s).

To validly exercise its Subscription Rights, each Rights Offering Participant that is a Commitment Party must:

- return duly completed and executed applicable Beneficial Holder Subscription Form(s) (with accompanying IRS Form W-9 or appropriate IRS Form W-8, as applicable) to the Subscription Agent or its Nominee (or otherwise follow the directions of its Nominee), as applicable, so that such holder's subscription instructions may be effected by the Nominee by delivering the applicable HoldCo Notes or HoldCo Common Stock via DTC's ATOP system prior to the Subscription Instruction Deadline;

- ensure that the Commitment Party Addendum is completed and returned to the Subscription Agent by the Subscription Payment Deadline; and

- no later than the Backstop Funding Deadline, pay the applicable Purchase Price to the Subscription Agent or to the escrow account established and maintained by a third party satisfactory to the Commitment Parties and the Debtors (the "Escrow Account") by wire transfer **ONLY** of immediately available funds in accordance with the wire instructions included in the Funding Notice.

ALL COMMITMENT PARTIES MUST PAY THEIR APPLICABLE PURCHASE PRICE DIRECTLY TO THE SUBSCRIPTION AGENT OR TO THE ESCROW ACCOUNT, AS APPLICABLE, AND SHOULD NOT PAY THEIR NOMINEE(S).

With respect to the requirements above, each eligible holder must duly complete, execute and return any applicable Beneficial Holder Subscription Form to their Nominee (or otherwise follow their Nominee's instructions) in sufficient time to allow its Nominee to process its instructions and deliver (with accompanying IRS Form W-9 or appropriate IRS Form W-8, as applicable) the underlying HoldCo Notes or HoldCo Common Stock through ATOP, and, solely with respect to the eligible holders that are not Commitment Parties, payment of the applicable Purchase Price, payable for the Rights Offering Shares elected to be purchased by such eligible holder, by the Subscription Payment Deadline. Eligible holders that are Commitment Parties must deliver their payment of the applicable Purchase Price payable for the Rights Offering Shares elected to be purchased by such Commitment Party directly to the Subscription Agent or to the Escrow Account, as applicable, no later than the Backstop Funding Deadline.

In the event that the funds received by the Subscription Agent or the Escrow Account, as applicable, from any eligible holder do not correspond to the Purchase Price payable for the Rights Offering Shares elected to be purchased by such Rights Offering Participant, the number of the Rights Offering Shares deemed to be purchased by such Rights Offering Participant will be the lesser of (a) the number of the Rights Offering Shares elected to be purchased by such Rights Offering Participant as evidenced by the relevant ATOP submission(s) and (b) a number of the Rights Offering Shares determined by dividing the amount of the funds received by the Purchase Price, in each case up to such Rights Offering Participant's pro rata portion of Rights Offering Shares. Any HoldCo Notes or HoldCo Common Stock submitted through ATOP that do not have a corresponding payment amount will be returned to the Nominee that submitted the instruction.

The cash paid to the Subscription Agent in accordance with the Rights Offering Procedures will be deposited and held by the Subscription Agent in a segregated account until released to the Debtors in connection with the settlement of the Rights Offering on the Effective Date. The Subscription Agent may not use such cash for

any other purpose prior to the Effective Date and may not encumber or permit such cash to be encumbered with any lien or similar encumbrance. The cash held by the Subscription Agent hereunder shall not be deemed part of the Debtors' bankruptcy estates.

The Rights Offering Shares will be distributed and issued by the Debtors without registration under the Securities Act, in reliance upon the exemption provided in section 1145 of the Bankruptcy Code. None of the Subscription Rights or the Rights Offering Shares issuable upon exercise of such rights distributed pursuant to the Rights Offering Procedures in reliance upon the exemption provided in section 1145 of the Bankruptcy Code will be registered under the Securities Act, nor any state or local law requiring registration for offer and sale of a security.

The Subscription Rights will not be detachable or transferable separately from the underlying Existing HoldCo Common Stock and Allowed HoldCo Note Claims, as applicable. Rather, the Subscription Rights together with the underlying the underlying Existing HoldCo Common Stock and Allowed HoldCo Note Claims with respect to which such Subscription Rights were activated, will trade together and be evidenced by the underlying HoldCo Notes or HoldCo Common Stock until the Subscription Instruction Deadline, subject to such limitations, if any, that would be applicable to the transferability of the underlying Existing HoldCo Common Stock and Allowed HoldCo Note Claims; *provided* that following the exercise of any Subscription Rights, the holder thereof shall be prohibited from transferring or assigning the underlying Existing HoldCo Common Stock and Allowed HoldCo Note Claims, as applicable, corresponding to such Subscription Rights until the earlier of (i) termination of the Rights Offering and (ii) the revocation of exercise of the Subscription Rights to the extent permitted by the Rights Offering Procedures.

CERTAIN PARTIES ASSERT THAT THE DISCLOSURE STATEMENT DOES NOT PROVIDE SUPPORT FOR PRICING THE RIGHTS OFFERING SHARES AT A 20% DISCOUNT TO SETTLEMENT PLAN VALUE.

The proposed pricing of the Rights Offering Shares at a 20% discount to Settlement Plan Value is consistent with market practice. The proposed pricing of the Rights Offering Shares reflected in the Backstop Commitment Agreement is the product of extensive good-faith, arm's-length discussions between the Debtors and the Backstop Commitment Parties, and reflects a prudent exercise of the Debtors' business judgment. Moreover, if the Plan is consummated as anticipated in the Backstop Commitment Agreement, the pricing of the Rights Offering will have no economic impact whatsoever on any members of the OpCo Group or any of the Committee's constituents (except holders of Holdco Notes, over two-thirds of which are Plan Support Parties who entered into the agreement).

The Debtors are prepared to meet their evidentiary burden (if any) with respect to such matters. The rights of all parties are fully preserved with respect to such matters.

XIV. CERTAIN SECURITIES LAW MATTERS.

A. New Common Stock; Rights Offering Shares; Backstop Commitment Shares.

As discussed herein, the Plan provides for Reorganized HoldCo to distribute: (1) New Common Stock to holders of Existing HoldCo Common Stock and holders of Allowed HoldCo Note Claims on account of their respective Existing HoldCo Common Stock and Allowed HoldCo Note Claims, as applicable; (2) New Common Stock under the Management Incentive Plan; (3) the Rights Offering Shares to holders of Existing HoldCo Common Stock and holders of Allowed HoldCo Note Claims, as applicable, in connection with the Rights Offering; (3) New Common Stock, consisting of Unsubscribed Shares (as defined in the Backstop Commitment Agreement) not purchased in the Rights Offering to certain Consenting HoldCo Noteholders and Consenting HoldCo Equityholders, together with their permitted successors and assigns, that have committed to fund the Rights Offering and are signatories to the Backstop Commitment Agreement (respectively, the "Backstop Commitment Shares" and the "Backstop Parties"); and (4) New Common Stock issued to the Rights Offering Backstop Parties on account of the Commitment Premium.

The Debtors believe that the New Common Stock will be "securities," as defined in section 2(a)(1) of the Securities Act, section 101 of the Bankruptcy Code, and any applicable state securities law (a "Blue Sky Law"). The Debtors further believe that the offer and sale of the New Common Stock, as applicable, pursuant to the Plan is, and subsequent transfers of the New Common Stock by the holders thereof that are not "underwriters" (as defined in section 2(a)(11) of the Securities Act and in the Bankruptcy Code) will be, exempt from federal and state securities registration requirements under various provisions of the Securities Act, the Bankruptcy Code, and any applicable state Blue Sky Law as described in more detail below. **The New Common Stock underlying the Management Incentive Plan will be issued pursuant to a registration statement or another available exemption from registration under the Securities Act and other applicable law.**

RECIPIENTS OF NEW COMMON STOCK ARE URGED TO CONSULT WITH THEIR OWN LEGAL ADVISORS AS TO THE AVAILABILITY OF ANY EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT AND ANY APPLICABLE STATE BLUE SKY LAW.

B. Backstop Commitment Agreement.

The Backstop Parties, severally and not jointly, and the Debtors entered into a Backstop Commitment Agreement, pursuant to which the Backstop Parties, severally and not jointly, have agreed to backstop the Rights Offering to be conducted in accordance with the Plan. Under the Backstop Commitment Agreement, the Backstop Parties, severally and not jointly, have agreed to purchase the Rights Offering Shares that are not duly subscribed for pursuant to the Rights Offering.

The Debtors will pay the Backstop Parties upon the closing of the Rights Offering a Commitment Premium equal to 6.0 percent of the $580.0 million committed amount. The Commitment Premium shall be fully earned as of the date of entry of the Backstop Approval Order. The Commitment Premium will be an Allowed Administrative Claim against HoldCo that will paid either in the form of New Common Stock at the Purchase Price, if the Plan is consummated as contemplated in the Plan Support Agreement, or in Cash in the amount of 4.0 percent of the $580.0 million committed amount, if the Backstop Commitment Agreement is terminated for any reason other than by the Debtors due to the failure of any Commitment Party to complete the Rights Offering in violation of the Backstop Commitment Agreement, in each case in accordance with the Backstop Commitment Agreement.

All New Common Stock issued to the Backstop Parties pursuant to the Backstop Commitment Agreement in respect of their backstop commitment will be issued (i) pursuant to an effective registration statement under the Securities Act or (ii) in reliance upon the exemption from registration under the Securities Act, provided by Section 4(a)(2) thereof and/or Regulation D thereunder. As a condition to the closing of the transactions contemplated by the Backstop Commitment Agreement and the Term Sheet, the Debtors will enter into the Registration Rights Agreement (as defined below). Backstop Parties will not be entitled to transfer all or any portion of their backstop commitments except as expressly provided in the Backstop Commitment Agreement.

On December 6, 2016, the Debtors filed a motion for entry of the Backstop Approval Order [Docket No. 820]. The Committee [Docket No. 933] and the OpCo Group [Docket No. 932] filed objections to the Debtors' motion for entry of the Backstop Approval Order. On January 19, 2017, the Bankruptcy Court entered the Backstop Approval Order [Docket No. 996].

C. Registration Rights Agreement.

The Plan provides that from and after the Effective Date, (a) each HoldCo Equityholder and HoldCo Noteholder receiving at least ten percent (10 percent) or more of the New Common Stock issued under the Plan and/or the Rights Offerings or that cannot sell its New Common Stock under Rule 144 promulgated under the Securities Act without volume or manner of sale restrictions and (b) each Backstop Party, in each case, will be entitled to registration rights that are customary for transactions of a similar nature to the Restructuring Transactions, pursuant to a registration rights agreement to be entered into as of the Effective Date, and substantially in the form to be included in the Plan Supplement (the "Registration Rights Agreement"), and will provide for customary demand, shelf and piggyback registration rights with respect to all New Common Stock beneficially owned by such Persons or their successors in interest (whether acquired at the Effective Date or thereafter) and will provide for a shelf registration statement to be filed by the Debtors for the benefit of such Persons within ten (10) business days

following the later of (i) the Effective Date and (ii) the filing of the Debtors' Annual Report on Form 10-K for the year ended December 31, 2016.

D. Issuance and Resale of New Common Stock Under the Plan.

1. Issuance under Section 1145 of the Bankruptcy Code, Private Placement Exemptions.

Except as expressly provided herein, all shares of New Common Stock issued under the Plan, including the Rights Offering Shares, the Backstop Commitment Shares and the New Common Stock issued on account of the Commitment Premium will be issued either: (a) pursuant to an effective registration statement under the Securities Act; or (b) without registration under the Securities Act or any similar federal, state, or local law in reliance upon either (A) section 1145 of the Bankruptcy Code or (B) section 4(a)(2) of the Securities Act or Regulation D promulgated thereunder. All shares of New Common Stock, including the Backstop Commitment Shares, issued pursuant to the exemption from registration set forth in section 4(a)(2) of the Securities Act or Regulation D promulgated thereunder will be considered "restricted securities" and may not be transferred except pursuant to an effective registration statement under the Securities Act, including a registration statement pursuant to the Registration Right Agreement, or an available exemption therefrom.

Persons who purchase the New Common Stock, including the Backstop Commitment Shares, pursuant to the exemption from registration set forth in section 4(a)(2) of the Securities Act or Regulation D promulgated thereunder will hold "restricted securities." Resales of such restricted securities would not be exempted by section 1145 of the Bankruptcy Code from registration under the Securities Act or other applicable law. Holders of restricted securities would, however, be permitted to resell New Common Stock without registration if they are able to comply with the applicable provisions of Rule 144 or Rule 144A (to the extent applicable) or any other registration exemption under the Securities Act, or if resales of such securities are registered with the Securities and Exchange Commission, including a registration statement pursuant to the Registration Right Agreement as described above.

All shares of New Common Stock issued to holders of Existing HoldCo Common Stock and Allowed HoldCo Note Claims on account of their respective Claims and Interests, as applicable, in connection with the Rights Offering, upon exercise of their rights, all New Common Stock issued on account of the Commitment Premium are expected to be issued without registration under the Securities Act or any similar federal, state, or local law in reliance on Section 1145(a) of the Bankruptcy Code. The Backstop Commitment Shares are expected to be issued pursuant to the exemption from registration set forth in section 4(a)(2) of the Securities Act or Regulation D promulgated thereunder.

RECIPIENTS OF THE NEW COMMON STOCK ARE URGED TO CONSULT WITH THEIR OWN LEGAL ADVISORS AS TO THE AVAILABILITY OF ANY EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT AND ANY APPLICABLE STATE BLUE SKY LAW.

2. Resale of New Common Stock; Definition of Underwriter.

Section 1145(b)(1) of the Bankruptcy Code defines an "underwriter" as one who, except with respect to "ordinary trading transactions" of an entity that is not an "issuer": (a) purchases a claim against, interest in, or claim for an administrative expense in the case concerning, the debtor, if such purchase is with a view to distribution of any security received or to be received in exchange for such claim or interest; (b) offers to sell securities offered or sold under a plan for the holders of such securities; (c) offers to buy securities offered or sold under a plan from the holders of such securities, if such offer to buy is (i) with a view to distribution of such securities and (ii) under an agreement made in connection with the plan, with the consummation of the plan, or with the offer or sale of securities under the plan; or (d) is an issuer of the securities within the meaning of section 2(a)(11) of the Securities Act. In addition, a person who receives a fee in exchange for purchasing an issuer's securities could also be considered an underwriter within the meaning of section 2(a)(11) of the Securities Act.

The definition of an "issuer" for purposes of whether a person is an underwriter under section 1145(b)(1)(D) of the Bankruptcy Code, by reference to section 2(a)(11) of the Securities Act, includes as

"statutory underwriters" all persons who, directly or indirectly, through one or more intermediaries, control, are controlled by, or are under common control with, an issuer of securities. The reference to "issuer," as used in the definition of "underwriter" contained in section 2(a)(11) of the Securities Act, is intended to cover "Controlling Persons" of the issuer of the securities. "Control," as defined in Rule 405 of the Securities Act, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract, or otherwise. Accordingly, an officer or director of a reorganized debtor or its successor under a plan of reorganization may be deemed to be a "Controlling Person" of the debtor or successor, particularly if the management position or directorship is coupled with ownership of a significant percentage of the reorganized debtor's or its successor's voting securities. In addition, the legislative history of section 1145 of the Bankruptcy Code suggests that a creditor who owns ten percent or more of a class of securities of a reorganized debtor may be presumed to be a "Controlling Person" and, therefore, an underwriter.

Resales of the New Common Stock by entities deemed to be "underwriters" (which definition includes "Controlling Persons") are not exempted by section 1145 of the Bankruptcy Code from registration under the Securities Act or other applicable law. Under certain circumstances, holders of New Common Stock who are deemed to be "underwriters" may be entitled to resell their New Common Stock pursuant to the limited safe harbor resale provisions of Rule 144 promulgated under the Securities Act. Generally, Rule 144 promulgated under the Securities Act would permit the public sale of securities received by such Person if the required holding period has been met and, under certain circumstances, current information regarding the issuer is publicly available and volume limitations, manner of sale requirements and certain other conditions are met. Whether any particular Person would be deemed to be an "underwriter" (including whether the Person is a "Controlling Person") with respect to the New Common Stock, as applicable, would depend upon various facts and circumstances applicable to that Person. Accordingly, the Debtors express no view as to whether any Person would be deemed an "underwriter" with respect to the New Common Stock and, in turn, whether any Person may freely resell New Common Stock.

Unlike the securities that will be issued pursuant to section 1145(a)(1) of the Bankruptcy Code, any shares of New Common Stock, including the Backstop Commitment Shares issued in reliance upon section 4(a)(2) of the Securities Act or Regulation D promulgated thereunder will be deemed "restricted securities" that may not be offered, sold, exchanged, assigned or otherwise transferred unless they are registered under the Securities Act, including a registration statement pursuant to the Registration Right Agreement as described above, or an exemption from registration under the Securities Act is available, including under Rule 144 or Rule 144A promulgated under the Securities Act.

Rule 144 provides an exemption for the public resale of "restricted securities" if certain conditions are met. These conditions vary depending on whether the holder of the restricted securities is an affiliate of the issuer. An affiliate is defined as "a person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, the issuer."

A non-affiliate who has not been an affiliate of the issuer during the preceding three months may resell restricted securities after a six-month holding period if at the time of the sale there is available certain current public information regarding the issuer, and may sell the securities after a one-year holding period whether or not there is current public information regarding the issuer. Adequate current public information is available for a reporting issuer if the issuer has filed all periodic reports required under Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, during the twelve months preceding the sale of the restricted securities. If the issuer is a non-reporting issuer, adequate current public information is available if certain information about the issuer is made publicly available. The Debtors currently expect that the Reorganized Debtors will continue to be a reporting issuer and file all such required periodic reports and that current public information will be available to allow resales by non-affiliates when the six-month holding period expires (approximately six months after the emergence date).

An affiliate may resell restricted securities after the six-month holding period if at the time of the sale certain current public information regarding the issuer is available. As noted above, the Debtors currently expect that this information requirement will be satisfied. The affiliate must also comply with the volume, manner of sale and notice requirements of Rule 144. First, the rule limits the number of restricted securities (plus any unrestricted securities) sold for the account of an affiliate (and related persons) in any three-month period to the greater of one percent of the outstanding securities of the same class being sold, or, if the class is listed on a stock exchange, the

greater of one percent of the average weekly reported volume of trading in such restricted securities during the four weeks preceding the filing of a notice of proposed sale on Form 144. Second, the manner of sale requirement provides that the restricted securities must be sold in a broker's transaction, which generally means they must be sold through a broker and handled as a routine trading transaction. The broker must receive no more than the usual commission and cannot solicit orders for the sale of the restricted securities except in certain situations. Third, if the sale exceeds 5,000 restricted securities or has an aggregate sale price greater than $50,000, an affiliate must file with the SEC three copies of a notice of proposed sale on Form 144. The sale must occur within three months of filing the notice unless an amended notice is filed.

The Debtors believe that the Rule 144 exemption will not be available with respect to any New Common Stock issued in reliance upon section 4(a)(2) of the Securities Act or Regulation D promulgated thereunder (whether held by non-affiliates or affiliates) until at least six months after the Effective Date. Accordingly, holders of such New Common Stock will be required to hold such New Common Stock for at least six months and, thereafter, to sell New Common Stock only in accordance with the applicable requirements of Rule 144, unless such New Common Stock is registered under the Securities Act, including a registration statement pursuant to the Registration Right Agreement as described above (or is otherwise exempt).

The Backstop Commitment Shares, if any, will be issued in certificated or book-entry form and will bear a restrictive legend. Each certificate or book-entry representing, or issued in exchange for or upon the transfer, sale or assignment of, any Backstop Commitment Shares shall be stamped or otherwise imprinted with a legend in substantially the following form:

"THE SECURITIES REPRESENTED BY THIS CERTIFICATE WERE ORIGINALLY ISSUED ON [DATE OF ISSUANCE], HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR ANY OTHER APPLICABLE STATE SECURITIES LAWS, AND MAY NOT BE SOLD OR TRANSFERRED IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT UNDER THE ACT OR AN AVAILABLE EXEMPTION FROM REGISTRATION THEREUNDER."

The Reorganized Debtors will reserve the right to require certification or other evidence of compliance with Rule 144 or another available exemption as a condition to the removal of such legend or to any resale of the Backstop Commitment Shares. The Reorganized Debtors will also reserve the right to stop the transfer of any such Backstop Commitment Shares if such transfer is not in compliance with Rule 144 or another available exemption. Any person who receives such Backstop Commitment Shares will be required to acknowledge and agree not to resell such securities except in accordance with Rule 144, when available, or another available exemption and that the securities will be subject to the other restrictions described above.

ANY PERSONS RECEIVING "RESTRICTED SECURITIES" UNDER THE PLAN ARE URGED TO CONSULT WITH THEIR OWN COUNSEL CONCERNING THE AVAILABILITY OF AN EXEMPTION FROM REGISTRATION FOR RESALE OF THESE SECURITIES UNDER THE SECURITIES ACT AND OTHER APPLICABLE LAW.

BECAUSE OF THE COMPLEX, SUBJECTIVE NATURE OF THE QUESTION OF WHETHER A PARTICULAR PERSON MAY BE AN UNDERWRITER OR AN AFFILIATE AND THE HIGHLY FACT-SPECIFIC NATURE OF THE AVAILABILITY OF EXEMPTIONS FROM REGISTRATION UNDER THE SECURITIES ACT, INCLUDING THE EXEMPTIONS AVAILABLE UNDER SECTION 1145 OF THE BANKRUPTCY CODE AND RULE 144 UNDER THE SECURITIES ACT, NONE OF THE DEBTORS OR THE REORGANIZED DEBTORS MAKE ANY REPRESENTATION CONCERNING THE ABILITY OF ANY PERSON TO DISPOSE OF THE SECURITIES TO BE DISTRIBUTED UNDER THE PLAN. POTENTIAL RECIPIENTS OF THE SECURITIES TO BE ISSUED UNDER THE PLAN ARE URGED TO CONSULT THEIR OWN COUNSEL CONCERNING WHETHER THEY MAY FREELY TRADE SUCH SECURITIES. POTENTIAL RECIPIENTS OF NEW COMMON STOCK ARE URGED TO CONSULT THEIR OWN COUNSEL CONCERNING THEIR ABILITY TO FREELY TRADE SUCH SECURITIES WITHOUT COMPLIANCE WITH THE FEDERAL LAW AND ANY APPLICABLE STATE BLUE SKY LAW.

3. New Common Stock and the Management Incentive Plan.

The Confirmation Order shall authorize the Reorganized HoldCo Board to adopt and enter into the Management Incentive Plan, on the terms set forth in Article IV of the Plan and the Plan Supplement. The issuance of New Common Stock under the Management Incentive Plan would dilute all of the New Common Stock.

E. Issuance and Resale of Exit Notes Under the Plan.

The Exit Notes will be issued without registration under the Securities Act or any similar federal, state, or local law in reliance upon section 4(a)(2) of the Securities Act and/or Rule 144A, Regulation S and/or Regulation D promulgated thereunder. All Exit Notes issued pursuant to the exemption from registration set forth in section 4(a)(2) of the Securities Act and/or Rule 144A, Regulation S and/or Regulation D promulgated thereunder will be considered "restricted securities" and may not be transferred except pursuant to an effective registration statement under the Securities Act or an available exemption therefrom.

Persons who purchase the Exit Notes pursuant to the exemption from registration set forth in section 4(a)(2) of the Securities Act and/or Rule 144A, Regulation S and/or Regulation D promulgated thereunder will hold "restricted securities." Holders of restricted securities would, however, be permitted to resell Exit Notes without registration if they are able to comply with the applicable provisions of Rule 144 or Rule 144A (if available) or any other registration exemption under the Securities Act, or if such securities are registered with the Securities and Exchange Commission. To the extent the Exit Notes are issued without registration under the Securities Act or any similar federal, state, or local law in reliance upon section 4(a)(2) of the Securities Act and/or Rule 144A, Regulation S and/or Regulation D promulgated thereunder, the Exit Noteholders shall have the benefit of the Exit Notes Registration Rights Agreement.

The Exit Notes Registration Rights Agreement (a) shall be effective on or prior to the Effective Date, (b) shall entitle the Exit Noteholders to registration rights that are customary for a transaction of this nature and (c) shall include such terms as are consistent with those set forth in the Exit Financing Agreements.

The Debtors shall, on or before the offering of the Exit Notes, take such action as the Debtors shall reasonably determine is necessary in order to obtain an exemption for, or to qualify the offer and sale of the Exit Notes under applicable securities and "Blue Sky" laws of the states of the United States (or to obtain an exemption from such qualification) and any applicable foreign jurisdictions, and shall provide evidence of any such action so taken to the Commitment Parties on or prior to the offering of the Exit Notes. The Debtors or the Reorganized Debtors, as applicable, shall pay all reasonable fees and expenses in connection with satisfying its obligations under this paragraph.

The Reorganized Debtors shall use commercially reasonable efforts to promptly make the Exit Notes eligible for deposit with The Depository Trust Company.

XV. CERTAIN TAX CONSEQUENCES OF THE PLAN.

A. Introduction.

The following discussion summarizes certain United States ("U.S.") federal income tax consequences and Canadian federal income tax consequences of the implementation of the Plan to the Debtors, the Reorganized Debtors, and certain holders of Claims and Existing HoldCo Common Stock.

With respect to the U.S. federal income tax consequences discussed below, this summary is based on the U.S. Tax Code, the U.S. Treasury Regulations promulgated thereunder (the "Treasury Regulations"), judicial decisions and published administrative rules, pronouncements of the Internal Revenue Service (the "IRS"), and the Convention Between the United States of America and Canada With Respect to Taxes on Income and on Capital, as amended by Protocols 1-5 (the "U.S.-Canada Treaty"), all as in effect on the date hereof (collectively, "Applicable U.S. Tax Law").

With respect to Canadian federal income tax consequences discussed below, this summary represents the opinion of Grant Thornton LLP (Canada) and is based upon on the provisions of the Income Tax Act (R.S.C., 1985, c. 1 (5th Supp.)) (the "ITA"), the regulations thereunder (the "Regulations"), the U.S.-Canada Treaty, the current published administrative policies and assessing practices of the Canada Revenue Agency ("CRA") publicly available prior to the date hereof, and all specific proposals to amend the ITA and Regulations publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the "Canadian Tax Proposals") on the basis that all such Canadian Tax Proposals will be enacted in the form proposed (though no assurance can be given that the Canadian Tax Proposals will be enacted in the form proposed or at all) (collectively, "Applicable Canadian Tax Law").

Changes in the rules or new interpretations of the rules may have retroactive effect and could significantly affect the U.S. federal income tax and Canadian tax consequences described below. The Debtors have not requested, and do not intend to request, any ruling or determination from the IRS, Canadian tax authority, or any other taxing authority with respect to the tax consequences discussed herein, and the discussion below is not binding upon the IRS or the courts. No assurance can be given that the IRS, Canadian tax authority, or any other taxing authority would not assert, or that a court would not sustain, a different position than any position discussed herein.

Other than as specifically noted below with respect to Canadian tax issues, this summary does not address foreign, state, or local tax consequences of the Plan, nor does it purport to address all aspects of U.S. federal income taxation that may be relevant to a holder in light of its individual circumstances or to a holder that may be subject to special tax rules (such as Persons who are related to the Debtors within the meaning of the U.S. Tax Code, U.S. expatriates, persons subject to the alternative minimum tax, broker-dealers, banks, mutual funds, insurance companies, financial institutions, small business investment companies, regulated investment companies, tax exempt organizations, pass-through entities, beneficial owners of pass-through entities, subchapter S corporations, persons who hold Claims or Existing HoldCo Common Stock or who will hold the New Common Stock as part of a straddle, hedge, conversion transaction, or other integrated investment, persons using a mark-to-market method of accounting, and holders of Claims or Existing HoldCo Common Stock who are themselves in bankruptcy). Furthermore, this summary assumes that a holder of a Claim holds only Claims in a single Class and holds a Claim, only as a "capital asset" (within the meaning of section 1221 of the U.S. Tax Code) for purposes of Applicable U.S. Tax Law. This summary also assumes that the various debt and other arrangements to which any of the Debtors are a party will be respected for U.S. federal income tax purposes in accordance with their form, and that the Claims constitute interests in the Debtors "solely as a creditor" for purposes of section 897 of the U.S. Tax Code. This summary does not discuss differences in tax consequences to holders of Claims or Existing HoldCo Common Stock that act as backstop parties or otherwise act or receive consideration in a capacity other than any other holder of a Claim or Existing HoldCo Common Stock of the same Class or Classes, and the tax consequences for such holders may differ materially from that described below. This summary does not address any special considerations that may apply to (a) parties that have, at any time, directly or indirectly held 5% or more of the existing Interests in HoldCo or (b) will directly or indirectly hold 5% or more of the New Common Stock immediately after the Effective Date, in each case, after giving effect to applicable constructive ownership rules.

For purposes of this discussion, a "U.S. Holder" is a holder of a Claim or Existing HoldCo Common Stock that is: (1) an individual citizen or resident of the United States for U.S. federal income tax purposes; (2) a corporation (or other entity treated as a corporation for U.S. federal income tax purposes) created or organized under the laws of the United States, any state thereof or the District of Columbia; (3) an estate the income of which is subject to U.S. federal income taxation regardless of the source of such income; or (4) a trust (A) if a court within the United States is able to exercise primary jurisdiction over the trust's administration and one or more United States persons have authority to control all substantial decisions of the trust or (B) that has a valid election in effect under applicable Treasury Regulations to be treated as a United States person. For purposes of this discussion, a "non-U.S. Holder" is any holder of a Claim or Existing HoldCo Common Stock that is not a U.S. Holder other than any partnership (or other entity treated as a partnership or other pass-through entity for U.S. federal income tax purposes).

If a partnership (or other entity treated as a partnership or other pass-through entity for U.S. federal income tax purposes) is a holder of a Claim or Existing HoldCo Common Stock, the tax treatment of a partner (or other beneficial owner) generally will depend upon the status of the partner (or other beneficial owner) and the activities of the entity. Partners (or other beneficial owners) of partnerships (or other pass-through entities) that are holders of

Claims or Existing HoldCo Common Stock are urged to consult their respective tax advisors regarding the U.S. federal income tax consequences of the Plan.

For the purposes of the discussion in respect of Canadian federal income tax matters, a "Canadian Holder" of a Claim or of an Existing HoldCo Common Stock is a holder who, at all relevant times for purposes of the ITA and any applicable income tax treaty or convention is resident in Canada, deals at arm's length with and is not affiliated with HoldCo or with any member of the UPE Group, holds its Claim or Existing HoldCo Common Stock as capital property and will hold its New Common Stock and the Subscription Rights as capital property, and a "Non-Canadian Holder" of a Claim or of an Existing HoldCo Common Stock is a holder who, at all relevant times for purposes of the ITA and any applicable income tax treaty or convention is a non-resident in Canada, deals at arm's length with and is not affiliated with HoldCo or with any member of the UPE Group, does not use or hold its Claim or Existing HoldCo Common Stock, and will not hold its Subscription Rights or New Common Stock as property of a business carried on in Canada, and who holds its Claim or Existing HoldCo Common Stock as capital property and will hold its New Common Stock and the Subscription Rights as capital property.

The Claims, Existing HoldCo Common Stock, New Common Stock and the Subscription Rights will, under Applicable Canadian Tax Law, generally constitute capital property to holders unless either the holder holds (or will hold) such securities in the course of carrying on a business, or the holder has acquired (or will acquire) such securities in a transaction considered to be an adventure in the nature of trade.

Certain Canadian holders whose Claims or Existing HoldCo Common Stock might not otherwise qualify as capital property may, in certain circumstances, treat such Claims or Existing HoldCo Common Stock as capital property by making an irrevocable election pursuant to subsection 39(4) of the ITA, to the extent such Claims or Existing HoldCo Common Stock are "Canadian securities" as defined in the ITA. The Holdco Note Claims, the Existing HoldCo Common Stock and the New Common Stock, but the not the Subscription Rights, are Canadian securities for the purpose of the irrevocable election under subsection 39(4) of the ITA. Canadian holders are advised to consult with their own tax advisors regarding such election.

This summary in respect of Canadian federal income tax matters to a Non-Canadian holder also assumes that the HoldCo Note Claims, Existing HoldCo Common Stock, Subscription Rights and New Common Stock do not constitute taxable Canadian property to such Non-Canadian holder. The HoldCo Note Claims, Existing HoldCo Common Stock, Subscription Rights and New Common Stock will generally not be considered to be taxable Canadian property to a Non-Canadian Holder unless at any time during the sixty-month period immediately preceding the time of disposition, more than 50 percent of the fair market value of issued shares of HoldCo was derived directly or indirectly from one or any combination of: (i) real or immovable properties situated in Canada, (ii) "Canadian resource properties" (as defined in the ITA), (iii) "timber resource properties" (as defined in the ITA), and (iv) options in respect of, or interests in, or for civil law rights in, property in any of the foregoing whether or not the property exists. The Debtors do not anticipate that the Holdco Note Claims, Existing HoldCo Common Stock, Subscription Rights, and New Common Stock constitute taxable Canadian property to a Non-Canadian holder.

This summary in respect of Canadian federal income tax matters to a Holder of a Claim or of Existing HoldCo Common Stock does not apply to a Holder: (i) that is a "specified financial institution" for the purposes of the ITA, (ii) that is a "financial institution" for the purposes of the mark-to-market rules of the ITA; (iii) of an interest which is or would constitute a "tax shelter investment" for the purpose of the ITA; (iv) whose "functional currency" for the purposes of the ITA is the currency of a country other than Canada; or (v) who has entered into a "derivative forward agreement", as defined in the ITA, in respect of a Claim or in respect of the Existing HoldCo Common Stock; or (vi) that is a corporation and is, immediately after the acquisition of the New Common Stock, or becomes as part of a transaction or event or series of transactions or events that includes the acquisition of the New Common Stock, controlled by a corporation that is a non-resident of Canada for the purposes of the foreign affiliate dumping rules in section 212.3 of the ITA. Any such Holder is urged to consult its own tax advisor with respect the Plan.

ACCORDINGLY, THE FOLLOWING SUMMARY OF CERTAIN U.S. FEDERAL INCOME TAX AND CANADIAN FEDERAL INCOME TAX CONSEQUENCES IS FOR INFORMATIONAL PURPOSES ONLY AND IS NOT A SUBSTITUTE FOR CAREFUL TAX PLANNING AND ADVICE BASED UPON

THE INDIVIDUAL CIRCUMSTANCES PERTAINING TO A HOLDER OF A CLAIM OR INTEREST. ALL HOLDERS OF CLAIMS OR INTERESTS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS AS TO THE FEDERAL, STATE, LOCAL, AND NON-U.S. INCOME, ESTATE, AND OTHER TAX CONSEQUENCES OF THE PLAN.

B. Certain U.S. Federal Income Tax Consequences to the Debtors and the Reorganized Debtors.

For U.S. federal income tax purposes, each of the Debtors other than the ultimate parent, HoldCo, are members of an affiliated group of corporations (or entities disregarded for federal income tax purposes that are wholly owned by members of such group), of which UP Energy Corporation ("UPE") is the common parent (the "UPE Group"). Because HoldCo is a Canadian entity, it is not a member of the UPE Group.

As of December 31, 2015, the UPE Group reported approximately $850 million of consolidated net operating losses ("U.S. NOLs") for U.S. federal income tax purposes. The Debtors believe additional U.S. NOLs were generated in 2016, but a final calculation of such amounts has not yet been performed, and additional U.S. NOLs may be generated before the Effective Date.

1. Cancellation of Debt and Reduction of Tax Attributes.

In general, absent an exception, a debtor will realize and recognize cancellation of debt income ("COD Income") upon satisfaction of its outstanding indebtedness for total consideration less than the amount of such indebtedness. The amount of COD Income, in general, is the excess of (a) the adjusted issue price of the indebtedness satisfied, over (b) the sum of (i) the amount of Cash paid, (ii) the issue price of any new indebtedness of the taxpayer issued, and (iii) the fair market value of any other new consideration (including stock of the debtor) given in satisfaction of such indebtedness at the time of the exchange.

Under section 108 of the U.S. Tax Code, a debtor is not required to include COD Income in gross income if the debtor is under the jurisdiction of a court in a case under chapter 11 of the Bankruptcy Code and the discharge of debt occurs pursuant to that proceeding. Instead, as a consequence of such exclusion, a debtor must reduce its tax attributes by the amount of COD Income that it excluded from gross income pursuant to the rule discussed in the preceding sentence. In general, tax attributes will be reduced in the following order: (a) NOLs and NOL carryforwards; (b) general business credit carryovers; (c) minimum tax credit carryovers; (d) capital loss carryovers; (e) tax basis in assets; (f) passive activity loss and credit carryovers; and (g) foreign tax credit carryovers. Alternatively, a debtor with COD Income may elect first to reduce the basis of its depreciable assets pursuant to section 108(b)(5) of the U.S. Tax Code. The reduction in tax attributes occurs only after the tax for the year of the debt discharge has been determined. Any excess COD Income over the amount of available tax attributes is not subject to U.S. federal income tax and has no other U.S. federal income tax impact.

The Treasury Regulations address the method and order for applying tax attribute reduction to an affiliated group of corporations. Under these Treasury Regulations, the tax attributes of each member of an affiliated group of corporations that is excluding COD Income is first subject to reduction. To the extent the debtor member's tax basis in stock of a lower-tier member of the affiliated group is reduced, a "look through rule" requires that a corresponding reduction be made to the tax attributes of the lower-tier member. If a debtor member's excluded COD Income exceeds its tax attributes, the excess COD Income is applied to reduce certain remaining consolidated tax attributes of the affiliated group.

Importantly, the UPE Group's tax attributes are only subject to reduction on the basis of the COD Income related to debt owed by the UPE Group. Therefore, any cancellation of indebtedness income that may arise with respect to HoldCo's debt will not be taken into account for purposes of the above rules. Accordingly, the amount of COD Income that may result in a reduction of the UPE Group's tax attributes will depend on the value (or issue price, in the case of new debt) of the consideration received by holders of Claims against the entities that compose the UPE Group. Under the revised Plan as described in this Disclosure Statement, because Claims against the Debtors composing the UPE Group are generally being paid in full in Cash, the Debtors do not currently expect that the consummation of the Plan will give rise to substantial COD Income.

2. Limitation of NOL Carryforwards and Other Tax Attributes.

Following the Effective Date, the Debtors anticipate that any remaining U.S. NOLs, U.S. NOL carryover, capital loss carryover, tax credit carryovers, and certain other tax attributes (such as losses and deductions that have accrued economically but are unrecognized as of the date of the ownership change) of the UPE Group allocable to periods before the Effective Date (collectively, the Pre-Change Losses") may be subject to limitation or elimination under sections 382 and 383 of the U.S. Tax Code as a result of an "ownership change" of the UPE Group by reason of the transactions pursuant to the Plan.

Under sections 382 and 383 of the U.S. Tax Code, if a corporation undergoes an "ownership change," the amount of its Pre-Change Losses that may be utilized to offset future taxable income generally is subject to an annual limitation. The rules of section 382 of the U.S. Tax Code are complicated, but as a general matter, the Debtors anticipate that the issuance of additional equity in HoldCo will cause an "ownership change" of the UPE Group pursuant to rules regarding changes in indirect ownership. Accordingly, the UPE Group's use of their Pre-Change Losses will be subject to limitation unless an exception to the general rules of section 382 of the U.S. Tax Code applies.

For this purpose, if a corporation (or consolidated group) has a net unrealized built-in loss at the time of an ownership change (taking into account most assets and items of "built-in" income and deductions), then generally built-in losses (including amortization or depreciation deductions attributable to such built-in losses) recognized during the following five years (up to the amount of the original net unrealized built-in loss) will be treated as Pre-Change Losses and similarly will be subject to the annual limitation. In general, a corporation's (or consolidated group's) net unrealized built-in loss will be deemed to be zero unless it is greater than the lesser of (a) $10,000,000 or (b) 15 percent of the fair market value of its assets (with certain adjustments) before the ownership change.

a. General Section 382 Annual Limitation.

In general, the amount of the annual limitation to which a corporation that undergoes an "ownership change" would be subject is equal to the product of (a) the fair market value of the stock of the corporation immediately before the "ownership change" (with certain adjustments) multiplied by (b) the "long-term tax-exempt rate" (which is the highest of the adjusted federal long-term rates in effect for any month in the 3-calendar-month period ending with the calendar month in which the "ownership change" occurs).[17] The section 382 limitation may be increased to the extent that the Debtors recognize certain built-in gains in their assets during the five-year period following the ownership change, or are treated as recognizing built-in gains pursuant to the safe harbors provided in IRS Notice 2003-65. Section 383 of the U.S. Tax Code applies a similar limitation to capital loss carryforwards and tax credits. Any unused limitation may be carried forward, thereby increasing the annual limitation in the subsequent taxable year. As discussed below, however, special rules may apply in the case of a corporation that experiences an ownership change as the result of a bankruptcy proceeding.

b. Special Bankruptcy Exceptions.

An exception to the foregoing annual limitation rules generally applies when so-called "qualified creditors" of a debtor corporation in chapter 11 receive, in respect of their Claims, at least 50 percent of the vote and value of the stock of the reorganized debtor (or a controlling corporation if also in chapter 11) pursuant to a confirmed chapter 11 plan (the "382(l)(5) Exception"). Under the 382(l)(5) Exception, a debtor's Pre-Change Losses are not limited on an annual basis, but, instead, U.S. NOL carryforwards will be reduced by the amount of any interest deductions claimed during the three taxable years preceding the effective date of the plan of reorganization, and during the part of the taxable year prior to and including the effective date of the plan of reorganization, in respect of all debt converted into stock in the reorganization. If the 382(l)(5) Exception applies and the Reorganized Debtors undergo another "ownership change" within two years after the Effective Date, then the Reorganized Debtors' Pre-Change Losses thereafter would be effectively eliminated in their entirety.

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[17] The applicable rate is 2.09 percent for ownership changes occurring in February 2017. The Debtors cannot estimate what the applicable rate will be on the Effective Date (or on any other date on which an ownership change might occur).

Where the 382(l)(5) Exception is not applicable to a corporation in bankruptcy (either because the debtor does not qualify for it or the debtor otherwise elects not to utilize the 382(l)(5) Exception), a second special rule may apply (the "382(l)(6) Exception"). Under the 382(l)(6) Exception, the annual limitation will be calculated by reference to the lesser of the value of the debtor corporation's new stock (with certain adjustments) immediately after the ownership change or the value of such debtor corporation's assets (determined without regard to liabilities) immediately before the ownership change. This differs from the ordinary rule that requires the fair market value of a debtor corporation that undergoes an "ownership change" to be determined before the events giving rise to the change. Importantly, however, in the context of a consolidated group of corporations such as the UPE Group, the IRS has, in non-binding private guidance, determined that the asset value test is, with respect to equity in subsidiaries, applied on the basis of net equity value, subject to certain exceptions related to debt equitization. The application of that non-binding private guidance under the circumstances presented here is subject to uncertainty, but may have the result of limiting the effective benefit of the 382(l)(6) Exception. The 382(l)(6) Exception also differs from the 382(l)(5) Exception in that under it the debtor corporation is not required to reduce their U.S. NOL carryforwards by the amount of interest deductions claimed within the prior three-year period with respect to equitized debt, and the debtor may undergo a change of ownership within two years without automatically triggering the elimination of its Pre-Change Losses. The resulting limitation would be determined under the regular rules for ownership changes.

It is possible that the Debtors will not qualify for the 382(l)(5) Exception. In particular, the application of the 382(l)(5) Exception is subject to significant uncertainty in the circumstances here, where 100 percent of the stock of the parent of the UPE Group is owned by a foreign corporation. Alternatively, even if the 382(l)(5) Exception could apply, the Reorganized Debtors may decide to elect out of the 382(l)(5) Exception, particularly if it appears likely that another ownership change will occur within two years after emergence. In either case, the Debtors anticipate that their use of the Pre-Change Losses (if any) after the Effective Date will be subject to limitation based on the rules discussed above, but taking into account the 382(l)(6) Exception. Regardless of whether the Reorganized Debtors take advantage of the 382(l)(6) Exception or the 382(l)(5) Exception, the Reorganized Debtors' use of their Pre-Change Losses after the Effective Date may be adversely affected if an "ownership change" within the meaning of section 382 of the U.S. Tax Code were to occur after the Effective Date.

3. Alternative Minimum Tax.

In general, an alternative minimum tax ("AMT") is imposed on a corporation's alternative minimum taxable income ("AMTI") at a 20 percent rate to the extent such tax exceeds the corporation's regular federal income tax for the year. AMTI is generally equal to regular taxable income with certain adjustments. For purposes of computing AMTI, certain tax deductions and other beneficial allowances are modified or eliminated. For example, while U.S. NOLs generated in certain years can offset 100 percent of a corporation's regular taxable income, only 90 percent of a corporation's AMTI may be offset by available alternative tax U.S. NOL carryforwards. The effect of this rule could cause the Reorganized Debtors to owe an amount of federal and state income tax on taxable income in future years even if U.S. NOL carryforwards are available to offset that taxable income. Additionally, under section 56(g)(4)(G) of the U.S. Tax Code, an ownership change (as discussed above) that occurs with respect to a corporation having a net unrealized built-in loss in its assets will cause, for AMT purposes, the adjusted basis of each asset of the corporation immediately after the ownership change to be equal to its proportionate share (determined on the basis of respective fair market values) of the fair market value of the assets of the corporation, as determined under section 382(h) of the U.S. Tax Code, immediately before the ownership change, the effect of which may increase the amount of AMT owed by the Reorganized Debtors.

a. Treatment of Future Distributions from UPE Group to HoldCo.

Under the U.S.-Canada Treaty, dividends from UPE to HoldCo are subject to a 5 percent rate of U.S. tax, enforceable by withholding at the source. In general, a distribution from UPE to HoldCo will be treated as a dividend for these purposes to the extent made from UPE's "earnings and profits." Moreover, UPE is a "U.S. real property holding company" for purposes of the Foreign Investment in Real Property Tax Act ("FIRPTA"). If UPE does not have sufficient "earnings and profits," such distribution may be treated as a disposition by HoldCo of UPE's stock for FIRPTA purposes, which disposition would give rise to withholding at a 15 percent rate (potentially subject to a refund, to the extent such withholding exceeds actual tax liability) and tax liability at a 35 percent rate of any gain.

C. Certain Canadian Income Tax Consequences to the Debtors and Reorganized Debtors.

As of December 31, 2015, HoldCo had approximately $61 million of net operating losses ("Canadian NOLs") and it is anticipated that HoldCo generated additional Canadian NOLs in 2016 and will generate additional Canadian NOLs before the Effective Date.

1. Cancellation of Debt and Reduction of Tax Attributes

The ITA contains rules (the "Canadian Debt Forgiveness Rules") which may affect HoldCo as a result of the implementation of the Plan. These rules generally apply where a "commercial debt obligation" (as defined for these purposes in the ITA) is settled or extinguished without any payment or by the payment of an amount less than the principal amount of the debt. In general, the Canadian Debt Forgiveness Rules provide that the amount by which the principal amount of a debt (including, generally, accrued and unpaid interest thereon) exceeds the amount paid in satisfaction of such principal amount (such excess being referred to in this discussion as the "forgiven amount") is to be applied to reduce, in the following order, the debtor's (i) non-capital losses of prior taxation years, (ii) net capital losses of prior taxation years, (iii) capital cost and undepreciated capital cost of depreciable property, and other attributes in a specified order. Generally, one-half of any remaining unapplied portion of the forgiven amount is included in computing the income of the debtor in the year the debt is settled. In addition, corporations resident in Canada are allowed a deduction (the "Canadian Insolvency Deduction") which effectively offsets any income inclusion under the Canadian Debt Forgiveness Rules to the extent that such inclusion exceeds twice the fair market value of the corporation's net assets at the end of the taxation year (as determined under the applicable provisions of the ITA) in which the settlement or extinguishment occurs.

The exchange of HoldCo Note Claims for New Common Stock and the Subscription Rights will result in the settlement or extinguishment of the Holdco Note Claims. The "forgiven amount", as defined in the ITA, arising from the settlement or extinguishment, if any, will reduce, in prescribed order, certain tax attributes of HoldCo, including non-capital losses, and the adjusted cost base of certain capital property.

Importantly, HoldCo's tax attributes are only subject to reduction on the basis of the "forgiven amount' related to debt owed by HoldCo. Therefore, any cancellation of indebtedness income that may arise with respect to UPE Group's debt will not be taken into account for purposes of the above rules. Accordingly, the amount of debt forgiveness that may result in a reduction of the HoldCo's tax attributes will depend on the value of the consideration received by holders of Holdco Note Claims. The fair market value of such consideration cannot be known with certainty until after the Effective Date.

2. Limitation of NOL Carryforwards and Other Tax Attributes.

As noted above, as of December 31, 2015, HoldCo had approximately $61 million of NOLs, and additional NOLs will likely be generated before the Effective Date.

The ITA contains rules that limit a company's ability to carry forward and deduct NOLs upon an 'acquisition of control' of the company by a person or 'group of persons'.

'Control' for this purpose generally refers to the ownership of 50.1 percent or more of the voting shares of the company at a particular time.

An aggregation of more than one person will constitute a 'group of persons' only where there exists a sufficient common connection amongst the persons. The level of cooperation exercised amongst the members of the HoldCo Noteholder Committee or the Equityholder Committee to facilitate the exchange of the HoldCo Note Claims for New Common Stock and Subscription Rights should not, in and of itself, constitute the degree of common connection needed for the members of the HoldCo Noteholder Committee or the Equityholder Committee to constitute a 'group of persons' for this purpose.

To the extent any Canadian NOLs survive the application of the Canadian Debt Forgiveness Rules, the Debtors do not anticipate that the Canadian NOLs will be subject to any change-in-control related limitation on their use under Applicable Canadian Tax Law.

D. Certain U.S. Federal Income Tax Consequences to Certain U.S. Holders of Claims and Existing HoldCo Common Stock.

As discussed below, the tax consequences of the Plan to U.S. holders of Allowed Claims and Existing HoldCo Common Stock will depend upon a variety of factors. As an initial matter, whether an exchange of Claims is fully or partially taxable will depend on whether Claims being surrendered constitute "securities" and whether the consideration received in exchange for such Claim constitutes stock or a "security" of the Debtor against which the Claim was held. Whether a Claim that is surrendered and debt instruments received pursuant to the Plan constitute "securities" is determined based on all the facts and circumstances. Most authorities have held that the length of the term of a debt instrument at initial issuance is an important factor in determining whether such instrument is a security for U.S. federal income tax purposes. These authorities have indicated that a term of less than five years is evidence that the instrument is not a security, whereas a term of ten years or more is evidence that it is a security. There are numerous other factors that could be taken into account in determining whether a debt instrument is a security, including the security for payment, the creditworthiness of the obligor, the subordination or lack thereof with respect to other creditors, the right to vote or otherwise participate in the management of the obligor, convertibility of the instrument into an equity interest in the obligor, whether payments of interest are fixed, variable, or contingent, and whether such payments are made on a current basis or accrued. Pursuant to guidance promulgated in U.S. Treasury Regulations, warrants generally constitute "securities" for these purposes.

The character of any recognized gain as capital gain or ordinary income will be determined by a number of factors, including the tax status of the U.S. Holder, the nature of the Claim in such U.S. Holder's hands (including whether the Claim constitutes a capital asset), whether the Claim was purchased at a discount, whether and to what extent the U.S. Holder has previously claimed a bad debt deduction with respect to its Claim, and whether any part of the U.S. Holder's recovery is treated as being on account of accrued but untaxed interest. Accrued interest and market discount are discussed below.

1. Consequences to U.S. Holders of OpCo Funded Debt Claims and General Unsecured Claims.

Pursuant to the Plan, in exchange for full and final satisfaction, settlement, release and discharge of the OpCo Funded Debt Claims and General Unsecured Claims, such Claims shall be exchanged for Cash. Subject to the discussion immediately below regarding the treatment of the OpCo Note Claims and the OpCo Note Makewhole Claims, a U.S. Holder of such Claim will be treated as receiving its distributions under the Plan in a taxable exchange under section 1001 of the U.S. Tax Code. Other than with respect to any amounts received that are attributable to accrued but untaxed interest or market discount, each U.S. Holder of such Claim should recognize gain or loss equal to the difference between the amount of Cash received and such U.S. Holder's adjusted basis, if any, in such Claim.

The above treatment is subject to potential uncertainty with respect to the treatment of the OpCo Note Claims and the OpCo Note Makewhole Claims. Because the OpCo Note Makewhole Claims may become Allowed following the Effective Date, the Debtors intend to take the position that Holders of OpCo Note Claims will be treated as having received a payment on the OpCo Note Claims, with the OpCo Notes remaining outstanding (solely for U.S. federal income tax purposes) until the OpCo Note Makewhole Claims are resolved. In the event the OpCo Note Makewhole Claims are subsequently Allowed and payment is made with respect to such Claims, such amount will be treated as a payment in full and final satisfaction of the obligations under such OpCo Notes, with such payment treated as a taxable exchange under section 1001 of the U.S. Tax Code. The remaining discussion assumes the Debtors' intended tax treatment is respected.

However, it may be possible that a Holder of an OpCo Note Claim will, instead, be treated as having received, in an exchange for such Claims that is taxable under section 1001 of the U.S. Tax Code, (a) cash and (b) a separate contingent value right in respect of the OpCo Note Makewhole Claims. Holders of OpCo Note Claims are urged to consult their own tax advisors regarding the treatment of the OpCo Note Claims under the Plan.

2. Consequences to U.S. Holders of HoldCo Note Claims.

Pursuant to the Plan, in exchange for full and final satisfaction, settlement, release and discharge of the HoldCo Note Claims, the holders of such HoldCo Note Claims shall exchange such Claims for their Pro Rata share of (a) New Common Stock and (b) Subscription Rights.

a. Treatment if a HoldCo Note Claim Constitutes a "Security."

If a HoldCo Note Claim constitutes a "security" then the exchange of such HoldCo Note Claim should be treated as a reorganization under the U.S. Tax Code. Because all consideration being received in exchange for such HoldCo Note Claim should constitute stock or a "security" of HoldCo, a U.S. Holder should not recognize any gain or loss from such exchange.

U.S. Holders should obtain an aggregate tax basis in the New Common Stock and Subscription Rights, other than any such amounts treated as received in satisfaction of accrued but untaxed interest, equal to the tax basis of the surrendered HoldCo Note Claim. Basis should be allocated among the New Common Stock and Subscription Rights in proportion to their respective fair market values. The holding period for the New Common Stock and Subscription Rights should include the holding period for the surrendered HoldCo Note Claims.

The tax basis of any New Common Stock and Subscription Rights determined to be received in satisfaction of accrued but untaxed interest should equal the amount of such accrued but untaxed interest, but in no event should such basis exceed the fair market value of the New Common Stock and Subscription Rights received in satisfaction of accrued but untaxed interest. The holding period for any such New Common Stock and Subscription Rights should begin on the day following the Effective Date.

b. Treatment if a HoldCo Note Claim Does Not Constitute a "Security."

If a HoldCo Note Claim is determined not to be a "security," then a U.S. Holder of such HoldCo Note Claim will be treated as receiving its distributions under the Plan in a taxable exchange under section 1001 of the U.S. Tax Code. Other than with respect to any amounts received that are attributable to accrued but untaxed interest, each U.S. Holder of such HoldCo Note Claim should recognize gain or loss equal to the difference between the (i) fair market value of the New Common Stock and Subscription Rights received in exchange for the Claim, and (ii) such U.S. Holder's adjusted basis, if any, in such HoldCo Note Claim.

U.S. Holders of such HoldCo Note Claims should obtain a tax basis in the New Common Stock and Subscription Rights, other than any such amounts treated as received in satisfaction of accrued but untaxed interest, equal to the fair market value of the New Common Stock and Subscription Rights as of the date such property is distributed to the U.S. Holder. The holding period for any such New Common Stock and Subscription Rights should begin on the day following the Effective Date.

The tax basis of any New Common Stock and Subscription Rights determined to be received in satisfaction of accrued but untaxed interest should equal the amount of such accrued but untaxed interest, but in no event should such basis exceed the fair market value of the New Common Stock and Subscription Rights received in satisfaction of accrued but untaxed interest. The holding period for any such New Common Stock and Subscription Rights should begin on the day following the Effective Date.

c. Exercise of Subscription Rights.

A U.S. Holder of a HoldCo Note Claim that elects not to exercise the Subscription Rights may be entitled to claim a (likely capital) loss equal to the amount of tax basis in the Subscription Rights, subject to any limitations on such U.S. Holder's ability to utilize capital losses. Such U.S. Holders are urged to consult with their own tax advisors as to the tax consequences of electing not to exercise the Subscription Rights.

A U.S. Holder that elects to exercise the Subscription Rights should be treated as purchasing New Common Stock in exchange for its Subscription Rights and the exercise price. Such a purchase should generally be treated as the exercise of an option under general tax principles. Accordingly, such a U.S. Holder should not recognize income, gain, or loss for U.S. federal income tax purposes when it exercises the Subscription Rights. A U.S. Holder's aggregate tax basis in the New Common Stock should equal the sum of: (i) the amount of cash paid by the

U.S. Holder to exercise its Subscription Rights; *plus* (ii) such U.S. Holder's tax basis in its Subscription Rights immediately before the option is exercised. A U.S. Holder's holding period for the New Common Stock received pursuant to the exercise of the Subscription Rights should begin on the day following such exercise.

3. Consequences to U.S. Holders of Existing HoldCo Common Stock.

Pursuant to the Plan, in exchange for full and final satisfaction, settlement, release and discharge of their Existing HoldCo Common Stock, holders of Existing HoldCo Common Stock will receive New Common Stock and Subscription Rights.

Although not free from doubt, the exchange of Existing HoldCo Common Stock for the New Common Equity and Subscription Rights should be treated as a reorganization under the U.S. Tax Code. Accordingly, a U.S. Holder of such Interest should not recognize any gain or loss in such exchange. U.S. Holders should obtain an aggregate tax basis in the New Common Stock and Subscription Rights equal to such U.S. Holder's tax basis in its Existing HoldCo Common Stock. The holding period for the New Common Stock and Subscription Rights should include the holding period for the surrendered Interests.

It is possible that, rather than being treated as a reorganization under the U.S. Tax Code, the receipt of New Common Stock and Subscription Rights could be treated as a distribution of the Subscription Rights on account of holders' Existing HoldCo Common Stock, followed by a dilutive issuance of New Common Stock to other parties receiving such New Common Stock pursuant to the Plan and the Rights Offering (which dilution should have no U.S. federal income tax consequences). In such a case, the distribution of the Subscription Rights should be tax-free to U.S. Holders of Existing HoldCo Common Stock. If the fair market value of the Subscription Rights on the Effective Date is less than 15 percent of the fair market value of the Existing HoldCo Common Stock on the Effective Date, the a U.S. Holder's basis in the Subscription Rights shall be zero, unless an election is made by such U.S. Holder to allocate the basis in its Existing HoldCo Common Stock between such Interests and the Subscription Rights. Such allocation would also be required if the fair market value of the Subscription Rights on the Effective Date is 15 percent or more of the Existing HoldCo Common Stock on the Effective Date.

a. Exercise of Subscription Rights.

A U.S. Holder of Existing HoldCo Common Stock that elects not to exercise the Subscription Rights may be entitled to claim a (likely capital) loss equal to the amount of tax basis in the Subscription Rights, subject to any limitations on such U.S. Holder's ability to utilize capital losses. Such U.S. Holders are urged to consult with their own tax advisors as to the tax consequences of electing not to exercise the Subscription Rights.

A U.S. Holder that elects to exercise the Subscription Rights should be treated as purchasing New Common Stock in exchange for its Subscription Rights and the exercise price. Such a purchase should generally be treated as the exercise of an option under general tax principles. Accordingly, such a U.S. Holder should not recognize income, gain, or loss for U.S. federal income tax purposes when it exercises the Subscription Rights. A U.S. Holder's aggregate tax basis in the New Common Stock should equal the sum of: (i) the amount of cash paid by the U.S. Holder to exercise its Subscription Rights; *plus* (ii) such U.S. Holder's tax basis in its Subscription Rights immediately before the option is exercised. A U.S. Holder's holding period for the New Common Stock received pursuant to the exercise of the Subscription Rights should begin on the day following such exercise.

HOLDERS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS CONCERNING THE RECOGNITION OF GAIN OR LOSS, FOR FEDERAL INCOME TAX PURPOSES, ON THE SATISFACTION OF THEIR CLAIMS.

4. Accrued Interest.

To the extent that any amount received by a U.S. Holder of a Claim is attributable to accrued but unpaid interest on the debt instruments constituting the surrendered Claim, the receipt of such amount should be taxable to the U.S. Holder as ordinary interest income (to the extent not already taken into income by the U.S. Holder). Conversely, a U.S. Holder of a Claim may be able to recognize a deductible loss (or, possibly, a write off against a reserve for worthless debts) to the extent that any accrued interest previously was included in the U.S. Holder's

gross income but was not paid in full by the Debtors. Such loss may be ordinary, but the tax law is unclear on this point.

If the fair value of the consideration is not sufficient to fully satisfy all principal and interest on Allowed Claims, the extent to which such consideration will be attributable to accrued interest is unclear. Under the Plan, the aggregate consideration to be distributed to U.S. Holders of Allowed Claims in each Class will be allocated first to the principal amount of Allowed Claims, with any excess allocated to unpaid interest that accrued on these Claims, if any. Certain legislative history indicates that an allocation of consideration as between principal and interest provided in a chapter 11 plan of reorganization is binding for U.S. federal income tax purposes, while certain Treasury Regulations treat payments as allocated first to any accrued but unpaid interest. The IRS could take the position that the consideration received by the U.S. Holder should be allocated in some way other than as provided in the Plan. U.S. holders of Claims are urged to consult their own tax advisors regarding the proper allocation of the consideration received by them under the Plan.

HOLDERS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS CONCERNING THE ALLOCATION OF CONSIDERATION RECEIVED IN SATISFACTION OF THEIR CLAIMS AND THE FEDERAL INCOME TAX TREATMENT OF ACCRUED BUT UNPAID INTEREST.

5. Market Discount.

Under the "market discount" provisions of the U.S. Tax Code, some or all of any gain realized by a U.S. Holder of a Claim who exchanges the Claim for an amount on the Effective Date may be treated as ordinary income (instead of capital gain), to the extent of the amount of "market discount" on the debt instruments constituting the exchanged Claim. In general, a debt instrument is considered to have been acquired with "market discount" if it is acquired other than on original issue and if its U.S. Holder's adjusted tax basis in the debt instrument is less than (a) the sum of all remaining payments to be made on the debt instrument, excluding "qualified stated interest" or (b) in the case of a debt instrument issued with OID, its adjusted issue price, by at least a de minimis amount (equal to 0.25 percent of the sum of all remaining payments to be made on the debt instrument, excluding qualified stated interest, multiplied by the number of remaining whole years to maturity).

Any gain recognized by a U.S. Holder on the taxable disposition of a Claim that had been acquired with market discount should be treated as ordinary income to the extent of the market discount that accrued thereon while the Claim was considered to be held by the U.S. Holder (unless the U.S. Holder elected to include market discount in income as it accrued). To the extent that the Allowed Claims that were acquired with market discount are exchanged in a tax-free transaction for other property, any market discount that accrued on the Allowed Claims (*i.e.*, up to the time of the exchange) but was not recognized by the U.S. Holder is carried over to the property received therefor and any gain recognized on the subsequent sale, exchange, redemption for tax purposes, or other disposition of the property is treated as ordinary income to the extent of the accrued, but not recognized, market discount.

HOLDERS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS CONCERNING THE APPLICATION OF THE MARKET DISCOUNT RULES TO THEIR CLAIMS.

6. Dividends on New Common Stock.

Subject to certain rules related to Passive Foreign Investment Companies ("PFICs"), cash distributions on account of the New Common Stock will constitute dividends for U.S. federal income tax purposes to the extent of the current or accumulated earnings and profits of Reorganized HoldCo (as determined under U.S. federal income tax principles). Such income (including any withheld Canadian taxes) will be includable in the gross income of a U.S. Holders as ordinary income on the day actually or constructively received by such U.S. Holder. Distributions on New Common Stock (including any withheld Canadian taxes) that are treated as dividends for U.S. federal income tax purposes will not be eligible for the dividends received deduction allowed to certain corporations under the U.S. Tax Code. Non-corporate U.S. Holders may be subject to reduced rates of taxation, both because Reorganized HoldCo is expected to be eligible for the benefits of the U.S.-Canada Treaty, which has been determined by the U.S. Treasury Department to meet certain requirements, and because Reorganized HoldCo is expected to trade on an established U.S. securities market. However, dividends on New Common Stock will not be eligible for reduced rates of taxation to the extent Reorganized HoldCo is a PFIC. Although the Debtors do not believe Reorganized HoldCo is a PFIC, because such classification is attributable to various factors that are subject

to change, the Debtors cannot guarantee that Reorganized HoldCo will not become a PFIC in the future. In addition, non-corporate U.S. holders that do not meet a minimum holding period requirement during which they are not protected from the risk of loss or that elect to treat the dividend income as "investment income" pursuant to Section 163(d)(4) of the U.S. Tax Code will not be eligible for the reduced rates of taxation. In addition, the rate reduction will not apply to dividends if the recipient of the dividend is obligated to make related payments with respect to a position in substantially similar or related property. This disallowance applies even if the minimum holding period has been met.

Subject to certain conditions and limitations, Canadian withholding or other taxes, if any, paid on dividends paid on the New Common Stock may be credited against a U.S. Holder's U.S. federal income tax liability. For purposes of calculating the foreign tax credit, dividends paid on New Common Stock should, subject to the discussion below regarding foreign corporations that are at least 50 percent owned by U.S. persons, be treated as income from sources outside the U.S. and will generally constitute passive category income. Further, in certain circumstances, if a U.S. Holder (a) has held New Common Stock for less than a specified minimum period during which the U.S. Holder is not protected from risk of loss; or (b) is obligated to make payments related to the dividends, the U.S. Holder will not be allowed a foreign tax credit for foreign taxes imposed on dividends paid on the New Common Stock. Dividends paid by a foreign corporation that is at least 50 percent owned by U.S. persons may be treated as U.S. source income (rather than foreign source income) for U.S. foreign tax credit purposes to the extent that the foreign corporation has more than an insignificant amount of U.S. source income. The effect of this rule may be to treat a portion of any dividends paid by Reorganized HoldCo as U.S. source income. Treatment of the Reorganized HoldCo dividends as U.S. source income in whole or in part may limit a U.S. Holder's ability to claim a foreign tax credit with respect to Canadian taxes payable or deemed payable in respect of such dividends or on other items of foreign source income. The rules governing the U.S. foreign tax credit are complex. U.S. Holders are urged to consult their own tax advisers regarding the availability of the U.S. foreign tax credit under particular circumstances.

To the extent that a U.S. Holder receives distributions that would otherwise constitute dividends for U.S. federal income tax purposes but that exceed Reorganized HoldCo's current and accumulated earnings and profits (as determined for U.S. federal income tax purposes), such distributions will be treated first as a non-taxable return of capital reducing the U.S. Holder's basis in its shares. Any such distributions in excess of the U.S. Holder's basis in its shares (determined on a share-by-share basis) generally will be treated as a disposition and subject to the treatment discussed below.

7. Sale or Repurchase of New Common Stock.

Subject to certain rules regarding PFICs, unless a non-recognition provision applies, U.S. Holders generally will recognize capital gain or loss upon the sale, redemption for tax purposes, or other taxable disposition of New Common Stock in an amount equal to the difference between (i) the amount realized on the disposition and (ii) such U.S. Holder's adjusted tax basis in such shares. Such capital gain will generally be long-term capital gain if at the time of the sale, exchange, redemption for tax purposes, or other taxable disposition, the U.S. Holder held the New Common Stock for more than one year. Long-term capital gains of an individual taxpayer generally are taxed at preferential rates. The deductibility of capital losses is subject to certain limitations as described below. Under the recapture rules of section 108(e)(7) of the U.S. Tax Code, a U.S. Holder may be required to treat gain recognized on the taxable disposition of the New Common Stock as ordinary income if such U.S. Holder took a bad debt deduction with respect to its Allowed Claim or recognized an ordinary loss on the exchange of its Allowed Claim for New Common Stock. Any gain or loss recognized by a U.S. Holder on the sale or exchange of New Common Stock generally will be treated as U.S. source gain or loss. However, if Reorganized HoldCo is a PFIC, unless a U.S. Holder elects to be taxed annually on a mark-to-market basis with respect to its New Common Stock, gain realized on any sale or exchange of such New Common Stock (and certain distributions) could be subject to additional U.S. federal income taxes, plus an interest charge on certain taxes treated as having been deferred under the PFIC rules.

8. Limitations on Capital Losses.

A U.S. Holder of a Claim or Interest who recognizes capital losses as a result of the distributions under the Plan will be subject to limits on the use of such capital losses. For a non-corporate U.S. Holder, capital losses may be used to offset any capital gains (without regard to holding periods), and also ordinary income to the extent of the

lesser of (a) $3,000 ($1,500 for married individuals filing separate returns) or (b) the excess of the capital losses over the capital gains. A non-corporate U.S. Holder may carry over unused capital losses and apply them against future capital gains and a portion of their ordinary income for an unlimited number of years. For corporate U.S. Holders, capital losses may only be used to offset capital gains. A corporate U.S. Holder that has more capital losses than may be used in a tax year may carry back unused capital losses to the three years preceding the capital loss year or may carry over unused capital losses for the five years following the capital loss year.

E. Certain U.S. Federal Income Tax Consequences to Certain Non-U.S. Holders of Claims.

The following discussion assumes that the Debtors will undertake the restructuring transactions currently contemplated by the Plan and includes only certain U.S. federal income tax consequences of the Restructuring Transactions to non-U.S. Holders. The discussion does not include any non-U.S. tax considerations. The rules governing the U.S. federal income tax consequences to non-U.S. Holders are complex. Each non-U.S. Holder is urged to consult its own tax advisor regarding the U.S. federal, state, and local and the non-U.S. tax consequences of the consummation of the restructuring transactions to such non-U.S. Holders.

1. Gain Recognition.

To the extent that the restructuring transactions are treated as a taxable exchange or otherwise result in the recognition of taxable gain for U.S. federal income tax purposes, any gain realized by a non-U.S. Holder on the exchange of its Claim or Interest generally will not be subject to U.S. federal income taxation unless (a) the non-U.S. Holder is an individual who was present in the United States for 183 days or more during the taxable year in which the restructuring transactions occur and certain other conditions are met or (b) such gain is effectively connected with the conduct by such non-U.S. Holder of a trade or business in the United States (and if an income tax treaty applies, such gain is attributable to a permanent establishment maintained by such non-U.S. Holder in the United States).

If the first exception applies, to the extent that any gain is taxable, the non-U.S. Holder generally will be subject to U.S. federal income tax at a rate of 30 percent (or at a reduced rate or exemption from tax under an applicable income tax treaty) on the amount by which such non-U.S. Holder's capital gains allocable to U.S. sources exceed capital losses allocable to U.S. sources during the taxable year of the exchange. If the second exception applies, the non-U.S. Holder generally will be subject to U.S. federal income tax with respect to any gain realized on the exchange in the same manner as a U.S. Holder. In addition, if such a non-U.S. Holder is a corporation, it may be subject to a branch profits tax equal to 30 percent (or such lower rate provided by an applicable treaty) of its effectively connected earnings and profits for the taxable year, subject to certain adjustments.

2. New Common Stock.

In general, a non-U.S. Holder of New Common Stock should not be subject to U.S. federal income tax or U.S. federal withholding tax with respect to the New Common Stock unless (a) in the case of gain only, such non-U.S. Holder is a nonresident alien individual present in the United States for 183 days or more during the taxable year of the disposition, and certain other requirements are met; or (b) any dividend or gain is effectively connected with such non-U.S. Holder's conduct of a trade or business in the U.S. (and, if required by any applicable tax treaty, is attributable to a permanent establishment maintained by the non-U.S. Holder in the United States). A non-U.S. Holder that is a corporation also may be subject to a branch profits tax equal to 30 percent (or such lower rate specified by an applicable tax treaty) of its effectively connected earnings and profits for the taxable year, as adjusted for certain taxes. Non-U.S. Holders are urged to consult their tax advisors regarding any applicable tax treaties that may provide for different rules.

3. FATCA.

Under the Foreign Account Tax Compliance Act ("FATCA"), foreign financial institutions and certain other foreign entities must report certain information with respect to their U.S. account holders and investors or be subject to withholding at a rate of 30 percent on the receipt of "withholdable payments." For this purpose, "withholdable payments" are generally U.S. source payments of fixed or determinable, annual or periodical income (including dividends, if any, on shares of New Common Stock), and also include gross proceeds from the sale of any

property of a type which can produce U.S. source interest or dividends (which would include New Common Stock and the Subscription Rights). FATCA withholding will apply even if the applicable payment would not otherwise be subject to U.S. federal nonresident withholding.

As currently proposed, FATCA withholding rules would apply to payments of gross proceeds from the sale or other disposition of property of a type which can produce U.S. source interest or dividends that occur after December 31, 2018.

Each non-U.S. Holder is urged to consult its own tax advisor regarding the possible impact of these rules on such non-U.S. Holder.

F. Certain Canadian Income Tax Consequences to Holders of the Holdco Note Claims.

Pursuant to the Plan, in exchange for full and final satisfaction, settlement, release and discharge of the HoldCo Note Claims, the holders of such HoldCo Note Claims shall exchange such Claims for their Pro Rata share of New Common Stock and Subscription Rights.

Under the Plan, the New Common Stock and the Subscription Rights, as the case may be, will be allocated first to the principal amount of the Holdco Note Claims, and the balance, if any, to the accrued interest with respect to the Holdco Note Claims.

1. Consequences to Canadian Holders of Holdco Note Claims.

a. Treatment of Accrued and Unpaid Interest.

A Canadian Holder will in general terms be required to include in income the amount of interest accrued or deemed to accrue on the Holdco Note Claims up to the date on which the Holdco Note Claims are settled under the Plan or that became receivable or was received on or before such date, to the extent that such amounts have not otherwise been included in the Canadian Holder's income for the taxation year or a preceding taxation year.

b. Taxable Capital Gains / Allowable Capital Loss.

In general, a Canadian Holder will realize a capital gain (or capital loss) on the exchange of the Holdco Note Claims equal to the amount by which the aggregate fair market value of the New Common Stock and Subscription Rights at the time of the exchange, net of any amount included in the Canadian Holder's income as interest, exceeds (or is exceeded by) the adjusted cost base to the Canadian Holder of such HoldCo Note Claim plus any reasonable costs of disposition.

A Canadian Holder will be required to include in income one half of the amount of any capital gains (a taxable capital gain) and generally will be entitled to deduct one half of the amount of any capital loss (an allowable capital loss) against taxable capital gains realized by such holder in the year of the disposition. Allowable capital losses in excess of taxable capital gains in a particular year may be carried back and deducted in any of the three preceding years or carried forward and deducted in any following year against taxable capital gains realized in such year to the extent and under the circumstances described in the ITA.

The adjusted cost base of the New Common Stock and the Subscription Rights to the Canadian Holder will be equal to the fair market value at the time of the exchange of such New Common Stock and the Subscription Rights.

c. Exercise of the Subscription Rights.

A Canadian Holder who exercises Subscription Rights received under the Rights Offering will realize no gain or loss on the exercise of the Subscription Rights. The cost to a Canadian Holder of the New Common Stock acquired on the exercise of the Subscription Rights will be equal to the aggregate of the adjusted cost base of the Subscription Rights, if any, and the price paid to acquire the New Common Stock under the Rights Offering.

2. Consequences to Non-Canadian Holders, including U.S. Holders, of Holdco Note Claims.

a. Treatment of Accrued and Unpaid Interest.

Any interest paid or deemed paid on Exchange of the HoldCo Note Claims for New Common Stock and Subscription Rights should not be subject to Canadian withholding tax.

b. Capital Gain / Capital Loss.

The Exchange of the HoldCo Note Claims for New Common Stock and Subscription Rights by a Non-Canadian Holder will not be subject to Canadian tax unless the HoldCo Note Claim constitutes "taxable Canadian property" to the Non-Canadian Holder at the time of the disposition and relief from taxation is not available under an applicable income tax treaty or convention.

The HoldCo Note Claims should not constitute "taxable Canadian property."

c. Exercise of the Subscription Rights.

No Canadian tax consequences should arise in relation to the Subscription Rights unless the Subscription Rights constitute taxable Canadian property and relief from taxation is not available under applicable tax treaty or convention.

The Subscription Rights should not constitute "taxable Canadian property." Any capital gain realized on the Exchange of the HoldCo Note Claims should therefore not be subject to Canadian tax.

G. Certain Canadian Income Tax Consequences to Holders of the Existing HoldCo Common Stock.

Pursuant to the Plan, in exchange for full and final satisfaction and settlement, the holders of the Existing HoldCo Common Stock shall exchange their Existing HoldCo Common Stock for their Pro Rata share of New Common Stock and Subscription Rights.

1. Consequences to Canadian Holder of Existing HoldCo Common Stock.

a. Deemed Dividend.

A Canadian Holder who exchanges Existing HoldCo Common Stock for New Common Shares and Subscription Rights will be deemed to have received a dividend equal to the amount by which the fair market value of the Subscription Rights received on the exchange exceeds the paid-up capital of the Existing HoldCo Common Stock so exchanged. Any such dividend will be included in the Canadian Holder's income for the purposes of the ITA and will be subject to those rules governing the taxability of such dividends, contained in the ITA. An overview of the rules applicable to the taxation of dividend or deemed dividends received from a taxable Canadian corporation by a Canadian Holder is provided below.

Although not free from doubt, the Debtors do not currently anticipate that there will be a deemed dividend under these rules.

b. Taxable Capital Gain / Allowable Capital Loss.

A Canadian Holder who exchanges Existing HoldCo Common Stock for New Common Shares and Subscription Rights will, (i) where the fair market value of the Subscription Rights exceeds the aggregate adjusted cost base to the Canadian Holder of the Existing HoldCo Common Stock, be deemed to have disposed of such Existing HoldCo Common Stock for proceeds of disposition equal to the net of fair market value of the Subscription Rights less the amount, if any, deemed to have been received by such Canadian Holder as a dividend; (ii) where the

fair market value of the Subscription Rights is equal to or less than the aggregate adjusted cost base to the Canadian Holder of the Existing HoldCo Common Stock, be deemed to have disposed of such Existing HoldCo Common Stock for proceeds of disposition equal to the net of adjusted cost base to the Canadian Holder of such Existing HoldCo Common Stock less the amount if any, of any dividend deemed to have been received by such Canadian Holder, pursuant to 1(a) Deemed Dividend, above.

A Canadian Holder will realize a capital gain (capital loss) on the exchange to the extent the above cited amount exceeds (is less than) the adjusted cost base to the Canadian Holder of such Existing HoldCo Common Stock plus any reasonable costs of disposition.

A Canadian Holder will be required to include in income one half of the amount of any capital gains (a taxable capital gain) and generally will be entitled to deduct one half of the amount of any capital loss (an allowable capital loss) against taxable capital gains realized by such holder in the year of the disposition. Allowable capital losses in excess of taxable capital gains in a particular year may be carried back and deducted in any of the three preceding years or carried forward and deducted in any following year against taxable capital gains realized in such year to the extent and under the circumstances described in the ITA.

The adjusted cost base of the New Common Stock to the Canadian Holder will be equal to the amount, if any, by which the aggregate adjusted cost base to the Canadian Holder in the Existing HoldCo Common Stock, immediately prior to the exchange, exceeds the fair market value of the Subscription Rights net of any amount deemed to have been received by the Canadian Holder as a dividend.

The adjusted cost base of the Subscription Rights to the Canadian Holder will be equal to the fair market value of such Subscription Rights at the time of the exchange of the Existing HoldCo Common Stock for New Common Stock and Subscription Rights.

For instance, and assuming the absence of any deemed dividend, where a Canadian Holder has an adjusted cost base in the Existing HoldCo Common Stock of $10, and where the fair market value of the Subscription Rights is $20, the Canadian Holder will in general terms, realize a capital gain of $10, which is equal to the amount by which the fair market value of the Subscription Rights ($20) exceeds the adjusted cost base to the Canadian Holder of the Existing HoldCo Common Stock ($10). The Canadian Holder's cost base in the New Common Stock received on account of the Existing HoldCo Common Stock will be zero. The Canadian Holder's cost base in the Subscription Rights will be $20.

Conversely, and again assuming the absence of any deemed dividend, where a Canadian Holder has an adjusted cost base in the Existing HoldCo Common Stock of $20, and where the fair market value of the Subscription Rights is $10, the Canadian Holder will in general terms be deemed to have disposed of his or her Existing HoldCo Common Stock for $20, and will realize no capital gain (or capital loss). The Canadian Holder's cost base in the New Common Stock received on account of the Existing HoldCo Common Stock will be $10. The Canadian Holder's cost base in the Subscription Rights will also be $10.

c. Exercise of the Subscription Rights.

A Canadian Holder who exercises Subscription Rights received under the Rights Offering will realize no gain or loss on the exercise of the Subscription Rights. The cost to a Canadian Holder of the New Common Stock acquired on the exercise of the Subscription Rights will be equal to the aggregate of the adjusted cost base of the Subscription Rights, if any, and the price paid to acquire the New Common Stock under the Rights Offering.

2. Consequences to a Non-Canadian Holders, including U.S. Holders, of Existing HoldCo Common Stock.

a. Deemed Dividend.

A Non-Canadian Holder who exchanges Existing HoldCo Common Stock for New Common Shares and Subscription Rights will be deemed to have received a dividend equal to the amount, if any, by which the fair

market value of the Subscription Rights received on the exchange exceeds the paid-up capital of the Existing HoldCo Common Stock so exchanged.

Any such dividend deemed paid or credited, to a Non-Canadian Holder will be subject to Canadian withholding tax at the rate of 25 percent of the gross amount of the dividend unless the rate is reduced under the provisions of an applicable income tax convention, which the Non-Canadian Holder is entitled to the benefits of, between Canada and the Non-Canadian Holder's country of residence. For instance, where the Non-Canadian Holder is a resident of the United States that is entitled to benefits under the U.S.-Canada Treaty, the rate of Canadian withholding tax applicable to the dividends is generally reduced to 15 percent.

Although not free from doubt, the Debtors do not currently anticipate that there will be a deemed dividend under these rules.

b. Disposition of Existing HoldCo Common Stock in exchange for New Common Stock and Subscription Rights.

No further Canadian tax consequences should arise in relation to the Existing HoldCo Common Stock unless the Existing HoldCo Common Stock constitute taxable Canadian property and relief from taxation is not available under applicable tax treaty or convention.

The Existing HoldCo Common Stock should not constitute "taxable Canadian property." Any capital gain realized on the Exchange of the Existing HoldCo Common Stock should therefore not be subject to Canadian tax.

c. Exercise of the Subscription Rights.

No Canadian tax consequences should arise in relation to the Subscription Rights unless the Subscription Rights constitute taxable Canadian property and relief from taxation is not available under applicable tax treaty or convention.

The Subscription Rights should not constitute "taxable Canadian property." Any capital gain realized on the exercise of the Subscription Rights should therefore not be subject to Canadian tax.

H. Dividends on New Common Stock, Sale of New Common Stock.

1. Consequences to Canadian Holders.

a. Dividends.

Dividends on the New Common Stock received or deemed to be received by a Canadian Holder after the Plan will be included in computing the Canadian Holder's income for the purposes of the ITA. Such dividends received or deemed to be received by a Canadian Holder that is an individual (including a trust) will generally be subject to the gross-up and dividend tax credit rules in the ITA normally applicable to taxable dividends received from corporations resident in Canada, including the enhanced gross-up and dividend tax credit rules applicable to any dividends designated as "eligible dividends" for these purposes. Dividends received or deemed to be received on such shares by an individual and certain trusts may give rise to alternative minimum tax. Generally, dividends received or deemed to be received on the New Common Stock after the Plan by a Canadian Holder that is a corporation will be included in computing the corporation's income, but will be deductible in computing the corporation's taxable income, subject to certain limitations in the ITA. A Canadian Holder of the New Common Stock that is a "private corporation" or a "subject corporation" (as defined in the ITA) generally will be subject to a refundable tax of 38 1/3 percent on dividends received or deemed to be received on such shares to the extent such dividends are deductible in computing the holder's taxable income.

b. Sale.

A Canadian Holder will, subject to the comments below, realize a capital gain (capital loss) on the sale of the New Common Stock to the extent the proceeds of disposition realized on the sale exceeds (is less than) the adjusted cost base to the Canadian Holder of such New Common Stock plus any reasonable costs of disposition.

A Canadian Holder will be required to include in income one half of the amount of any capital gains (a taxable capital gain) and generally will be entitled to deduct one half of the amount of any capital loss (an allowable capital loss) against taxable capital gains realized by such holder in the year of the disposition. Allowable capital losses in excess of taxable capital gains in a particular year may be carried back and deducted in any of the three preceding years or carried forward and deducted in any following year against taxable capital gains realized in such year to the extent and under the circumstances described in the ITA.

In certain circumstances, a capital loss otherwise arising on the disposition of shares by a Canadian Holder that is a corporation may be reduced by dividends previously received or deemed to have been received on such shares or shares for which the particular shares were issued in exchange. Analogous rules apply to a partnership or trust of which a corporation, partnership or trust is a member or beneficiary. Canadian Holders to whom these rules may be relevant are urged to consult their own tax advisors.

Where the sale is to HoldCo or to a member of the UPE Group, the Canadian Holder may in certain circumstances be deemed to have received a portion of the proceeds as a dividend, and not as proceeds of disposition on the sale of the share.

Capital gains realized by individuals and certain trusts may give rise to alternative minimum tax under the ITA.

2. Consequences to Non-Canadian Holders, including US Holders.

a. Dividends.

Any dividend paid or credited, or deemed to be paid or credited, on the New Common Stock to a Non-Canadian Holder will be subject to Canadian withholding tax at the rate of 25 percent of the gross amount of the dividend unless the rate is reduced under the provisions of an applicable income tax convention, which the Non-Canadian Holder is entitled to the benefits of, between Canada and the Non-Canadian Holder's country of residence. For instance, where the Non-Canadian Holder is a resident of the United States that is entitled to benefits under the Canada-United States Income Tax Convention (1980), as amended, the rate of Canadian withholding tax applicable to the dividends is generally reduced to 15 percent.

b. Sale.

A disposition of New Common Stock by a Non-Canadian Holder will, subject to the comments below, not be subject to Canadian tax unless the New Common Stock constitutes "taxable Canadian property" to the Non-Canadian Holder at the time of the disposition and relief from taxation is not available under an applicable income tax treaty or convention.

Where the Non-Canadian Holder sells the New Common Stock to HoldCo or to a member of the UPE Group, the Non-Canadian Holder may in certain circumstances be deemed to have received all or a portion of the proceeds as a dividend, and not as proceeds of disposition on the sale of the share. Any such dividend deemed to have been paid or credited would be subject to the Canadian withholding tax considerations described above.

I. U.S. Information Reporting and Back-Up Withholding.

The Debtors will withhold all amounts required by law to be withheld from payments of interest and dividends. The Debtors will comply with all applicable reporting requirements of the U.S. Tax Code. In general, information reporting requirements may apply to distributions or payments made to a holder of a Claim under the

Plan. In addition, backup withholding of taxes will generally apply to payments in respect of an Allowed Claim under the Plan unless, in the case of a U.S. Holder, such U.S. Holder provides a properly executed IRS Form W-9 and, in the case of non-U.S. Holder, such non-U.S. Holder provides a properly executed applicable IRS Form W-8 (or otherwise establishes such Non-U.S. Holder's eligibility for an exemption).

Backup withholding is not an additional tax. Amounts withheld under the backup withholding rules may be credited against a holder's U.S. federal income tax liability, and a holder may obtain a refund of any excess amounts withheld under the backup withholding rules by filing an appropriate claim for refund with the IRS (generally, a federal income tax return).

In addition, from an information reporting perspective, the Treasury Regulations generally require disclosure by a taxpayer on its U.S. federal income tax return of certain types of transactions in which the taxpayer participated, including, among other types of transactions, certain transactions that result in the taxpayer's claiming a loss in excess of specified thresholds. Holders are urged to consult their tax advisors regarding these regulations and whether the transactions contemplated by the Plan would be subject to these regulations and require disclosure on the holders' tax returns.

THE TAX CONSEQUENCES OF THE PLAN ARE COMPLEX. THE FOREGOING SUMMARY DOES NOT DISCUSS ALL ASPECTS OF TAXATION THAT MAY BE RELEVANT TO A PARTICULAR HOLDER IN LIGHT OF SUCH HOLDER'S CIRCUMSTANCES AND INCOME TAX SITUATION. ALL HOLDERS OF CLAIMS AND INTERESTS ARE URGED TO CONSULT THEIR TAX ADVISORS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF THE TRANSACTIONS CONTEMPLATED BY THE PLAN, INCLUDING THE APPLICABILITY AND EFFECT OF ANY STATE, LOCAL, OR FOREIGN TAX LAWS, AND OF ANY CHANGE IN APPLICABLE TAX LAWS.

XVI. RECOMMENDATION.

In the opinion of the Debtors, the Plan is preferable to all other available alternatives and provides for a larger distribution to the Debtors' creditors and equityholders than would otherwise result in any other scenario. Accordingly, the Debtors recommend that holders of Claims and Interests entitled to vote on the Plan vote to accept the Plan and support Cconfirmation of the Plan.

Dated: February 813, 2017

ULTRA PETROLEUM CORP.
on behalf of itself and all other Debtors

/s/ Michael D. Watford

Michael D. Watford
Chairman of the Board,
Chief Executive Officer, and President

Exhibit A

The Plan

Exhibit B

Plan Support Agreement

Exhibit C

Disclosure Statement Order

Exhibit D

Financial Projections

Exhibit E

Valuation Analysis

Exhibit F

Liquidation Analysis

Exhibit G

Rights Offering Procedures

Exhibit H

Summary of Certain Key Terms of the Exit Financing Agreement

[To Be Attached]

Summary Report

February 13, 2017 2:07 AM

	Document	Location
Original	Ultra - Disclosure Statement Filed on 2.8.DOCX	C:\Users\mfagen\Desktop\Ultra - Disclosure Statement Filed on 2.8.DOCX
Revised	Ultra - DRAFT Second Amended Disclosure Statement (Proposed Solicitation Version w_ Milbank Comments)_(45046803_27).DOCX	C:\Users\mfagen\AppData\Local\Microsoft\Windows\Temporar Internet Files\Content.Outlook\IB97WSJF\Ultra - DRAFT Second Amended Disclosure Statement (Proposed Solicitation Version w_ Milbank Comments)_(45046803_27).DOCX

	Number of Changes	Markup
Insertions	99	Sample Text
Deletions	92	~~Sample Text~~
Moves	0	Move From ~~Move To~~
Total	**191**	

Exhibit C

Revised Second Amended Disclosure Statement

(Blackline to the First Amended Disclosure Statement)

THIS DISCLOSURE STATEMENT IS BEING SUBMITTED FOR APPROVAL BUT HAS NOT BEEN APPROVED BY THE BANKRUPTCY COURT. THIS IS NOT A SOLICITATION OF ACCEPTANCE OR REJECTION OF THE PLAN. ACCEPTANCE OR REJECTION MAY NOT BE SOLICITED UNTIL A DISCLOSURE STATEMENT HAS BEEN APPROVED BY THE BANKRUPTCY COURT. THE INFORMATION IN THE DISCLOSURE STATEMENT IS SUBJECT TO CHANGE. THIS DISCLOSURE STATEMENT IS NOT AN OFFER TO SELL ANY SECURITIES AND IS NOT SOLICITING AN OFFER TO BUY ANY SECURITIES.

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION

In re:	)	Chapter 11
ULTRA PETROLEUM CORP., *et al.*,[1]	)	Case No. 16-32202 (MI)
Debtors.	)	(Jointly Administered)

DISCLOSURE STATEMENT FOR DEBTORS' ~~FIRST~~SECOND AMENDED JOINT CHAPTER 11 PLAN OF REORGANIZATION

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[1] The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's federal tax identification number (if any), are: Ultra Petroleum Corp. (3838); Keystone Gas Gathering, LLC; Ultra Resources, Inc. (0643); Ultra Wyoming, Inc. (6117); Ultra Wyoming LGS, LLC (0378); UP Energy Corporation (4296); UPL Pinedale, LLC (7214); and UPL Three Rivers Holdings, LLC (7158).

THE DEBTORS ARE PROVIDING THE INFORMATION IN THIS DISCLOSURE STATEMENT TO HOLDERS OF CLAIMS AND INTERESTS FOR PURPOSES OF SOLICITING VOTES TO ACCEPT OR REJECT THE *DEBTORS' ~~FIRST~~SECOND AMENDED JOINT CHAPTER 11 PLAN OF REORGANIZATION*. NOTHING IN THIS DISCLOSURE STATEMENT MAY BE RELIED UPON OR USED BY ANY ENTITY FOR ANY OTHER PURPOSE. BEFORE DECIDING WHETHER TO VOTE FOR OR AGAINST THE PLAN, EACH HOLDER ENTITLED TO VOTE SHOULD CAREFULLY CONSIDER ALL OF THE INFORMATION IN THIS DISCLOSURE STATEMENT, INCLUDING THE RISK FACTORS DESCRIBED IN ARTICLE X HEREIN.

THE PLAN IS SUPPORTED BY THE DEBTORS, THE CONSENTING HOLDCO NOTEHOLDERS, ~~AND~~ THE CONSENTING HOLDCO EQUITYHOLDERS, BIG WEST OIL, LLC, PINEDALE CORRIDOR L.P., AND ROCKIES EXPRESS PIPELINE LLC. THE DEBTORS URGE HOLDERS OF CLAIMS OR INTERESTS WHOSE VOTES ARE BEING SOLICITED TO ACCEPT THE PLAN.

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THIS DISCLOSURE STATEMENT CONTAINS, AMONG OTHER THINGS, SUMMARIES OF THE PLAN, CERTAIN STATUTORY PROVISIONS, AND CERTAIN ANTICIPATED EVENTS IN THE DEBTORS' CHAPTER 11 CASES. ALTHOUGH THE DEBTORS BELIEVE THAT THESE SUMMARIES ARE FAIR AND ACCURATE, THESE SUMMARIES ARE QUALIFIED IN THEIR ENTIRETY TO THE EXTENT THAT THEY DO NOT SET FORTH THE ENTIRE TEXT OF SUCH DOCUMENTS OR STATUTORY PROVISIONS OR EVERY DETAIL OF SUCH ANTICIPATED EVENTS. IN THE EVENT OF ANY INCONSISTENCY OR DISCREPANCY BETWEEN A DESCRIPTION IN THIS DISCLOSURE STATEMENT AND THE TERMS AND PROVISIONS OF THE PLAN OR ANY OTHER DOCUMENTS INCORPORATED HEREIN BY REFERENCE, THE PLAN OR SUCH OTHER DOCUMENTS WILL GOVERN FOR ALL PURPOSES. FACTUAL INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT HAS BEEN PROVIDED BY THE DEBTORS' MANAGEMENT EXCEPT WHERE OTHERWISE SPECIFICALLY NOTED. THE DEBTORS DO NOT REPRESENT OR WARRANT THAT THE INFORMATION CONTAINED HEREIN OR ATTACHED HERETO IS WITHOUT ANY MATERIAL INACCURACY OR OMISSION.

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AND OPERATIONS. THE DEBTORS EXPRESSLY CAUTION READERS NOT TO PLACE UNDUE RELIANCE ON ANY FORWARD LOOKING STATEMENTS CONTAINED HEREIN.

THIS DISCLOSURE STATEMENT DOES NOT CONSTITUTE, AND MAY NOT BE CONSTRUED AS, AN ADMISSION OF FACT, LIABILITY, STIPULATION, OR WAIVER. THE DEBTORS MAY SEEK TO INVESTIGATE, FILE, AND PROSECUTE CLAIMS AND MAY OBJECT TO CLAIMS AFTER THE CONFIRMATION OR EFFECTIVE DATE OF THE PLAN IRRESPECTIVE OF WHETHER THIS DISCLOSURE STATEMENT IDENTIFIES ANY SUCH CLAIMS OR OBJECTIONS TO CLAIMS.

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THE DEBTORS HAVE NOT AUTHORIZED ANY ENTITY TO GIVE ANY INFORMATION ABOUT OR CONCERNING THE PLAN OTHER THAN THAT WHICH IS CONTAINED IN THIS DISCLOSURE STATEMENT. THE DEBTORS HAVE NOT AUTHORIZED ANY REPRESENTATIONS CONCERNING THE DEBTORS OR THE VALUE OF THEIR PROPERTY OTHER THAN AS SET FORTH IN THIS DISCLOSURE STATEMENT.

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

AS DESCRIBED IN THIS DISCLOSURE STATEMENT, CERTAIN PARTIES OBJECT OR INTEND TO OBJECT TO CONFIRMATION OF THE PLAN. THE RIGHT OF ANY PARTY IN INTEREST TO OBJECT TO CONFIRMATION OF THE PLAN FOR ANY BASIS IS FULLY RESERVED AND PRESERVED, AND THE ABSENCE OF ANY RESERVATION OF RIGHTS OR SIMILAR LANGUAGE WITH RESPECT TO ANY SUCH ISSUE IN THIS DISCLOSURE STATEMENT SHALL NOT PREJUDICE THE RIGHTS OF ANY PARTY TO OBJECT TO CONFIRMATION OF THE PLAN ON ANY GROUNDS WHATSOEVER.

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I. INTRODUCTION.

The Debtors submit this Disclosure Statement pursuant to section 1125 of the Bankruptcy Code to holders of Claims against and Interests in the Debtors in connection with the solicitation of acceptances with respect to the ***Debtors' ~~First~~Second Amended Joint Chapter 11 Plan of Reorganization*** (the "Plan"), dated ~~December 6, 2016~~February 8, 2017.[1] A copy of the Plan is attached hereto as **Exhibit A** and incorporated herein by reference. The Plan constitutes a separate chapter 11 plan for each of the Debtors.

THE DEBTORS BELIEVE THAT THE SETTLEMENT CONTEMPLATED UNDER THE PLAN IS FAIR AND EQUITABLE, MAXIMIZES THE VALUE OF THE DEBTORS' ESTATES AND PROVIDES THE BEST RECOVERY TO HOLDERS OF CLAIMS AND INTERESTS. AT THIS TIME, THE DEBTORS BELIEVE THIS IS THE BEST AVAILABLE ALTERNATIVE FOR COMPLETING THE CHAPTER 11 CASES. THE DEBTORS STRONGLY RECOMMEND THAT YOU VOTE TO ACCEPT THE PLAN.

II. PRELIMINARY STATEMENT.

The Debtors are a publicly-traded, independent oil and natural gas exploration and production ("E&P") enterprise headquartered in Houston, Texas. Over the years, the Debtors have consistently demonstrated that they are one of the leanest and most efficiently-operated E&P companies in the industry. The Debtors' principal assets are their Pinedale Field properties in Wyoming, which primarily produce natural gas. The Debtors also own properties in Utah, which produce primarily crude oil, and interests in properties in Pennsylvania, which produce natural gas. The Debtors manage their operations from an operations office in Denver, Colorado and two field offices, located in Pinedale, Wyoming and Vernal, Utah.

Prior to the filing of the Chapter 11 Cases, unexpected and historic declines in natural gas and crude oil prices as well as worsening conditions in capital markets serving the oil and gas industry created a challenging environment for all oil and gas companies, including the Debtors, and ultimately caused the Debtors' capital structure to become unsustainable.

Prepetition, the Debtors undertook a series of operational and financial actions in an attempt to improve their liquidity position and stabilize their capital structure. These actions included significantly reducing their capital expenditures, negotiating material cost reductions from key vendors, pursuing capital markets or asset sales transactions, and revising incentive compensation programs to emphasize debt reduction as a performance goal. Although the Debtors were successful at reducing their capital expenditures and negotiating material cost reductions from key vendors, due to the continued deterioration of commodity prices and market conditions in the oil and gas industry, the Debtors were unsuccessful at consummating suitable capital markets or asset sale transactions. As a result, on the Petition Date, the Debtors commenced the Chapter 11 Cases to effectuate a comprehensive balance sheet restructuring pursuant to chapter 11 of the Bankruptcy Code.

Since filing the Chapter 11 Cases, the Debtors and their advisors continued to engage the Debtors' key stakeholders regarding various possible restructuring alternatives to strengthen the Debtors' balance sheet and create a sustainable capital structure to position the Debtors for long-term success. More specifically, in July 2016, the Debtors presented a revised business outlook that set forth a strategy to invest in and provided an overview of the Debtors' core natural gas exploration and production business. Following the rollout of the Debtors' revised business outlook, the Debtors entered into informal discussions with two key stakeholders, the HoldCo Noteholder Committee and the Equityholder Committee, regarding a possible reorganization premised upon a new-money investment in the Debtors' business enterprise backstopped by certain of the Consenting HoldCo Noteholders and the Consenting HoldCo Equityholders, including their successors and assigns to the extent permitted under the Backstop Commitment Agreement, and a substantial deleveraging. On October 17, 2016, the Debtors determined

[1] Capitalized terms used but not otherwise defined in this Disclosure Statement will have the meaning ascribed to such terms in the Plan. **The summary of the Plan provided herein is qualified in its entirety by reference to the Plan. In the case of any inconsistency between this Disclosure Statement and the Plan, the Plan will govern**.

that it was appropriate to enter into the next phase of their restructuring discussions and entered into confidentiality agreements with the members of the HoldCo Noteholder Committee and the Equityholder Committee to permit the parties to discuss and develop the terms of the Debtors' reorganization strategy.

The Debtors' discussions with their stakeholders during this period were ultimately successful. After extensive negotiations, on November 21, 2016, the Debtors and entities holding a majority of HoldCo's common stock and a substantial majority of HoldCo's outstanding unsecured notes agreed to the terms of the restructuring set forth in the Plan Support Agreement.[2] The transaction memorialized in the Plan contemplates a $580 million rights offering backstopped by certain of the Consenting HoldCo Noteholders and the Consenting HoldCo Equityholders, the equitization of $1.3 billion in HoldCo Notes, a significant recovery to holders of Existing HoldCo Common Stock in the form of equity, and the satisfaction in Cash of ~~all of OpCo's Allowed funded indebtedness, Allowed General Unsecured Claims against OpCo (including trade creditor claims),~~ Allowed Administrative Claims~~,~~ and Allowed Priority Claims. On December 6, 2016, the Debtors filed a plan of reorganization consistent with the Plan Support Agreement.

Thereafter, in an effort to generate greater stakeholder consensus, the Debtors entered into the Exit Financing Agreements and obtained entry of the Exit Financing Order, which will clear the way for the Reorganized Debtors to enter into the Exit Facility (the proceeds of which will permit the Debtors or the Reorganized Debtors to satisfy all OpCo Funded Debt Claims in full in Cash). In connection therewith, the Debtors modified the Plan to provide for the Exit Facility and certain related transactions.

In the face of unprecedented upheaval in the E&P segment as well as the numerous filings by other E&P companies, there is no doubt that the bargain struck by the Debtors—~~which~~the terms of which are summarized below and will result in a significant recovery to common stockholders—is unprecedented and will maximize value for the Debtors' economic stakeholders.

~~Since executing the Plan Support Agreement, the Debtors have documented the terms of the restructuring contemplated thereby—including the Plan and this Disclosure Statement. The key terms are summarized as follows.~~

Settlement Plan Value. Under the Plan, the Settlement Plan Value of the Ultra Entities will be $6.0 billion; *provided*~~,~~ that if the average closing price of the 12-month forward Henry Hub natural gas strip price during the seven (7) trading days preceding the commencement of the Rights Offering solicitation is: (i) greater than $3.65/MMBtu, the Plan Value will be $6.25 billion; or (ii) less than $3.25/MMBtu, the Plan Value will be $5.5 billion.

Existing HoldCo Common Stock. Assuming a Settlement Plan Value of $6 billion, holders of Existing HoldCo Common Stock shall receive their Pro Rata share of 41 percent of the New Common Stock on the Effective Date, subject to adjustment as provided in the Plan if the Settlement Plan Value is $6.25 billion or $5.5 billion, and subject to dilution on account of the Management Incentive Plan, and rights to participate in the Rights Offering for 5.4 percent of the New Common Stock, exclusive of New Common Stock issued on account of the Commitment Premium and subject to dilution on account of the Management Incentive Plan.

HoldCo Note Claims. Assuming a Settlement Plan Value of $6 billion, holders of Allowed HoldCo Note Claims shall each receive their Pro Rata share of 36.2 percent of the New Common Stock on the Effective Date, subject to adjustment as provided in the Plan if the Settlement Plan Value is $6.25 billion or $5.5 billion, and subject to dilution on account of the Management Incentive Plan, and the right to participate in the Rights Offering for 16.1 percent of the New Common Stock, exclusive of New Common Stock issued on account of the Commitment Premium and subject to dilution on account of the Management Incentive Plan.

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[2] The Debtors subsequently announced that the Holders of more than 66.67 percent in principal amount of the HoldCo Notes had agreed to support the Plan Support Agreement~~.~~, the terms of which permit the Debtors to satisfy all OpCo Funded Debt Claims in full in Cash as provided in the Plan.

CERTAIN PARTIES ASSERT THAT THE DISCLOSURE STATEMENT LACKS ADEQUATE INFORMATION REGARDING THE VALUE ATTRIBUTABLE TO THE INDIVIDUAL ELEMENTS COMPRISING THE DISTRIBUTION TO HOLDCO NOTEHOLDERS. INCLUDING THE FAILURE TO DISCLOSE THE AGREED TO RATE OF POSTPETITION INTEREST.

The Debtors disagree. Article III of the Plan provides that the HoldCo Note Claims shall be Allowed in the amount of $1.34 billion, plus all applicable postpetition interest, charges and fees (as determined by the Bankruptcy Court or as otherwise agreed by the relevant parties). Schedule A to the Plan Term Sheet annexed to the Plan Support Agreement contains a proposed equity split for purposes of the Plan's valuation and presumes that, for purposes of the Plan's valuation, that the amount of the HoldCo Note Claims shall total approximately $1.412 billion. Article III of the Plan further provides that on the Effective Date, each holder of an Allowed HoldCo Note Claim willshall receive its pro rataPro Rata share of the HoldCo Noteholder New Common Stock on account of their respective Claims, which treatment shall satisfy such Claims in fullDistribution. In addition, each holder of an Allowed HoldCo Note Claim as of the Rights Offering Record Date shall receive its Pro Rata share of the HoldCo Noteholder Subscription Rights.

Any additional distributions made to holders of Allowed HoldCo Note Claims shall be made on account of their participation in the Rights Offering and/or their performance of the Backstop Commitment Agreement. More specifically, in connection with the Rights Offering and the Backstop Commitment Agreement, such holders are also entitled to receive their pro rata share of: (a) the Rights Offering Shares in connection with the Rights Offering, if applicable; (b) the New Common Stock, consisting of Unsubscribed Shares (as defined in the Backstop Commitment Agreement) not purchased in the Rights Offering to certain Consenting HoldCo Noteholders and Consenting HoldCo Equityholders, together with their permitted successors and assigns, that have committed to fund the Rights Offering and are signatories to the Backstop Commitment Agreement, if applicable; and (c) the New Common Stock issued to the Rights Offering Backstop Parties on account of the Commitment Premium, if applicable.

OpCo Note Claims; OpCo RCF Claims. Holders of Allowed OpCo Note Claims and Allowed OpCo RCF Claims shall receive their Pro Rata share of $2.0 billion of New OpCo Notes ***plus*** Cash in an amount equal to the difference between the aggregate Allowed amount of their respective OpCo Note Claims or Allowed OpCo RCF Claims, as applicable, and the amount of New OpCo Notes distributed to such holders. Holders of Allowed OpCo Note Claims and Allowed OpCo RCF Claims may elect into a distinct Class under which such holders may receive a larger share of their recovery in Cash in the event that the Class of such electing holders votes to accept the Plan, as set forth below.

OpCo Note Makewhole Claims. Holders of Allowed OpCo Note Makewhole Claims (if any) shall receive an amount of Additional New OpCo Notes equal to the amount of Allowed OpCo Note Makewhole Claims held by such holders.

OpCo Funded Debt Claims. Holders of Allowed OpCo Funded Debt Claims shall be paid the amount of such Claim in full in Cash.

General Unsecured Claims. Holders of Allowed General Unsecured Claims shall, depending on the entity against which such be paid in full in Cash except to the extent that a holder of a General Unsecured Claim is Allowed and the nature of suchagrees to a less favorable treatment, in full and final satisfaction, settlement, release, and discharge of and in exchange for each General Unsecured Claim, be paid in full in Cash on, or in some circumstances within six (6) months of, the Effective Date, or in some circumstances shall receive such other treatment rendering certain claims Unimpaired.

Rights Offering. Holders of Existing HoldCo Common Stock and Allowed HoldCo Note Claims shall also be entitled to participate in the Rights Offering in accordance with the Backstop Commitment Agreement, the Plan Support Agreement, the Plan, and the Rights Offering Procedures.

Management Incentive Plan. Under the Plan, 7.5 percent of the fully diluted, fully distributed shares of Reorganized HoldCo will be reserved for issuance to management under the Management Incentive Plan. 40 percent of such reserve will be granted to members of management identified by the pre-Effective Date HoldCo Board in the form of full shares (or equivalent) vesting on or after the Effective Date in accordance with certain time and/or valuation thresholds. The balance of such reserve will be available to be granted by the New Board from time to time to management in accordance with the Management Incentive Plan, which shall be included as part of the Plan Supplement. Aspects of the Management Incentive Plan were negotiated on behalf of the Debtors by Michael D. Watford and Garland R. Shaw, who also serve on the Board of Directors of OpCo.[3]

CERTAIN PARTIES HAVE RAISED QUESTIONS ABOUT THE ROLE OF MANAGEMENT IN THE DEVELOPMENT OF THE PLAN IN LIGHT OF MANAGEMENT'S POTENTIAL ABILITY TO PARTICIPATE IN THE MANAGEMENT INCENTIVE PLAN CONTEMPLATED BY THE PLAN.[4], AS WELL AS WHETHER ALLOCATIONS UNDER THE MANAGEMENT INCENTIVE PLAN HAVE ALREADY BEEN DETERMINED.

THE DEBTORS STRONGLY DISAGREE WITH THIS CHARACTERIZATION. First, the Management Incentive Plan was approved by the Board of HoldCo—the entity that the Debtors assert will bear the costs of the Management Incentive Plan—in connection with HoldCo's entry into the Plan Support Agreement. Second, no individual awards under the Management Incentive Plan were determined in conjunction with the negotiations of the PSA or the preparation of the Plan, no awards have yet been determined with respect to any potential plan participant, and the majoritya portion of the awards, if any, will be determined post-emergence. SecondThird, the cost of the proposed Management Incentive Plan will have no impact on the recoveries of OpCo creditors, as they are being paid in full under the Plan; the only constituents who bear the expense of the proposed Management Incentive Plan (*i.e.*, the only constituents whose recoveries are subject to being diluted by it), the HoldCo shareholders and the HoldCo Noteholders, are the same constituents who negotiated the MIP with the Debtors, and they are supportive of that reserve. Third. Fourth, it is commonplace for a debtor in a complex chapter 11 case to propose a post-emergence Management Incentive Plan under a plan of reorganization. Finally, the equity-based compensation structure under the Management Incentive Plan is not a departure from the Debtors' prior compensation programs.

Secured Non-Tax Claims. Holders of Allowed Secured Non-Tax Claims shall receive such treatment as to render their claims Unimpaired.

Other Priority Claims. Holders of Allowed Other Priority Claims shall receive such treatment as to render their claims Unimpaired.

Intercompany Claims; Intercompany Interests. Intercompany Claims and Intercompany Interests shall be reinstated, canceled, or treated in such other manner as determined by the Debtors or the Reorganized Debtors.

Other Existing HoldCo Equity Interests. All Other Existing HoldCo Equity Interests shall be canceled and of no further force and effect, and the holders thereof shall not receive or retain any distribution on account of their Other Existing HoldCo Equity Interests.

In short, the Plan Support Agreement and the Plan provide the Debtors with the resources and flexibility to maximize the value of the Estates. In addition, the compromises and settlements embodied therein, and to be

[3] **No individual awards under the Management Incentive Plan (including, for the avoidance of any doubt, with respect to any members of the New Board of the Reorganized Debtors' management) were determined in conjunction with the negotiations of the PSA or the preparation of the Plan, no awards have yet been determined with respect to any potential plan participant, and a portion of the awards, if any, will be determined post-emergence.**

[4] As used in the Disclosure Statement, "OpCo Group" means the ad hoc group of holders of OpCo Note Claims and OpCo RCF Claims represented by Milbank, Tweed, Hadley & McCloy LLP and Moelis & Company LLC.

implemented pursuant to the Plan, preserve value and avoid potential litigation with the Equityholder Committee and HoldCo Noteholder Committee over potential recoveries.

Certain members of the Equityholder Committee and HoldCo Noteholder Committee have elected to enter into the Plan Support Agreement with the Debtors and to backstop the Rights Offering. As of the date hereof, holders of more than 66.67 percent in principal of HoldCo Note Claims and more than 55 percent of Existing HoldCo Equity Interests have agreed to support the restructuring contemplated by the Plan Support Agreement and Plan.

In addition, the Plan is supported by: (A) Rockies Express Pipeline LLC ("REX") — "), which will have an Allowed General Unsecured Claim in the amount of $150,000,000, which Claim will be treated as an Allowed Class 9 Claim (OpCo Trade General Unsecured Claims) for purposes of the Plan — as well as; (B) Pinedale Corridor L.P. ("Corridor"), lessor of a liquids gathering system used by the Debtors in Pinedale field, support the Plan. ; and (C) Big West Oil LLC ("Big West"), which will have an Allowed General Unsecured Claim against each of the Debtors in the amount of $17,350,000.

The formulation of the Plan Support Agreement and Plan is a significant achievement for the Debtors in the face of historic commodity price declines and a depressed operating environment. The Debtors strongly believe that the Plan is in the best interests of the Estates, represents the best available alternative, and significantly deleverages the Debtors' consolidated balance sheet at a critical time after the commodity cycle downturn has negatively affected many companies within the oil and natural gas industry. Given the Debtors' core strengths—including their experienced management team and the strategic location of their assets—the Debtors are confident that they can implement the Plan's balance sheet restructuring to ensure the long-term viability of their businesses.

III. QUESTIONS AND ANSWERS REGARDING THIS DISCLOSURE STATEMENT AND PLAN.

A. What is chapter 11?

Chapter 11 is the principal business reorganization chapter of the Bankruptcy Code. In addition to permitting debtor rehabilitation, chapter 11 promotes equality of treatment for creditors and similarly situated equity interest holders, subject to the priority of distributions prescribed by the Bankruptcy Code.

The commencement of a chapter 11 case creates an estate that comprises all of the legal and equitable interests of the debtor as of the date the chapter 11 case is commenced. The Bankruptcy Code provides that the debtor may continue to operate its business and remain in possession of its property as a "debtor in possession."

Consummating a plan of reorganization is the principal objective of a chapter 11 case. A bankruptcy court's confirmation of a plan binds the debtor, any person acquiring property under the plan, any creditor or equity interest holder of the debtor, and any other entity as may be ordered by the bankruptcy court. Subject to certain limited exceptions, the order issued by a bankruptcy court confirming a plan provides for the treatment of the debtor's liabilities in accordance with the terms of the confirmed plan.

B. Why are the Debtors sending me this Disclosure Statement?

The Debtors are seeking to obtain Bankruptcy Court approval of the Plan. Before soliciting acceptances of the Plan, section 1125 of the Bankruptcy Code requires the Debtors 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 regarding acceptance of the Plan. This Disclosure Statement is being submitted in accordance with these requirements.

C. Am I entitled to vote on the Plan?

Your ability to vote on, and your distribution under, the Plan (if any) depend on what type of Claim or Interest you hold. Each category of holders of Claims or Interests, as set forth in Article III of the Plan pursuant to

section 1122(a) of the Bankruptcy Code, is referred to as a "Class." Each Class's respective voting status is set forth below.

Class	Claim or Interest	Status	Voting Rights
1	Other Priority Claims	Unimpaired	Presumed to Accept
2	Secured Non-Tax Claims	Unimpaired	Presumed to Accept
3	HoldCo Note Claims	Impaired	Entitled to Vote
~~4~~	~~Non-Election OpCo Note Claims and Non-Election OpCo RCF Claims~~	~~Impaired~~	~~Entitled to Vote~~
~~5~~	~~Election OpCo Note Claims and Election OpCo RCF Claims~~	~~Impaired~~	~~Entitled to Vote~~
~~6~~	OpCo	Unimpaired	Presumed to Accept
~~7~~4	~~OpCo Note Guarantee Claims and OpCo RCF Guarantee Claims~~ ~~OpCo Note Makewhole~~Funded Debt Claims	~~Impaired~~	~~Entitled to Vote~~
~~8~~5	~~OpCo Subsidiary~~ General Unsecured Claims	Unimpaired	Presumed to Accept
~~9~~	~~OpCo Trade General Unsecured Claims~~	~~Impaired~~	~~Entitled to Vote~~
~~10~~	~~Other OpCo General Unsecured Claims~~	~~Impaired~~	~~Entitled to Vote~~
~~11~~	~~Other General Unsecured Claims~~	~~Impaired~~	~~Entitled to Vote~~
~~12~~6	Intercompany Claims	Impaired or Unimpaired	Presumed to Accept or ~~Pr~~De~~su~~emed to Reject
~~13~~7	Intercompany Interests	Impaired or Unimpaired	Presumed to Accept or ~~Pr~~De~~su~~emed to Reject
~~14~~	Existing HoldCo Common Stock	Impaired or Unimpaired[5]	Entitled to Vote
~~15~~8	Other Existing HoldCo Equity Interests	Impaired	Deemed to Reject
9			

D. What will I receive from the Debtors if the Plan is consummated?

The following chart provides a summary of the anticipated recovery to holders of Claims and Interests under the Plan. Any estimates of Claims and Interests in this Disclosure Statement may vary from the final amounts Allowed by the Bankruptcy Court. Your ability to receive distributions under the Plan depends upon the ability of the Debtors to obtain Confirmation and meet the conditions necessary to cause the Effective Date to occur.

[5] As provided under Section 3.2(~~n~~h) of the Plan, the Debtors reserve the right to dilute the holders of Existing HoldCo Common Stock by issuing additional Existing HoldCo Common Stock rather than cancelling the Existing HoldCo Common Stock. ~~-~~To the extent the Debtors determine to issue additional Existing HoldCo Common Stock, Class ~~14~~8 will be Unimpaired under the Plan, though the Debtors will still solicit the votes of Holders of Class ~~14~~8 Existing HoldCo Common Stock.

~~**CERTAIN PARTIES ASSERT THAT THE DISCLOSURE STATEMENT LACKS ADEQUATE INFORMATION REGARDING THE DEBTORS' JUSTIFICATION AND LEGAL BASIS FOR DELAYING DISTRIBUTIONS TO CLASSES 9, 10, AND 11.**~~

~~**The Debtors submit that the proposed treatments with respect to such Claims are consistent with the Bankruptcy Code and applicable law. *First*, in light of the various distributions and transaction implementation requirements of the Reorganized Debtors necessary to consummate the Plan on and after the Effective Date—including, among other things, the Debtors' need to make significant Cash distributions to certain holders of Allowed Claims on the Effective Date, the Debtors' need to make other distributions under the Plan on the Effective Date, the Debtors' need to consummate the Plan on the Effective Date, the Reorganized Debtors' go-forward liquidity management needs, and uncertainty as to the exact terms and availability (if any) of the New Revolver—the Debtors believe it is prudent to satisfy Claims in Classes 9, 10, and 11 on a date that is after the Effective Date, rather than on the Effective Date. *Second*, the proposed treatment for Allowed Claims in Classes 9, 10, and 11 will encourage holders of such Claims to continue to do business with the Reorganized Debtors. This is because Class 9, which includes Allowed Claims of creditors who will continue to do business with the Reorganized Debtors, provides the Debtors with the flexibility to pay such Allowed Claims on a date that is less than six months after the Effective Date. In contrast, Classes 10 and 11, which includes Allowed Claims who will not continue to do business with the Reorganized Debtors, provide for payment six months after the Effective Date. The Debtors believe that the flexibility to satisfy Claims in Cash less than six months after the Effective Date will incentivize holders of such Claims to continue to do business with the Reorganized Debtors. The proposed treatment will also permit the Reorganized Debtors to engage in discussions with the holders of such Claims following the Effective Date, which may permit the Reorganized Debtors to reduce the Allowed amounts of any such Claims.**~~

~~CERTAIN PARTIES ALSO~~CERTAIN PARTIES ASSERT THAT THE DISCLOSURE STATEMENT IS DEFICIENT BECAUSE IT DOES NOT ADDRESS THE TREATMENT OF GENERAL UNSECURED CLAIMS THAT ARE DISPUTED AS OF THE EFFECTIVE DATE, AND THE MANNER IN WHICH SUCH CLAIMS WILL BE SATISFIED PURSUANT TO THE PLAN. The Plan provides that all Causes of Action shall vest in the Reorganized Debtors and that the Debtors and Reorganized Debtors, as applicable, may continue to reconcile and, if necessary, object to, Proofs of Claims asserted against the Estates following the Effective Date. To the extent that any Disputed Claim becomes an Allowed Claim after the Effective Date, such Allowed Claim will be paid in Cash after the date that such Claim becomes Allowed, in each case, as provided in the Plan. As demonstrated by the Financial Projections for the Reorganized Debtors to be attached as Exhibit D to the Disclosure Statement, the Debtors believe that the Reorganized Debtors will have sufficient liquidity to make distributions (if any) on account of any such Claims that are Disputed as of the Effective Date without reserving Cash for such Claims.

CERTAIN PARTIES ALSO ASSERT THAT THE PLAN IS NOT CONFIRMABLE AND THAT HOLDERS OF CLAIMS IN CLASS 4 ARE IMPAIRED BECAUSE THERE IS A RISK THAT PORTIONS OF THE OPCO FUNDED DEBT CLAIMS ~~IN CLASS 9 OR CLASS 10~~ THAT ARE ~~DISPUTED~~NOT ALLOWED AS OF THE EFFECTIVE DATE ~~WILL~~MAY NOT RECEIVE A DISTRIBUTION AS PROVIDED IN THE PLAN TO THE EXTENT ~~THAT~~ SUCH CLAIMS BECOME ALLOWED AFTER THE EFFECTIVE DATE~~, AND THAT~~. THESE PARTIES ASSERT THAT THERE IS AN ALLEGED RISK OF NON-PAYMENT ~~IS DUE TO~~BECAUSE THE ~~ABSENCE OF~~PLAN DOES NOT PROVIDE FOR A CASH RESERVE FOR DISPUTED CLAIMS. With respect to the objecting parties' request for an explanation how and where the Debtors intend to reserve for proposed deferred cash distributions, the Debtors note that, based on the Financial Projections for the Reorganized Debtors attached as Exhibit D to this Disclosure Statement, the Debtors expect to have sufficient liquidity to make these distributions without reserving Cash for such Claims. The rights of all parties are fully preserved with respect to such matters.

~~**The Debtors are prepared to meet their evidentiary burden (if any) with respect to such matters at the Confirmation Hearing. The rights of all parties are fully preserved with respect to such matters.**~~

THE PROJECTED RECOVERIES SET FORTH IN THE TABLE BELOW ARE ESTIMATES ONLY AND THEREFORE ARE SUBJECT TO CHANGE. FOR A COMPLETE DESCRIPTION OF THE

DEBTORS' CLASSIFICATION AND TREATMENT OF CLAIMS AND INTERESTS, REFERENCE SHOULD BE MADE TO THE ENTIRE PLAN.[6]

SUMMARY OF EXPECTED RECOVERIES				
Class	**Claim/Equity Interest**	**Treatment of Claim/Equity Interest**	**Projected Amount of Claims**	**Projected Recovery Under the Plan**
Unclassified Non-Voting Claims Against the Debtors				
N/A	Administrative Claims	Except with respect to Administrative Claims that are Professional Fee Claims and except to the extent that an Administrative Claim has already been paid during the Chapter 11 Cases or a holder of an Allowed Administrative Claim and the applicable Debtor agrees to less favorable treatment, each holder of an Allowed Administrative Claim shall be paid in full in Cash on the unpaid portion of its Allowed Administrative Claim on the latest of: (a) on the Effective Date if such Administrative Claim is Allowed as of the Effective Date; (b) on or as soon as reasonably practicable after the date such Administrative Claim is Allowed; and (c) the date such Allowed Administrative Claim becomes due and payable, or as soon thereafter as is reasonably practicable; *provided*, that Allowed Administrative Claims that arise in the ordinary course of the Debtors' businesses shall be paid in the ordinary course of business in accordance with the terms and subject to the conditions of any agreements and/or arrangements governing, instruments evidencing, or other documents relating to such transactions. Notwithstanding the foregoing, no request for	$60 million	100%

6. The recoveries set forth below may change based upon changes in the amount of Claims that are "Allowed" as well as other factors related to the Debtors' business operations and general economic conditions. "Allowed" means, with respect to any Claim, except as otherwise provided herein: (a) a Claim that is evidenced by a Proof of Claim Filed by the Claims Bar Date or a request for payment of an Administrative Claim Filed by the Administrative Claims Bar Date, as applicable (or for which Claim under the Plan, the Bankruptcy Code, or pursuant to a Final Order, a Proof of Claim or request for payment of Administrative Claim is not or shall not be required to be Filed); (b) a Claim that is listed in the Schedules as not contingent, not unliquidated, and not disputed, and for which no Proof of Claim, as applicable, has been timely Filed; or (c) a Claim that becomes Allowed pursuant to the Plan or a Final Order of the Bankruptcy Court; provided, that with respect to a Claim described in clauses (a) and (b) above, such Claim shall be considered Allowed only if and to the extent that with respect to such Claim no objection to the allowance thereof ~~has been~~is interposed within the applicable period of time fixed by the Plan, the Bankruptcy Code, the Bankruptcy Rules, or the Bankruptcy Court, or such an objection is so interposed and the Claim has been Allowed by a Final Order. ~~Any~~Except for Claims that become allowed pursuant to Section 3.2(d)(2) of the Plan, any Claim that has been or is hereafter listed in the Schedules as contingent, unliquidated, or disputed, and for which no Proof of Claim is or has been timely Filed, is not considered Allowed and shall be expunged without further action by the Debtors and without further notice to any party or action, approval, or order of the Bankruptcy Court. Notwithstanding anything to the contrary herein, no Claim of any Entity subject to section 502(d) of the Bankruptcy Code shall be deemed Allowed unless and until such Entity pays in full the amount that it owes the applicable Debtor or Reorganized Debtor, as applicable. For the avoidance of doubt, a Proof of Claim Filed after the Claims Bar Date or a request for payment of an Administrative Claim Filed after the Administrative Claims Bar Date, as applicable, shall not be Allowed for any purposes whatsoever absent entry of a Final Order allowing such late-filed Claim~~.~~, provided, that this clause shall not affect any Claim that becomes Allowed pursuant to Section 3.2(d)(2) of the Plan. "Allow~~" and~~," "Allowing," and "Allowance" shall have correlative meanings.

		payment of an Administrative Claim need be Filed with respect to an Administrative Claim previously Allowed by Final Order.		
N/A	Priority Tax Claims	Except to the extent that a holder of an Allowed Priority Tax Claim agrees to a less favorable treatment, in full and final satisfaction, settlement, release, and discharge of and in exchange for each Allowed Priority Tax Claim, each holder of such Allowed Priority Tax Claim shall be treated in accordance with the terms set forth in section 1129(a)(9)(C) of the Bankruptcy Code. In the event an Allowed Priority Tax Claim is also a Secured Tax Claim, such Claim shall, to the extent it is Allowed, be treated as an Secured Claim if such Claim is not otherwise paid in full.	$0 to $50,000	100%
Classified Claims and Interests of the Debtors				
1	Other Priority Claims	Each holder of an Allowed Other Priority Claim shall receive payment in full, in Cash, of the unpaid portion of its Allowed Other Priority Claim on the latest of: (i) on or as soon as reasonably practicable after the Effective Date if such Allowed Other Priority Claim is Allowed as of the Effective Date; (ii) on or as soon as reasonably practicable after the date such Other Priority Claim is Allowed; and (iii) the date such Allowed Other Priority Claim becomes due and payable, or as soon thereafter as is reasonably practicable.	N/A	100%
2	Secured Non-Tax Claims	Each holder of an Allowed Secured Non-Tax Claim shall receive, at the Debtors' option, either (i) Reinstatement of its Allowed Secured Non-Tax Claim or (ii) payment in full, in Cash, of the unpaid portion of its Allowed Secured Non-Tax Claim on the latest of: (a) on or as soon as reasonably practicable after the Effective Date if such Allowed Secured Non-Tax Claim is Allowed as of the Effective Date; (b) on or as soon as reasonably practicable after the date such Secured Non-Tax Claim is Allowed; and (c) the date such Allowed Secured Non-Tax Claim becomes due and payable, or as soon thereafter as is reasonably practicable.	N/A	100%
3	HoldCo Note Claims	On the Effective Date, each holder of an Allowed HoldCo Note Claim shall receive its Pro Rata share of the HoldCo Noteholder New Common Stock Distribution. In addition, each holder of an Allowed HoldCo Note Claim as of the ~~Rights Offering Record~~Subscription Commencement Date shall receive its Pro Rata share of the HoldCo Noteholder Subscription Rights.	$1.34 billion	100%

4	~~Non-Election OpCo Note Claims and Non-Election OpCo RCF Claims~~	~~On the Effective Date or as soon as reasonably practicable thereafter, each holder of an Allowed Class 4 Claim shall receive: its Pro Rata share of (a) the New OpCo Notes; and (b) the Non-Election Claims Cash Distribution, if any; provided, that in no event shall a holder of an Allowed Class 4 Claim receive under the preceding clause (a) an amount of New OpCo Notes that is greater than such holder's Allowed Class 4 Claim.~~	~~$0 to $2.523 billion~~	~~100%~~
~~5~~4	~~Election~~ OpCo ~~Note~~Funded Debt Claims ~~and Election OpCo RCF Claims~~	~~If Class 5 votes to accept~~ Notwithstanding Section 7.8 of the Plan ~~then~~, on the Effective Date or as soon as reasonably practicable thereafter, each holder of ~~an Allowed~~a Class ~~5~~4 Claim shall ~~receive: (a) its Pro Rata (taking into account only Allowed Class 5 Claims) share of the OpCo Note/RCF Claims Cash Distribution; and (b) New OpCo Notes in an amount~~be paid cash equal to the ~~difference, if any, between (x) the~~ amount of the portion of such ~~holder's Allowed Class 5~~ Claim ~~and (y) the amount of Cash distributed to such holder under the preceding clause (a); provided,~~ that ~~in no event shall a holder~~ has been Allowed as of ~~an Allowed Class 5 Claim receive under the preceding clause (a) an amount of Cash that is greater than such holder's Allowed Class 5 Claim.~~ ~~If Class 5 votes to reject the Plan then, on the Effective Date or as soon as reasonably practicable thereafter, each holder of an Allowed Class 5 Claim shall receive: its Pro Rata (taking into account all Allowed Class 4 and Class 5 Claims) share of (a) the New OpCo Notes; and (b) the Non-Election Claims Cash Distribution; provided, that in no event shall a holder of an Allowed Class 5 Claim receive under the preceding clause (a) an amount of New OpCo Notes and Cash that is greater than such holder's Allowed Class 5 Claim.~~ the Effective Date. As soon as reasonably practicable after determination by a Final Order of the Bankruptcy Court as to the Allowed amount of any other portion of such Class 4 Claim, each such holder shall be paid cash equal to the amount of such portion of such Claim that is Allowed by such Final Order.	~~$0 to~~ $2.523 billion[7]	100%

[7] The OpCo Group asserts that the full amount of the OpCo Funded Debt Claims is no less than $2,936,021,181, which assertion is based on several assumptions including, without limitation, an assumed Effective Date of April 15, 2017 and calculation of postpetition interest only through such assumed Effective Date. Further such assertion is claimed to include estimates for the OpCo Group's expenses to date (and not other fees and expenses that may be asserted to be due under the OpCo MNPA and the OpCo RCF, or additional interest that may be asserted to be due thereon). The OpCo Group states that this estimate remains subject to change in all respects. Other than as set forth in Section 3.2(d) of the Plan, the Allowed amount of the OpCo Funded Debt Claims will be determined by a Final Order of the Bankruptcy Court in accordance with the Plan, and all rights of all parties with respect thereto are expressly reserved and preserved.

~~6~~	~~OpCo Note Guarantee Claims and OpCo RCF Guarantee Claims~~	~~On the Effective Date or as soon as reasonably practicable thereafter, Reorganized HoldCo and Reorganized UP Energy shall guarantee the New OpCo Notes and the Additional New OpCo Notes, if any, on the same terms (except as to amount) as the current guarantees of the OpCo Notes and OpCo RCF.~~	~~$2.523 billion to $2.725 billion~~	~~100%~~
~~7~~	~~OpCo Note Makewhole Claims~~	~~As soon as reasonably practicable after a determination by the Bankruptcy Court with respect to the Allowed amount of any OpCo Note Makewhole Claims, if any, each holder of an Allowed OpCo Note Makewhole Claim, if any, shall receive an amount of Additional New OpCo Notes equal to the amount of the Allowed OpCo Note Makewhole Claims held by such holders.~~	~~$0 to $202 million~~	~~100%~~
~~8~~	~~OpCo Subsidiary General Unsecured Claims~~	~~On the Effective Date or as soon as reasonably practicable thereafter, each holder of an Allowed OpCo Subsidiary General Unsecured Claim shall either (a) be paid in full in Cash or (b) receive such other treatment rendering such Claim Unimpaired.~~	~~*de minimis*~~	~~100%~~
~~9~~5	~~OpCo Trade~~ General Unsecured Claims	~~Each~~ Except to the extent that the holder of an Allowed ~~OpCo Trade~~ General Unsecured ~~Claims shall receive: (i) on the later of (a) six (6) months after the Effective Date~~Claim and ~~(b)~~the Debtor(s) agree to different treatment, as soon as reasonably practicable after ~~an OpCo Trade~~a General Unsecured Claim becomes Allowed, ~~payment in~~each holder of an Allowed General Unsecured Claim shall either (a) be paid in full in Cash~~;~~ or (~~ii)~~b) receive such other treatment ~~as may be provided by the settlement agreement related to~~ rendering such ~~OpCo Trade General Unsecured~~ Claim Unimpaired.	~~$165 million to $~~$190 million to $255 million	100%
~~10~~	~~Other OpCo General Unsecured Claims~~	~~On the later of (i) six (6) months after the Effective Date and (ii) as soon as reasonably practicable after an Other OpCo General Unsecured Claim becomes Allowed, each holder of an Allowed Other OpCo General Unsecured Claim shall be paid in full in Cash.~~	~~$40 million to $80 million~~	~~100%~~
~~11~~	~~Other General Unsecured Claims~~	~~On the later of (i) six (6) months after the Effective Date and (ii) as soon as reasonably practicable after an Other General Unsecured Claim becomes Allowed, each holder of an Allowed Other General Unsecured Claim shall be paid in full in Cash.~~	~~$150,000 to $300,000~~	~~100%~~
~~12~~6	Intercompany Claims	Each Intercompany Claim shall be, at the option of the Debtors or Reorganized Debtors, either (a) Reinstated as of the Effective Date; (b) cancelled, in which case no distribution shall be made on account of such Intercompany Claims; or (c) treated in such other manner as determined by the Debtors or Reorganized Debtors.	N/A	100%

~~13~~7	Intercompany Interests	Each Intercompany Interest shall be, at the option of the Debtors or Reorganized Debtors, either (a) Reinstated as of the Effective Date or (b) cancelled, in which case no distribution shall be made on account of such interests.	N/A	100%
~~14~~8	Existing HoldCo Common Stock	On the Effective Date, each holder of Existing HoldCo Common Stock shall receive its Pro Rata share of the HoldCo Equityholder New Common Stock Distribution. In addition, each holder of Existing HoldCo Common Stock as of the ~~Rights Offering Record~~Subscription Commencement Date shall receive its Pro Rata share of the HoldCo Equityholder Subscription Rights.	N/A	N/A
~~15~~9	Other Existing HoldCo Equity Interests	On the Effective Date, each Other Existing HoldCo Equity Interest shall be cancelled and of no further force and effect, and the holders thereof shall not receive or retain any distribution on account of their Other Existing HoldCo Equity Interests.	N/A	N/A

The Debtors shall seek Confirmation of the Plan pursuant to section 1129(b) of the Bankruptcy Code with respect to any rejecting Class of Claims or Interests. The Debtors reserve the right, to the extent permitted or required by the Bankruptcy Code~~,~~ to modify the Plan in accordance with Article X of the Plan to the extent, if any, that Confirmation (including Confirmation pursuant to section 1129(b) of the Bankruptcy Code) requires modification of any provision of the Plan, including, without limitation, by (a) modifying the treatment applicable to a Class of Claims or Interests to render such Class of Claims or Interests Unimpaired to the extent permitted by the Bankruptcy Code and the Bankruptcy Rules, (b) reclassifying any Claim or Interest in one particular Class together with any substantially similar Claim or Interest in a different Class, as applicable, to the extent permitted by the Bankruptcy Code and the Bankruptcy Rules, and/or (c) withdrawing the Plan as to an individual Debtor at any time before the Confirmation Date. ~~Specifically, the Debtors may modify the Plan prior to Confirmation to, among other things, treat the OpCo Note Makewhole Claims as OpCo Note Claims, to the extent permitted or required by the Bankruptcy Code and to the extent, if any, that Confirmation (including Confirmation pursuant to section 1129(b) of the Bankruptcy Code) requires such modification. In that event: (i) the election of a holder of OpCo Note Claims with respect to the classification of such Claims in Class 4 or Class 5 shall be deemed to apply to any OpCo Note Makewhole Claims held by such holder; (ii) the Allowed amount of the OpCo Note Claims shall be increased to account for the Allowed amount of the OpCo Note Makewhole Claims, if any; (iii) the principal amount of New OpCo Notes available for distribution to holders of OpCo Note Claims, OpCo Note Makewhole Claims, and OpCo RCF Claims shall be equal to the sum of (a) $2,000,000,000 and (b) the aggregate amount of Allowed OpCo Note Makewhole Claims, if any; and (iv) subsection (ii) of Section 1.1(125) of the Plan shall equal the sum of (a) $2,000,000,000 and (b) the Allowed amount of the OpCo Note Makewhole Claims, if any.~~

E. How will the election mechanism for OpCo Note Claims and OpCo RCF Claims affect my potential recovery?

Each holder of an OpCo Note Claim or OpCo RCF Claim will have the option to elect into Class 5 on such holder's applicable ballot. The below chart illustrates the amounts of Cash and/or OpCo Notes that holders of Allowed OpCo Note Claims and OpCo RCF Claims may receive based on the outcome of such elections. Please note that: the following chart is solely for illustrative purposes only; the following chart is based on certain assumptions; and actual recoveries may vary.[8]

Percentage of Allowed OpCo Note Claims and Allowed OpCo RCF Claims That Opt Into Class 5	Pro Rata Share of Cash and New OpCo Notes for Each Class 4 Claim	Treatment of Class 5 Claims if Class 5 Votes to Accept the Plan
0%	*Cash*: $523 million (20.7% of recovery) *New OpCo Notes*: $2 billion (79.3% of recovery)	N/A
25%	*New OpCo Notes*: $1.892 billion (100% of recovery)	*Cash*: $523 million (82.9% of recovery) *New OpCo Notes*: $108 million (17.1% of recovery)
50%	*New OpCo Notes*: $1.26 billion (100% of recovery)	*Cash*: $523 million (41.4% of recovery) *New OpCo Notes*: $739 million (58.6% of recovery)
75%	*New OpCo Notes*: $631 million (100% of recovery)	*Cash*: $523 million (27.6% of recovery) *New OpCo Notes*: $1.369 billion (72.4% of recovery)
100%	N/A	*Cash:* $523 million (20.7% of recovery) *New OpCo Notes*: $2.0 billion (79.3% of recovery)

The rights of all parties in interest with respect to any modification of the Plan, including the right to object to confirmation of the Plan on the grounds that any such modification is impermissible under the Bankruptcy Code or was insufficiently described in this Disclosure Statement, are fully reserved and preserved in all respects.

F.E. What will I receive from the Debtors if I hold an Allowed Administrative Claim or a Priority Tax Claim?

In accordance with section 1123(a)(1) of the Bankruptcy Code, Administrative Claims and Priority Tax Claims have not been classified and, thus, are excluded from the Classes of Claims and Interests set forth in

[8] If the aggregate amount of Allowed OpCo Note Claims and Allowed OpCo RCF Claims collectively equals $2.523 billion, the amount of Cash that will be distributed to holders of Allowed OpCo Note Claims and OpCo RCF Claims is assumed to equal $523 million. To the extent the aggregate amount of Allowed OpCo Note Claims and Allowed OpCo RCF Claims exceeds $2.523 billion, then, the percentage of the cash recovery payable to any holder of a Claim in Class 5 will increase because the New OpCo Notes available for distribution to Class 5 will not exceed $2.0 billion. In that case, the Debtors will need to satisfy in full all Allowed OpCo Note Claims and Allowed OpCo RCF Claims with a larger amount (and therefore percentage recovery) in the form of Cash.

Article III of the Plan. Administrative Claims will be satisfied as set forth in Article II.1 of the Plan, and Priority Tax Claims will be satisfied as set forth in Article II.3 of the Plan.

F. What are the settlements contemplated by the Plan?

As described in this Disclosure Statement, the principal settlement contemplated by the Plan is the Debtors' settlement with their HoldCo stakeholders. The Debtors believe that this settlement, which will fund all distributions under the Plan, is in the best interests of all stakeholders because it will: (1) permit the Debtors to satisfy all Claims against the Debtors in full; (2) permit the Debtors to provide a significant recovery to HoldCo's equityholders; and (3) permit the Debtors to expeditiously emerge from chapter 11 and eliminate the need to continue to pay significant professional fees and expenses.

In addition to the Debtors' settlement with their HoldCo stakeholders, the Plan contemplates a settlement of the $303 million General Unsecured Claim asserted by REX against OpCo [Claim No. 279]. The compromise contemplated by the REX Settlement Letter Agreement is beneficial to the OpCo Estate because it reduces by more than half the significant Claim asserted by REX against OpCo and clears the way for the Debtors to enter into a new, seven-year contract with REX on favorable terms.

Finally, the Plan contemplates treatment for the OpCo funded debt creditors that pays Allowed OpCo Funded Debt Claims in full in Cash. No settlement has been reached with the holders of the OpCo Funded Debt Claims (excepting any Plan Support Parties who hold OpCo Funded Debt Claims) with respect to the Plan, and all such parties' rights with respect to the Plan are reserved and preserved.

The Debtors remain engaged in discussions with the Committee and their stakeholders regarding other potential settlements and will seek approval of any such settlements in accordance with the Bankruptcy Code and the Bankruptcy Rules.

G. Are any regulatory approvals required to consummate the Plan?

Other than approvals which may be required under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, there are no known regulatory approvals that are required to consummate the Plan.

H. What happens to my recovery if the Plan is not confirmed or does not go effective?

In the event that the Plan is not Confirmed or the Effective Date does not occur, there is no assurance that the Debtors will be able to reorganize their businesses. It is possible that any alternative transaction may provide holders of Claims and Interests with less than they would have received pursuant to the Plan. For a more detailed description of the consequences of an extended chapter 11 case, or of a liquidation scenario, *see* "*Confirmation of the Plan - Best Interests of Creditors/Liquidation Analysis*," which begins on page 66 of this Disclosure Statement, and the Liquidation Analysis attached as **Exhibit F**.

I. If the Plan provides that I get a distribution, do I get it upon Confirmation or when the Plan goes effective, and what is meant by "Confirmation," "Effective Date," and "Consummation?"

"Confirmation" of the Plan refers to approval of the Plan by the Bankruptcy Court. Confirmation of the Plan does not guarantee that you will receive the distribution indicated under the Plan. After Confirmation of the Plan by the Bankruptcy Court, there are conditions that need to be satisfied or waived so that the Plan can go effective. Initial distributions to holders of Allowed Claims and Existing HoldCo Common Stock will only be made on the date the Plan becomes effective—the "Effective Date"—or as soon as practicable thereafter, as specified in the Plan. *See* "*Confirmation of the Plan*," which begins on page 66 of this Disclosure Statement, for a discussion of the conditions precedent to consummation of the Plan.

J. What are the sources of Cash and other consideration required to fund the Plan?

The Debtors intend to fund distributions under the Plan with: (a) the Debtors' Cash on hand; (b) Reorganized HoldCo's issuance of the New Common Stock; (c) ~~Reorganized OpCo's issuance of the New OpCo Notes and Additional New OpCo Notes, if any~~the proceeds of the Exit Facility; and (d) the proceeds of the Rights Offering.

CERTAIN PARTIES ASSERT THAT THE PLAN IS NOT CONFIRMABLE BECAUSE THE REORGANIZED DEBTORS MAY NOT HAVE THE FINANCIAL WHEREWITHAL TO SATISFY THE CURRENTLY DISPUTED PORTIONS OF THE OPCO NOTE CLAIMS (WHICH DISPUTED PORTIONS ARE BASED ON, WITHOUT LIMITATION, ASSERTED CLAIMS ON ACCOUNT OF A MAKEWHOLE AMOUNT, POSTPETITION INTEREST THEREON AT THE CONTRACTUAL DEFAULT RATE, AND OTHER AMOUNTS ASSERTED TO BE DUE AND OWING UNDER THE OPCO NOTES MNPA, THE OPCO NOTES, AND THE OPCO RCF, INCLUDING WITHOUT LIMITATION, POSTPETITION INTEREST AT THE CONTRACTUAL DEFAULT RATE AND ALL FEES AND EXPENSES) IN FULL IN CASH TO THE EXTENT THAT ANY PORTION OF SUCH CLAIMS IS ALLOWED AFTER THE EFFECTIVE DATE.

The Debtors disagree. As set forth in this Disclosure Statement, based upon the Financial Projections, the Debtors believe that the Reorganized Debtors will have the financial wherewithal to satisfy any currently disputed portions of the OpCo Funded Debt Claims, in full and in Cash as provided in the Plan, to the extent that any such Claim is Allowed after the Effective Date. For this reason, the Debtors submit that the Plan is feasible notwithstanding the fact that the Debtors will not "reserve" for any such Claims that may become Allowed Claims after the Effective Date.

The rights of all parties are fully preserved with respect to such matters.

K. Are there risks to owning the New Common Stock upon emergence from chapter 11?

Yes. *See* "Risk Factors," which begins on page 50 of this Disclosure Statement. The Debtors will use commercially reasonable efforts to cause the New Common Stock to become publicly traded and listed on the Nasdaq Stock Market (the "Nasdaq"), the New York Stock Exchange (the "NYSE"), or another comparable national securities exchange on or as soon as reasonably practicable after the Effective Date.

L. Will the final amount of Allowed General Unsecured Claims affect my recovery under the Plan?

The Debtors do not anticipate at this time that Allowed General Unsecured Claims total will affect the ultimate distribution to any holder of an Allowed General Unsecured Claim given the valuation contemplated by the Plan. Although the Debtors' estimate of General Unsecured Claims is the result of the Debtors' and their advisors' careful analysis of available information, the Allowed amount of General Unsecured Claims actually asserted against the Debtors may be higher or lower than the Debtors' estimate provided herein, which difference could be material. Moreover, the Debtors may in the future reject certain Executory Contracts and Unexpired Leases, which may result in additional rejection damages claims not accounted for in this estimate. Further, the Debtors or other parties in interest may object to certain Proofs of Claim, and any such objections could ultimately cause the total amount of General Unsecured Claims to change.

M. Will there be releases and exculpation granted to parties in interest as part of the Plan?

Yes, Article VIII of the Plan proposes to release the Released Parties and to exculpate the Exculpated Parties. The Debtors' releases, third-party releases, and exculpation provisions included in the Plan are an integral part of the Debtors' overall restructuring efforts and were an essential element of the Plan.

All of the Released Parties and the Exculpated Parties have made substantial and valuable contributions to the Debtors' restructuring through efforts to negotiate and implement the Plan, which will maximize and preserve

the going-concern value of the Debtors for the benefit of all parties in interest. Accordingly, each of the Released Parties and the Exculpated Parties warrants the benefit of the release and exculpation provisions.

All holders of Claims or Interests that (1) vote to accept or are ~~d~~pre~~e~~sumed to accept the Plan or (2) are in voting Classes who abstain from voting on the Plan and ~~either opt in or~~who do not opt out of the release provisions contained in Article VIII of the Plan will be deemed to have expressly, unconditionally, generally, individually, and collectively released and discharged all Claims and Causes of Action against the Debtors and the Released Parties.

Based on the foregoing, the Debtors believe that the releases and exculpations in the Plan are necessary and appropriate and meet the requisite legal standard promulgated by the United States Court of Appeals for the Fifth Circuit. Moreover, the Debtors will present evidence at the Confirmation Hearing to demonstrate the basis for and propriety of the release and exculpation provisions.

CERTAIN PARTIES ASSERT THAT THE RELEASES UNDER ARTICLE VIII OF THE PLAN ARE NOT CONSISTENT WITH APPLICABLE LAW~~.~~, INCLUDING THAT HOLDERS OF CLAIMS IN CLASSES THAT ARE PRESUMED TO ACCEPT THE PLAN CAN BE FORCED TO GRANT THE RELEASES CONTAINED IN THE PLAN. The Debtors disagree with this characterization of these matters~~,~~.

The Debtors will demonstrate at the Confirmation Hearing that, given the significant consideration being provided by the Released Parties to the Debtors and other Releasing Parties, the Debtors' releases in favor of the Released Parties are appropriate and within their reasonable business judgment, particularly, as is the case here, where the Debtors are solvent and all claims against the Debtors are being satisfied in full (and the Debtors will satisfy all OpCo Funded Debt Claims in full in Cash). Accordingly, the Debtors believe that the releases under Article VIII of the Plan are consistent with applicable law and that the Bankruptcy Court should approve such releases.

N. What impact does the Claims Bar Date have on my Claim?

The Bankruptcy Court has established September 1, 2016, as the general Claims bar date and October 26, 2016, as the governmental Claims bar date (collectively, the "Bar Date") in the Chapter 11 Cases. The following Entities holding Claims against the Debtors that arose (or that are deemed to have arisen) prior to the Petition Date must file a Proof of Claim on or before the Bar Date: (1) any Entity whose Claim against a Debtor is not listed in the applicable Debtor's schedules of assets and liabilities ("Schedules") or is listed in the applicable Debtor's Schedules as contingent, unliquidated, or disputed if such Entity desires to participate in any of the Chapter 11 Cases or share in any distribution in any of the Chapter 11 Cases; (2) any Entity that believes its Claim is improperly classified in the Schedules or is listed in an incorrect amount and desires to have its Claim allowed in a different classification or amount from that identified in the Schedules; (3) any Entity that believes its Claim as listed in the Schedules is not an obligation of the specific Debtor against which the Claim is listed and that desires to have its Claim allowed against a Debtor other than that identified in the Schedules; and (4) any Entity that believes its Claim against a Debtor is or may be an administrative expense pursuant to section 503(b)(9) of the Bankruptcy Code (but not any Entity that believes it holds an Administrative Expense Claim under section 503(b)(1) of the Bankruptcy Code).

~~In accordance with Bankruptcy Rule 3003(c)(2), if any person or entity that is required, but fails, to file a Proof of Claim on or before the Bar Date: (1) such person or entity will be forever barred, estopped, and enjoined from asserting such Claim against the Debtors (or filing a Proof of Claim with respect thereto); (2) the Debtors and their property may be forever discharged from any and all indebtedness or liability with respect to or arising from such Claim; (3) such person or entity will not receive any distribution in the Chapter 11 Cases on account of that Claim; and (4) such person or entity will not be permitted to vote on any plan or plans of reorganization for the Debtors on account of these barred Claims or receive further notices regarding such Claim.~~

~~As described in this Disclosure Statement, the distribution you receive on account of your Claim (if any) may depend, in part, on the amount of Claims for which proofs of claim are filed on or before the Bar Date.~~

O. Does the Plan provide that the Debtors or Reorganized Debtors will Satisfy Makewhole Claims Under the OpCo Notes?

The OpCo Note Purchase Agreement contains a so-called "make-whole" provision, which, if enforceable in the Chapter 11 Cases, may entitle the OpCo Noteholders to an OpCo Note Makewhole Claim. Although the OpCo Note Makewhole Claims are Disputed under the Plan, the Plan expressly provides that such asserted Claims, if and to the extent Allowed (as determined by the Bankruptcy Court), will be satisfied in full in Cash. It is not expected that the Debtors will satisfy the OpCo Note Makewhole Claims on the Effective Date. The Debtors anticipate that such Claims will be subject to litigation following the Effective Date. The OpCo Group[9] has commenced an adversary proceeding seeking to litigate the allowance of the OpCo Note Makewhole Claims before or in connection with the Confirmation of the Plan. The OpCo Noteholder Group (as defined below) has intervened in this adversary proceeding. The Debtors have filed a motion to dismiss this adversary proceeding and the OpCo Group and the OpCo Noteholder Group have filed oppositions to the Debtors' motion to dismiss. The Bankruptcy Court has not yet ruled on the Debtors' motion to dismiss.

~~O.~~P. What is the deadline to vote on the Plan?

The deadline to vote on the Plan under the order approving the Disclosure Statement is ~~February 23~~ **March 13, 2017~~,~~ at 4:00 p.m.** (prevailing Central Time).

~~P.~~Q. How do I vote for or against the Plan?

Detailed instructions regarding how to vote on the Plan are contained on the ballots distributed to holders of Claims and Interests that are entitled to vote on the Plan. For your vote to be counted, your ballot must be completed and signed so that it is **actually received** by ~~February 23~~**March 13, 2017~~,~~ at 4:00 p.m.** (prevailing Central Time) at the following address: Ultra Ballot Processing, c/o Epiq Bankruptcy Solutions, LLC, 777 Third Avenue, 3rd Floor, New York, NY 10017 (or returned in accordance with the instructions otherwise set forth on your ballot). *See* Article XI of this Disclosure Statement, which begins on page 65 of this Disclosure Statement.

~~Q.~~R. Why is the Bankruptcy Court holding a Confirmation Hearing?

Section 1128(a) of the Bankruptcy Code requires the Bankruptcy Court to hold a hearing on confirmation of the Plan and recognizes that any party in interest may object to Confirmation of the Plan.

~~R.~~S. When is the Confirmation Hearing set to occur?

The Bankruptcy Court has scheduled the Confirmation Hearing for **March ~~6~~14, 2017~~,~~ at 9:00 a.m.** (prevailing Central Time). The Confirmation Hearing may be adjourned from time to time without further notice.

Objections to Confirmation of the Plan must be filed and served on the Debtors, and certain other parties, by no later than ~~February 3~~**March 6, 2017~~,~~ at 4:00 p.m.** (prevailing Central Time) in accordance with the notice of the Confirmation Hearing that accompanies this Disclosure Statement and the Disclosure Statement Order attached hereto as **Exhibit C** and incorporated herein by reference.

The Debtors will publish the notice of the Confirmation Hearing, which will contain the deadline for objections to the Plan and the date and time of the Confirmation Hearing, in *The Houston Chronicle* and the *USA Today* to provide notification to those persons who may not receive notice by mail. The Debtors may also publish the notice of the Confirmation Hearing in such trade or other publications as the Debtors may choose.

[9] As used in this Disclosure Statement, "OpCo Group" means the ad hoc group of holders of OpCo Funded Debt Claims that is represented by Milbank, Tweed, Hadley & McCloy LLP.

S.T. What is the purpose of the Confirmation Hearing?

The confirmation of a plan of reorganization by a bankruptcy court binds the debtor, any issuer of securities under a plan of reorganization, any person acquiring property under a plan of reorganization, any creditor or equity interest holder of a debtor, and any other person or entity as may be ordered by the bankruptcy court in accordance with the applicable provisions of the Bankruptcy Code. Subject to certain limited exceptions, the order issued by the bankruptcy court confirming a plan of reorganization discharges a debtor from any debt that arose before the confirmation of such plan of reorganization and provides for the treatment of such debt in accordance with the terms of the confirmed plan of reorganization.

T.U. What is the effect of the Plan on the Debtors' ongoing business?

The Debtors are reorganizing under chapter 11 of the Bankruptcy Code. As a result, Confirmation means that the Debtors will not be liquidated or forced to go out of business. Following Confirmation, the Plan will be consummated on the Effective Date, which is a date selected by the Debtors that is the first business day after which all conditions to Consummation have been satisfied or waived. *See* Article IX of the Plan. On or after the Effective Date, and unless otherwise provided in the Plan, the Reorganized Debtors may operate their businesses and, except as otherwise provided by the Plan, may use, acquire, or dispose of property and compromise or settle any Claims, Interests, or Causes of Action without supervision or approval by the Bankruptcy Court and free of any restrictions of the Bankruptcy Code or Bankruptcy Rules. Additionally, upon the Effective Date, all actions contemplated by the Plan will be deemed authorized and approved.

U.V. Will any party have significant influence over the corporate governance and operations of the Reorganized Debtors?

The Reorganized HoldCo Board shall have seven (7) members. The five (5) members of the Board of HoldCo as of the date prior to the Effective Date shall remain on the Board of HoldCo post-Effective Date and two (2) additional directors reasonably acceptable to the Chairman of the pre-Effective Date Board shall be selected by the pre-Effective Date Board after solicitation from a list of director candidates proposed by individual members of the HoldCo Noteholder Committee and the Equityholder Committee. These two (2) additional directors shall have a two-year term and the votes of such directors shall be required to approve any Material M&A Transaction during such two-year term. Michael D. Watford shall remain Chairman of the Board post-Effective Date.

V.W. What is the Rights Offering?

The Rights Offering is an opportunity for holders of Allowed HoldCo Note Claims and Existing HoldCo Common Stock to invest up to $580 million to acquire New Common Stock on the Effective Date through Subscription Rights issued under the Rights Offering.

X. What is the Exit Facility?

The Plan provides that prior to the Effective Date, the Reorganized Debtors will enter into the Exit Facility, which consists of a revolving credit facility, a secured term loan and an unsecured bridge facility (to the extent incurred) effective as of the Effective Date and/or unsecured notes (to the extent issued) issued on or prior to the Effective Date. The material terms of the agreements (which may include credit agreements, indentures, security, collateral or pledge agreements or documents and mortgages) or instruments to be executed or delivered in connection with the Exit Facility will be included as an exhibit to the Plan Supplement.

W.Y. Who do I contact if I have additional questions with respect to this Disclosure Statement or the Plan?

If you have any questions regarding this Disclosure Statement or the Plan, please contact the Notice and Claims Agent, Epiq Bankruptcy Solutions, LLC:

By regular mail at:
Ultra Ballot Processing
c/o Epiq, Bankruptcy Solutions, LLC
777 Third Avenue, 3rd Floor
New York, NY 10017

By hand delivery or overnight mail at:
Ultra Petroleum Ballot Processing
c/o Epiq Bankruptcy Solutions, LLC
777 Third Avenue, 3rd Floor
New York, NY 10017

By electronic mail at:
tabulation@epiqsystems.com (reference "Ultra Petroleum Corp." in the subject line)

By telephone at:
+1 (646) 282-2500 (ask for the Solicitation Group)

Copies of the Plan, this Disclosure Statement, and any other publicly filed documents in the Chapter 11 Cases are available upon written request to the Debtors' notice, claims, and solicitation agent at the address above or by downloading the exhibits and documents from the website of the Notice and Claims Agent at http://dm.epiq11.com/ultra (free of charge) or the Bankruptcy Court's website at www.txsb.uscourts.gov (for a fee).

X.Z. Do the Debtors recommend voting in favor of the Plan?

Yes. The Debtors believe the Plan provides for a larger distribution to the Debtors' creditors than would otherwise result from any other available alternative. The Debtors believe the Plan, which contemplates a significant deleveraging, is in the best interest of all holders of Claims and Interests, and that other alternatives fail to realize or recognize the value inherent under the Plan.

Y.AA. Who supports the Plan?

As of the date of this Disclosure Statement, the Plan is supported by the Debtors, the Consenting HoldCo Noteholders, the Consenting HoldCo Equityholders, REX, and Corridor, and Big West. The Debtors are engaged in discussions with their other stakeholders (including the Committee, the OpCo Group, an ad hoc group of approximately 28 OpCo Noteholders, (the "OpCo Noteholder Group"), and Third Point Loan LLC ("Third Point"), and Big West Oil LLC ("Big West"))") in the hopes of obtaining their support for the Plan.

AS OF THE DATE HEREOF, CERTAIN PARTIES—INCLUDING THE COMMITTEE, THE OPCO GROUP, AN AD HOCTHE OPCO NOTEHOLDER GROUP OF OPCO NOTEHOLDERS, AND THIRD POINT—DO NOT SUPPORT THE PLAN. The Debtors, the HoldCo Noteholder Committee, and the Equityholder Committee will address all arguments and assertions of these parties in connection with Confirmation of the Plan.

Furthermore, Third Point does not support the Plan and asserts that the Plan is not confirmable because, among other reasons: (a) the Plan contains multiple classification and impairment defects; (b) the Plan cannot satisfy the cramdown requirements under section 1129(b)(2)(B) of the Bankruptcy Code; (c) the Plan improperly withholds from holders of OpCo Note Claims and OpCo RCF Claims postpetition interest calculated at the contract rate; (d) the Plan includes overbroad and impermissible release provisions that are beyond the scope of what courts in the Fifth Circuit may impose; and (e) the Claims in Class 6 are impaired under the Plan. The Debtors respectfully disagree with Third Point Loan LLC. The Debtors believe that the Plan is confirmable. The rights of Third Point and the Debtors with respect to such matters are fully reserved and preserved in all respects.

~~**The Debtors, the HoldCo Noteholder Committee, and the Equityholder Committee will address all such arguments and assertions in connection with Confirmation of the Plan.**~~

~~Z.~~BB. What was the process underlying formulation of the Plan and related transactions?

Since the commencement of the Chapter 11 Cases, the Debtors and their advisers have engaged with the Debtors' stakeholders.

To facilitate those discussions, the Debtors entered into nondisclosure agreements with: (a) Milbank, Tweed, Hadley & McCloy LLP, counsel to the OpCo Group (June 8, 2016); (b) Moelis & Company LLC, financial adviser to the OpCo Group (July 5, 2016); (c) Paul, Weiss, Rifkind, Wharton & Garrison LLP, counsel to the HoldCo Noteholder Committee (June 20, 2016); (d) Houlihan Lokey, Inc., financial adviser to the HoldCo Noteholder Committee (June 22, 2016); (e) Brown Rudnick LLP, counsel to the Equityholder Committee (August 8, 2016); and (f) Peter J. Solomon Company, financial adviser to the Equityholder Committee (August 8, 2016). In addition, the Committee adopted confidentiality arrangements with respect to its professionals.

Furthermore, in anticipation of these efforts and discussions, the Debtors established a virtual data room, uploaded diligence materials, and provided access credentials to applicable professionals.

The Debtors and their professionals also participated in in-person meetings with their stakeholders and/or their respective professionals. For example, on July 14, 2016, the Debtors' management team and professionals participated in a meeting with the Committee's professionals in Houston, Texas. On October 27, 2016, the Debtors and their professionals participated in a second in-person meeting with the Committee and its professionals in Houston, Texas to discuss the Debtors' business outlook and other matters.

The Debtors also spent significant time seeking to engage in discussions with their stakeholders regarding the Debtors' long-term business plan, which the Debtors developed in accordance with the Final Order granting the KEIP Motion and the Exclusivity Order. On August 9, 2016, the Debtors invited the Committee, the HoldCo Noteholder Committee, the Equityholder Committee, and the OpCo Group and their respective professionals to participate in an in-person meeting in Houston, Texas to discuss the Debtors' revised business outlook and revenue forecast. On August 11, 2016, the Debtors—which have continued to satisfy their public reporting requirements under the securities laws—filed their updated business outlook presentation with the U.S. Securities and Exchange Commission and posted it to their corporate website. Finally, following that meeting, the Debtors responded to various due diligence requests from their stakeholders regarding the long-term business plan and certain related matters.

Thereafter, the Debtors, with the assistance of their professionals, began to review and assess potential reorganization alternatives predicated on the Debtors' long-term business plan. On September 27, 2016, the Debtors and their advisers met in person to discuss potential alternatives. Following that meeting, the Debtors directed their advisers to prepare a comprehensive restructuring proposal to serve as the basis of restructuring discussions. On October 4, 2016, the Debtors presented the key economic terms of a potential plan of reorganization to the advisers to the HoldCo Noteholder Committee and the Equityholder Committee and requested that the members of the HoldCo Noteholder Committee and the members of the Equityholder Committee become restricted to facilitate negotiations. At the time that the Debtors made this proposal, no party—including any of the Debtors' stakeholders—had submitted a comprehensive restructuring proposal to the Debtors since the Petition Date. Subsequently, after agreeing to certain restriction periods and cleansing materials, certain members of the HoldCo Noteholder Committee and the Equityholder Committee executed NDAs on October 17, 2016. Thereafter, the Debtors and the advisers to the HoldCo Noteholder Committee and the Equityholder Committee continued to engage in discussions regarding the Debtors' restructuring proposal on a regular basis.

These efforts led to a meeting at K&E's offices on October 18, 2016, with certain members of the HoldCo Noteholder Committee and the Equityholder Committee, whose ownership interests in ~~the Debtors' HoldCo debt~~HoldCo's funded indebtedness and HoldCo's equity represented at least 50% of the Debtors' HoldCo debt and 50% of HoldCo's equity. The purpose of the meeting was to present a framework for a consensual restructuring pursuant to a ~~C~~chapter 11 plan of reorganization that would pay all creditors in full.

Thereafter, these parties continued to engage in extensive, arm's-length discussions, at both the principal and adviser level. On November 4, 2016, these negotiations resulted in an agreement in principle among the Debtors, the members of the HoldCo Noteholder Committee, and the members of the Equityholder Committee on

the plan term sheet for a consensual plan of reorganization that would provide a 100% recovery to all creditors and a distribution to the Debtors' common stockholders, to be effectuated through a fully committed $580 million rights offering.

Between November 4, 2016, and November 21, 2016, the Debtors and their advisors engaged in drafting negotiations with members of the HoldCo Noteholder Committee and members of the Equityholder Committee regarding the documentation of the Plan Support Agreement and Backstop Commitment Agreement, consistent with the framework agreed to in the November 4, 2016 plan term sheet. The negotiations included the exchange of multiple revised versions of the Plan Support Agreement and the Backstop Commitment Agreement among the parties, as well as meetings and discussions among the advisors and principals. These negotiations culminated in the Debtors' entry into the Plan Support Agreement and the Backstop Commitment Agreement on November 21, 2016. The Debtors entered into the Plan Support Agreement following approval by HoldCo's Board of Directors; the boards of directors of OpCo and UP Energy Corporation did not meet to consider or otherwise approve the Debtors' entry into the Plan Support Agreement. On the morning of November 22, 2016, the Debtors issued a news release describing the transactions and filed a Form 8-K with the U.S. Securities and Exchange Commission including copies of the executed agreements.

During the period between October 17, 2016, and November 22, 2016, the Debtors engaged in discussions regarding the Plan Support Agreement and the Plan exclusively with the members of the HoldCo Noteholder Committee and the Equityholder Committee. The Debtors believe that the structure of the transactions contemplated by the Plan Support Agreement and the Plan are substantially similar in nature to the structure of the transactions contemplated by the Debtors' original October 4, 2016 proposal.[10] Prior to November 22, 2016, the Debtors did not engage in discussions regarding the Plan Support Agreement and the Plan with any OpCo funded debt creditor other than any Backstop Commitment Parties that also held OpCo Funded Debt Claims during such period.

Thereafter, the Debtors, the Consenting HoldCo Noteholders, and the Consenting HoldCo Equityholders negotiated the proposed forms of the Plan and Disclosure Statement, as contemplated by the Plan Support Agreement, which the Debtors filed with the Bankruptcy Court on December 6, 2016.

~~CERTAIN PARTIES ASSERT THAT THE DISCLOSURE STATEMENT DOES NOT PROVIDE ANY INFORMATION REGARDING THE ALTERNATIVE TRANSACTIONS CONSIDERED, AND/OR MARKET TESTS CONDUCTED, TO DETERMINE THE REASONABLENESS AND NECESSITY OF THE PLAN, THE BACKSTOP COMMITMENT AGREEMENT, AND THE RIGHTS OFFERING.~~

Following the consensual adjournment of the January 19, 2017 hearing regarding approval of the adequacy of the Disclosure Statement, the Debtors began to explore potential Plan modifications that would permit the Debtors to satisfy OpCo Funded Debt Claims in full in Cash. On January 21, 2017 the Debtors' advisers solicited indications of interest for a proposed exit facility that would permit the Debtors to satisfy all Allowed Claims against OpCo in full in Cash. In addition, in an effort to forge greater stakeholder consensus, the Debtors held an in-person meeting with the advisors for the OpCo Group, the Committee, the OpCo Noteholder Group, and the Backstop Commitment Parties on January 25, 2017.

On February 8, 2017, the Debtors entered into the Exit Financing Agreements, pursuant to which, among other things, each Exit Commitment Party has committed to fund the Exit Facility, the proceeds of which will permit the Debtors to satisfy the OpCo Funded Debt Claims in full in Cash, in each case, solely as provided pursuant to the Plan. Thereafter, the Debtors modified the Plan to provide for the satisfaction of all Allowed OpCo Funded Debt Claims in full in Cash as provided in the Plan.

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[10] As noted herein, the Plan provides for certain modifications to the treatment of OpCo Funded Debt Claims and OpCo General Unsecured Claims.

The Debtors disagree. As the Debtors were developing their business outlook, the Debtors were also developing and refining their view as to what constituted the appropriate capital structure for the Debtors' business to be achieved through a chapter 11 restructuring. Inasmuch as the substantial value of the Debtors' businesses demonstrated their solvency, the Debtors' focused on pursuing a plan of reorganization that would satisfy all Allowed OpCo Note Claims and Allowed OpCo RCF Claims in full. The Debtors considered a wide range of capital structures and transactions to accomplish their objectives, including no leverage outcomes (*e.g.*, equitizing all of the Debtors' indebtedness, including OpCo debt) higher leverage outcomes (*e.g.*, restructuring all of the Debtors' indebtedness, including the HoldCo Notes), and many other alternatives between those potential outcomes. After substantial deliberation, including extensive discussions with their advisors, the Debtors ultimately determined that providing a combination of new notes and cash to holders of Allowed OpCo Note Claims and Allowed Opco RCF Claims was an appropriate means upon which to base their restructuring efforts.

As described above, the Debtors engaged in extensive discussions and exchanged multiple restructuring proposals with the HoldCo Noteholder Committee and the Equityholder Committee, which ultimately led to the Debtors' entry into the PSA and the Backstop Commitment Agreement on November 21, 2016. The Debtors believe that the settlement contemplated by the PSA, the Plan, and the Backstop Commitment Agreement provides a full recovery to all Claims against and Interests in the Debtors and represents an outcome that is superior to the Debtors than any other proposal presented to the Debtors prior to or during the Chapter 11 Cases.

The Debtors have not conducted any "market test" with respect to the transactions contemplated in the Plan. The Bankruptcy Code does not require a debtor to "market test" the issuance of new notes pursuant to a plan of reorganization. Moreover, the Debtors did not conduct a public marketing process of the Rights Offering or the transactions contemplated by the Backstop Commitment Agreement because, among other things, the non-Debtor parties to the Plan Support Agreement and the Backstop Commitment Agreement represent a critical mass of stakeholders owning Holdco Notes and equity. Furthermore, the non-Debtor parties were ready, willing, and able to commit to fund the $580 million rights offering at a reasonable and appropriate cost.

The Debtors are prepared to meet their evidentiary burden (if any) with respect to such matters at the Confirmation Hearing. The rights of all parties are fully preserved with respect to such matters.

IV. THE DEBTORS' PLAN SUPPORT AGREEMENT AND PLAN.

A. The Plan Support Agreement.

On November 21, 2016, the Debtors, the Consenting HoldCo Noteholders, and the Consenting HoldCo Equityholders entered into the Plan Support Agreement. Since executing the Plan Support Agreement, the Debtors have documented the terms of the restructuring contemplated thereby, including the Plan.[11] The restructuring transactions contemplated by the Plan will significantly reduce the Debtors' funded-debt obligations and result in a stronger balance sheet for the Debtors. The Plan represents a significant step in the Debtors' restructuring process.

CERTAIN PARTIES HAVE RAISED QUESTIONS ABOUT THE ECONOMIC INTERESTS OF THE DEBTORS' MANAGEMENT IN CONNECTION WITH DEVELOPMENT OF THE PLAN. Certain members of the Debtors' management (including Michael D. Watford and Garland R. Shaw, who serve on OpCo's Board of Directors) hold Existing HoldCo Common Stock and may be participants in the Management Incentive Plan. The Debtors do not believe that Messrs. Watford and Shaw's ownership of Existing HoldCo Common Stock and/or potential participation in the Management Incentive Plan bears on their ability to represent the interests of OpCo because the interests of OpCo and HoldCo are completely aligned. More specifically, the interests of HoldCo and OpCo are aligned because OpCo is solvent and OpCo's board is obligated to maximize the value of OpCo to ensure that OpCo's contractual liabilities are

[11] The key terms of the Plan are discussed in greater detail in Article IV.B of this Disclosure Statement, entitled "The Plan."

~~satisfied in full (but no more and no less), and there is as much value as possible for HoldCo and its stakeholders.~~

B. The Plan.

1. New Common Stock.

All existing Interests in HoldCo shall be cancelled as of the Effective Date and Reorganized HoldCo shall issue the New Common Stock to the holders of Claims and Interests entitled to receive New Common Stock pursuant to the Plan, the Rights Offering Procedures, and the Backstop Commitment Agreement. The issuance of New Common Stock shall be authorized without the need for any further corporate action and without any further action by the Debtors or Reorganized Debtors, as applicable. Reorganized HoldCo's New Organizational Documents shall authorize the issuance and distribution on the Effective Date of New Common Stock to the Distribution Agent for the benefit of holders of Allowed Claims in Class 3 and Interests in Class ~~14~~8. All New Common Stock issued under the Plan shall be duly authorized, validly issued, fully paid, and non-assessable.

~~2. New OpCo Notes; Additional New OpCo Notes.~~

~~On the Effective Date, Reorganized OpCo shall issue $2.0 billion in New OpCo Notes, the form of which shall be included in the Plan Supplement, to holders of Allowed Claims in Class 4 and Class 5, as applicable.~~

~~A further $200 million (or such other amount as may be determined by the Bankruptcy Court) in Additional New OpCo Notes will be "held in reserve" pending, or issued to applicable holders of Allowed Claims in Class 7 (if any) by OpCo following, the determination of the Bankruptcy Court on the allowance of the OpCo Note Makewhole Claims (if any).~~

~~CERTAIN PARTIES ASSERT THAT THE DISCLOSURE STATEMENT DOES NOT PROVIDE ADEQUATE INFORMATION REGARDING THE FORMULATION OF, AND NEGOTIATIONS RELATED TO, THE TERMS OF THE PROPOSED NEW OPCO NOTES.~~

2. Exit Facility.

On or prior to the Effective Date, the Reorganized Debtors shall enter into the Exit Facility Documents, including, without limitation, any documents required in connection with the creation or perfection of Liens in connection therewith, in accordance with the Exit Financing Agreements and Exit Financing Order. The Confirmation Order shall include approval of the Exit Facility and the Exit Facility Documents, all transactions contemplated thereby, and all actions to be taken, undertakings to be made, and obligations to be incurred by the Reorganized Debtors in connection therewith, including the payment of all fees and expenses and provision of all indemnities provided for therein, authorization of the Reorganized Debtors to enter into and execute the Exit Facility Documents, and authorization for the Reorganized OpCo and the other Reorganized Debtors to create or perfect the Liens in connection therewith. The lenders under the Exit Facility shall have valid, binding and enforceable Liens on the collateral specified in the Exit Facility Documents. The guarantees, mortgages, pledges, Liens and other security interests granted pursuant to the Exit Facility Documents are granted in good faith as an inducement to the lenders under the Exit Facility to extend credit thereunder and shall be deemed not to constitute a fraudulent conveyance or fraudulent transfer, shall not otherwise be subject to avoidance, and the priorities of such Liens and security interests shall be as set forth in the Exit Facility Documents. The Exit Revolver and the Exit Term Loan shall be *pari passu* for all purposes; the provisions of the Exit Facility Documents setting forth the payment priority of each of the Exit Facilities shall be fully enforceable in accordance with their terms.

~~The Debtors disagree. On December 22, 2016, the Debtors filed a term sheet outlining the key terms of the New OpCo Notes [Docket No. 872], and, on January 13, 2017, the Debtors filed the proposed indenture for the New OpCo Notes as Exhibit A to the Plan Supplement [Docket No. 940].~~

~~**The proposed New OpCo Notes do not include a prepayment premium or makewhole. Third Point Loan LLC has advised the Debtors that the absence of a makewhole in the New OpCo Notes may affect whether the interest rate under the New OpCo Notes is sufficient to satisfy the OpCo Note Claims in full pursuant to the Plan. Third Point Loan LLC has advised the Debtors that this consideration may affect whether Third Point Loan LLC votes to accept or reject the Plan.**~~

~~**3. New Revolver.**~~

~~Prior to the Effective Date, the Debtors may seek to enter into a revolving credit facility, effective as of or after the Effective Date, the implementation of which would require the consent of the Required Consenting Parties. However, the Debtors can provide no assurance that a revolving credit facility or other financing would be available or, if available, offered to the Debtors on acceptable terms.~~

~~4.~~3. The Rights Offering.

The Debtors shall distribute the Subscription Rights and Rights Offering Shares to the Rights Offering Participants as set forth in the Plan and the Rights Offering Procedures. Pursuant to the Backstop Commitment Agreement and the Rights Offering Procedures, the Rights Offering shall be open to all Rights Offering Participants, and (a) Rights Offering Participants that are holders of Allowed HoldCo Note Claims shall be entitled to participate in the Rights Offering to receive up to a maximum amount of each holder's Pro Rata share of the HoldCo Noteholders Rights Offering Shares, and (b) Rights Offering Participants that are holders of Existing HoldCo Common Stock shall be entitled to participate in the Rights Offering to receive up to a maximum amount of each holder's Pro Rata share of the HoldCo Equityholders Rights Offering Shares.

Upon exercise of the Subscription Rights by the Rights Offering Participants pursuant to the terms of the Backstop Commitment Agreement and the Rights Offering Procedures, the Reorganized Debtors shall be authorized to issue the New Common Stock in accordance with the Plan, the Backstop Commitment Agreement, and the Rights Offering Procedures.

In addition, on the Effective Date, New Common Stock in an amount equal to the Commitment Premium shall be distributed to the Backstop Parties under and as set forth in the Backstop Commitment Agreement, the Backstop Approval Order, and the Plan Term Sheet.

CERTAIN PARTIES ASSERT THAT THE DISCLOSURE STATEMENT LACKS ADEQUATE INFORMATION REGARDING THE RIGHTS OFFERING, INCLUDING PRICING OF THE RIGHTS OFFERING SHARES AND ESTIMATES FOR THE EXPENSE REIMBURSEMENT.

The Debtors disagree. ~~On December 22, 2016, the~~ The Debtors have filed financial projections for the Reorganized Debtors as Exhibit D to the Disclosure Statement, including estimated sources and uses of cash on the Effective Date and the estimated pro forma capitalization for the Reorganized Debtors. The ~~Disclosure Statement also includes the~~ Rights Offering Procedures are also annexed to the Disclosure Statement as Exhibit G.

The Debtors believe that the pricing of the Rights Offering Shares and other consideration contemplated by the Backstop Commitment Agreement is appropriate because: (a) the Backstop Commitment Parties have committed the capital required to backstop the Rights Offering, which has necessarily precluded them from committing to or funding other investment opportunities to that extent; (b) approval of commitment fees of the sort contemplated in the Backstop Commitment Agreement is a common practice in complex chapter 11 cases; (c) the form and amount of such consideration was negotiated on an arm's-length basis in connection with the negotiation of the Plan Support Agreement; (d) the cost of such consideration is not borne by OpCo's creditors, as their Claims are being satisfied in full pursuant to the Plan; (e) the form and amount of such consideration is comparable to what courts have approved in other complex chapter 11 cases; and (f) in the Debtors' business judgment, the Rights Offering and the Debtors' entry into the Backstop Commitment Agreement are in the best interests of the Estates.

Finally, prior to the Voting Deadline, the Debtors will include an estimate of the Expense Reimbursement in the Plan Supplement. Accordingly, the Debtors submit that the Disclosure Statement contains adequate information regarding the Rights Offering.

~~5.~~4. Use of Proceeds.

The Debtors' Cash on hand ~~and~~, the Rights Offering proceeds, and the Exit Facility proceeds will be used to fund certain distributions under the Plan, the Debtors' operations, and for general corporate purposes.

~~6.~~5. Governance; Directors and Officers.

The Reorganized Debtors intend to adopt corporate governance practices that are consistent with the Debtors' prepetition practices and personnel; *provided*~~,~~ that the New Board shall have seven (7) members. The five (5) members of the HoldCo Board as of the date prior to the Effective Date shall remain on the New Board post-Effective Date and two (2) additional directors reasonably acceptable to the Chairman of the pre-Effective Date HoldCo Board shall be selected prior to the Effective Date by the existing board of directors after solicitation from a list of director candidates proposed by individual members of the HoldCo Noteholder Committee and the Equityholder Committee. These two (2) additional directors shall have a two-year term and the votes of such directors shall be required to approve any Material M&A Transaction during such two-year term. Michael D. Watford shall remain Chairman of the New Board post-Effective Date.

~~7.~~6. General Settlement of Claims and Interests.

Unless otherwise set forth in the Plan, pursuant to section 1123 of the Bankruptcy Code and Bankruptcy Rule 9019, and in consideration for the classification, distributions, releases, and other benefits provided under the Plan, on the Effective Date, the provisions of the Plan shall constitute a good-faith compromise and settlement of all Claims and Interests.

~~The~~Unless otherwise set forth in the Plan, the Plan will be deemed a motion to approve the good-faith compromise and settlement of all such Claims, Interests, and controversies pursuant to Bankruptcy Rule 9019, and the entry of the Confirmation Order will constitute the Bankruptcy Court's approval of the compromise or settlement of all such Claims, Interests, and controversies, as well as a finding by the Bankruptcy Court that such compromise or settlement is in the best interests of the Debtors, their Estates, and holders of Claims and Interests and is fair, equitable, and reasonable. In accordance with the provisions of the Plan, and unless otherwise set forth therein, pursuant to Bankruptcy Rule 9019, without any further notice to or action, order, or approval of the Bankruptcy Court, after the Effective Date, the Reorganized Debtors may compromise and settle Claims against, and Interests in, the Debtors and their Estates and Causes of Action against other Entities.

CERTAIN PARTIES OBJECTED TO THE DISCLOSURE STATEMENT BASED ON THE EXTENT OF ITS DISCLOSURE REGARDING ESTATE CLAIMS AND CAUSES OF ACTION AGAINST THE RELEASED PARTIES. No person or entity has advised the Debtors of any material Claims that the Debtors may hold against the Released Parties. Finally, given the significant consideration being provided by the Released Parties, the Debtors believe that the Debtors' releases in favor of the Released Parties are appropriate and within their reasonable business judgment, particularly, as is the case here, where the Debtors are solvent and all claims against the Debtors are being satisfied in full~~.~~ (and the Debtors will satisfy all Allowed Claims against OpCo in full in Cash).

CERTAIN PARTIES ASSERT THAT THE PLAN DOES NOT ADEQUATELY RESERVE, AND/OR PROVIDE NOTICE TO AFFECTED PARTIES OF, ESTATE CAUSES OF ACTION. The Debtors intend to file a list of retained Causes of Action, as an exhibit to the Plan Supplement, prior to the Voting Deadline. Disclosing the retained causes of action will give creditors sufficient detail regarding the the Debtors' retention of rights to pursue causes of action and will enable creditors to make an informed decision about the Plan. The rights of all parties are fully preserved with respect to such matters.

Pursuant to Rule 408 of the Federal Rules of Evidence, the Plan, this Disclosure Statement, the Plan Support Agreement (and any exhibits or supplements relating to the foregoing) and all negotiations relating thereto will not be admissible into evidence in any proceeding unless and until the Plan is consummated, and then only in accordance with the Plan. In the event the Plan is not consummated, provisions of the Plan, this Disclosure Statement, the Plan Support Agreement (and any exhibits or supplements relating to the foregoing), and all negotiations relating thereto will not be binding or probative.

No person or entity has advised the Debtors of any material Claims that the Debtors may hold against the Released Parties. Finally, given the significant consideration being provided by the Released Parties, the Debtors believe that the Debtors' releases in favor of the Released Parties are appropriate and within their reasonable business judgment, particularly, as is the case here, where the Debtors are solvent, all claims against the Debtors are being satisfied in full, and the Debtors will satisfy all Claims against OpCo in full in Cash as provided in the Plan.

8.7. **Debtor Release**.

Notwithstanding anything contained in the Plan to the contrary, pursuant to section 1123(b) of the Bankruptcy Code, for good and valuable consideration, on and after the Effective Date, each Released Party is deemed released and discharged by the Debtors, the Reorganized Debtors, and their Estates from any and all Claims and Causes of Action, whether known or unknown, including any derivative claims, asserted on behalf of the Debtors, that the Debtors, the Reorganized Debtors, or their Estates 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, based on or relating to, or in any manner arising from, in whole or in part, the Debtors (including the management, ownership or operation thereof), the Debtors' in- or out-of-court restructuring efforts, any Avoidance Actions (but excluding Avoidance Action brought as counterclaims or defenses to Claims asserted against the Debtors), the formulation, preparation, dissemination, negotiation, or Filing of the Plan Support Agreement, the Backstop Commitment Agreement, or any Restructuring Transaction, contract, instrument, release, or other agreement or document (including providing any legal opinion requested by any Entity regarding any transaction, contract, instrument, document, or other agreement contemplated by the Plan or the reliance by any Released Party on the Plan or the Confirmation Order in lieu of such legal opinion) created or entered into in connection with the Plan Support Agreement, the Disclosure Statement, the Plan, the Plan Supplement, the Rights Offering, the Backstop Commitment Agreement, the Exit Facility, the Chapter 11 Cases, the filing of the Chapter 11 Cases, the pursuit of Confirmation, the pursuit of Consummation, the administration and implementation of the Plan, including the issuance or distribution of Securities pursuant to the Plan, or the distribution of property under the Plan, or upon any other act or omission, transaction, agreement, event, or other occurrence taking place on or before the Effective Date related or relating to the foregoing. Notwithstanding anything to the contrary in the foregoing, the releases set forth above do not release (a) any post-Effective Date obligations of any party or Entity under the Plan, any Restructuring Transaction, or any document, instrument, or agreement (including those set forth in the Plan Supplement) executed to implement the Plan or (b) any individual from any claim related to an act or omission that is determined in a Final Order by a court competent jurisdiction to have constituted actual fraud or willful misconduct.

Entry of the Confirmation Order shall constitute the Bankruptcy Court's approval, pursuant to Bankruptcy Rule 9019, of the Debtor Release, which includes by reference each of the related provisions and definitions contained in the Plan, and further, shall constitute the Bankruptcy Court's finding that the Debtor Release is: (1) in exchange for the good and valuable consideration provided by the Released Parties; (2) a good faith settlement and compromise of the Claims released by the Debtor Release; (3) in the best interests of the Debtors and all holders of Claims and Interests; (4) fair, equitable, and reasonable; (5) given and made after due notice and opportunity for hearing; and (6) a bar to any of the Debtors, the Reorganized Debtors, or the Debtors' Estates asserting any Claim or Cause of Action released pursuant to the Debtor Release.

9.8. **Release by Holders of Claims or Interests**.

Notwithstanding anything contained in the Plan to the contrary, as of the Effective Date, each Releasing Party is deemed to have released and discharged each Debtor, Reorganized Debtor, and Released Party from any and all Claims and Causes of Action, whether known or unknown, including any derivative

claims, asserted on behalf of the Debtors, 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 (including the management, ownership or operation thereof), the Debtors' in- or out-of-court restructuring efforts, any Avoidance Actions, the formulation, preparation, dissemination, negotiation, or Filing of the Plan Support Agreement, the Backstop Commitment Agreement, or any Restructuring Transaction, contract, instrument, release, or other agreement or document (including providing any legal opinion requested by any Entity regarding any transaction, contract, instrument, document, or other agreement contemplated by the Plan or the reliance by any Released Party on the Plan or the Confirmation Order in lieu of such legal opinion) created or entered into in connection with the Plan Support Agreement, the Disclosure Statement, the Plan, the Plan Supplement, the Rights Offering, the Backstop Commitment Agreement, the Exit Facility, the Chapter 11 Cases, the filing of the Chapter 11 Cases, the pursuit of Confirmation, the pursuit of Consummation, the administration and implementation of the Plan, including the issuance or distribution of Securities pursuant to the Plan, or the distribution of property under the Plan, or upon any other act or omission, transaction, agreement, event, or other occurrence taking place on or before the Effective Date related or relating to the foregoing. Notwithstanding anything to the contrary in the foregoing, the releases set forth above do not release: (a) any post-Effective Date obligations of any party or Entity under the Plan, any Restructuring Transaction; (b) any post-Effective Date obligations of any party or Entity under the Plan Support Agreement, the Backstop Commitment, or any document, instrument, or agreement (including those set forth in the Plan Supplement) executed to implement the Plan or Plan Supplement; or (c) any individual from any claim related to an act or omission that is determined in a Final Order by a court competent jurisdiction to have constituted actual fraud or willful misconduct.

Entry of the Confirmation Order shall constitute the Bankruptcy Court's approval, pursuant to Bankruptcy Rule 9019, of the releases described in Section 8.3 of the Plan, which includes by reference each of the related provisions and definitions contained herein, and, further, shall constitute the Bankruptcy Court's finding that each release described in Section 8.3 of the Plan is: (1) consensual; (2) essential to the confirmation of the Plan; (3) given in exchange for the good and valuable consideration provided by the Released Parties; (4) a good faith settlement and compromise of such Claims; (5) in the best interests of the Debtors and their Estates; (6) fair, equitable, and reasonable; (7) given and made after due notice and opportunity for hearing; and (8) a bar to any of the Releasing Parties asserting any claim or Cause of Action released pursuant to Section 8.3 of the Plan.

~~10.~~9. Exculpation.

Notwithstanding anything contained in the Plan to the contrary, no Exculpated Party shall have or incur liability for, and each Exculpated Party is hereby released and exculpated from, any Cause of Action for any claim related to any act or omission in connection with, relating to, or arising out of, the Chapter 11 Cases, the formulation, preparation, dissemination, negotiation, or Filing of the Plan Support Agreement, the Backstop Commitment Agreement and related prepetition transactions, the Disclosure Statement, the Plan, the Plan Supplement, or any Restructuring Transaction, contract, instrument, release or other agreement or document (including providing any legal opinion requested by any Entity regarding any transaction, contract, instrument, document, or other agreement contemplated by the Plan or the reliance by any Exculpated Party on the Plan or the Confirmation Order in lieu of such legal opinion) created or entered into in connection with the Disclosure Statement, the Plan, the Plan Supplement, the Plan Support Agreement, the Rights Offering, the Backstop Commitment Agreement, the Exit Facility, the Filing of the Chapter 11 Cases, the pursuit of Confirmation, the pursuit of Consummation, the administration and implementation of the Plan, including the issuance of Securities pursuant to the Plan, or the distribution of property under the Plan, except for claims related to any act or omission that is determined in a Final Order by a court of competent jurisdiction to have constituted actual fraud or willful misconduct, but in all respects such Entities shall be entitled to reasonably rely upon the advice of counsel with respect to their duties and responsibilities pursuant to the Plan. The Exculpated Parties have, and upon Consummation of the Plan shall be deemed to have, participated in good faith and in compliance with the applicable laws with regard to the solicitation of, and distribution of, consideration pursuant to the Plan and, therefore, are not, and on account of such distributions shall not be, liable at any time for the violation of any applicable law, rule, or regulation governing the solicitation of acceptances or rejections of the Plan or such distributions made pursuant to the Plan.

~~11.~~10. Injunction.

Except as otherwise provided herein or for obligations issued pursuant hereto, all Entities that have held, hold, or may hold Claims or Interests that have been released pursuant to Section 8.3 of the Plan, discharged pursuant to Section 8.1 of the Plan, or are subject to exculpation pursuant to Section 8.4 of the Plan shall be permanently enjoined, from and after the Effective Date, from taking any of the following actions against, as applicable, the Debtors, the Reorganized Debtors, the Released Parties, or the Exculpated Parties: (a) commencing or continuing in any manner any action or other proceeding of any kind on account of or in connection with or with respect to any such Claims or Interests; (b) enforcing, attaching, collecting, or recovering by any manner or means any judgment, award, decree, or order against such Entities on account of or in connection with or with respect to any such Claims or Interests; (c) creating, perfecting, or enforcing any encumbrance of any kind against such Entities or the property or Estates of such Entities on account of or in connection with or with respect to any such Claims or Interests; (d) asserting any right of setoff, subrogation, or recoupment of any kind against any obligation due from such Entities or against the property of such Entities on account of or in connection with or with respect to any such Claims or Interests unless such Entity has timely asserted such setoff right in a document Filed with the Bankruptcy Court explicitly preserving such setoff, and notwithstanding an indication of a Claim or Interest or otherwise that such Entity asserts, has, or intends to preserve any right of setoff pursuant to applicable law or otherwise; and (e) commencing or continuing in any manner any action or other proceeding of any kind on account of or in connection with or with respect to any such Claims or Interests discharged, released, exculpated, or settled pursuant to the Plan.

~~12.~~11. Royalty Interests, Overriding Royalty Interests, Net Profits Interests and Working Interests.

For purposes of the Plan, any royalty interest, overriding royalty interest, net profit interest, working interest, or similar interest or property right in or related to the Debtors' oil and gas properties that is held by a non-Debtor and that is valid and enforceable under applicable nonbankruptcy law (collectively, the "Oil and Gas Property Rights"): (a) shall not constitute property of any Debtor's Estate for purposes of section 541 of the Bankruptcy Code; (b) shall not constitute a Claim for purposes of the Plan; and (c) shall not be classified as a Claim for purposes of Article II or Article III of the Plan.

The Plan shall not: (x) discharge, release, enjoin, or otherwise impair any Oil and Gas Property Rights; and/or (y) discharge, release, enjoin, or otherwise impair (including with respect to priority) any Liens, whether contractual or statutory, securing any Oil and Gas Property Rights.

Holders of any Oil and Gas Property Rights will receive, in the ordinary course of business according to ordinary payment terms and practices, any payments owed to such holders and attributable to revenue held for distribution to them by the Debtors or the Reorganized Debtors, as applicable, under applicable nonbankruptcy law. All Proofs of Claim Filed on account of any such ordinary course revenue payments on account of any Oil and Gas Property Rights held for distribution by the Debtors shall be deemed satisfied and expunged from the Claims Register to the extent such payments have been distributed to the Entity that filed such Proof of Claim, without any further notice to or action, order, or approval of the Bankruptcy Court, as of entry of the Confirmation Order or the date of distribution of the applicable revenue payment, whichever is later.

The rights, claims, and defenses of the Debtors and any holder of any Oil and Gas Property Right with respect to such matters shall be deemed fully reserved and preserved in all respects.

12. Surety Bond Program

Notwithstanding anything in the Plan to the contrary, the Surety Bond Program shall continue uninterrupted and in accordance with the ordinary course of business of the Debtors and/or Reorganized Debtors, including payment by the Debtors and/or Reorganized Debtors for any premiums associated with the renewal of existing surety bonds or the issuance of new surety bonds, as well as execution of any agreements required by The Surety in connection with the Surety Bond Program. To the extent necessary, any current bond issued on behalf of the

Debtors will be deemed and treated as an Executory Contract that has been assumed by the Reorganized Debtors under the Plan and shall survive the Effective Date.

Nothing contained in the Plan and/or the Confirmation Order shall in any way discharge, impair, or otherwise modify any indemnity obligations of the Debtors and/or Reorganized Debtors, whether existing now or in the future, related to issuance of bonds by The Surety pursuant to the Surety Bond Program. To the extent necessary, any current indemnity obligation of the Debtors will be deemed and treated as an Executory Contract that has been assumed by the Reorganized Debtors under the Plan and shall survive the Effective Date. Nothing in the Plan prevents The Surety from requiring the Reorganized Debtors to execute new indemnity agreements in connection with the issuance of bonds pursuant to the Surety Bond Program. Nothing contained in the Plan and/or the Confirmation Order shall constitute a release by The Surety for any future claims it might have against the Debtors, the Reorganized Debtors and/or any other indemnitor for indemnity tied to any loss, cost, fee, or expense incurred in connection with any bond issued by The Surety pursuant to the Surety Bond Program.

Nothing contained in the Plan and/or the Confirmation Order shall discharge, impair, or otherwise modify the collateral provided by the Debtors to The Surety in connection with the Surety Bond Program, and The Surety is not waiving or releasing any rights it has with respect to the collateral pledged by the Debtors. Nothing in the Plan shall impact the ability of The Surety to request additional collateral from the Reorganize Debtors in connection with continuation of the Surety Bond Program, including collateral required for the issuance of new bonds after the Effective Date.

Finally, as part of the ordinary course of business of the Surety Bond Program, the Debtors will pay any unpaid premiums and loss adjustment expenses that are due to The Surety on or before the Effective Date. If all unpaid premiums and loss adjustment expenses that are due to the Surety as of the Effective Date are paid to The Surety, all Proofs of Claim Filed by The Surety shall be deemed withdrawn automatically by The Surety without further notice to or action by the Bankruptcy Court.

V. IMPORTANT INFORMATION ABOUT THIS DISCLOSURE STATEMENT.

A. Certain Key Terms Used in This Disclosure Statement.

The following are some of the defined terms used in this Disclosure Statement. This is not an exhaustive list of defined terms in the Plan or this Disclosure Statement, but is provided for ease of reference only. Please refer to the Plan for additional defined terms.

"Bankruptcy Court" means the United States Bankruptcy Court for the Southern District of Texas, Houston Division, or any other court having jurisdiction over the Chapter 11 Cases, including, to the extent of the withdrawal of any reference under 28 U.S.C. § 157, the United States District Court for the Southern District of Texas.

"Bankruptcy Rules" means the Federal Rules of Bankruptcy Procedure as promulgated by the United States Supreme Court under section 2075 of title 28 of the United States Code, 28 U.S.C. § 2075, as applicable to the Chapter 11 Cases and the general, local, and chambers rules of the Bankruptcy Court.

"Chapter 11 Cases" means the procedurally consolidated chapter 11 cases pending for the Debtors in the Bankruptcy Court.

"Claim" has the meaning set forth in section 101(5) of the Bankruptcy Code.

"Confirmation Date" means the date upon which the Bankruptcy Court enters the Confirmation Order on the docket of the Chapter 11 Cases, within the meaning of Bankruptcy Rules 5003 and 9021.

"Confirmation Hearing" means the hearing(s) before the Bankruptcy Court under section 1128 of the Bankruptcy Code at which the Debtors seek entry of the Confirmation Order.

"Interest" means the common stock, preferred stock, limited liability company interests, and any other equity, ownership, or profits interests of any Debtor, including, without limitation, the Existing HoldCo Equity Interests, and options, warrants, rights, or other securities or agreements to acquire the common stock, preferred stock, limited liability company interests, or other equity, ownership, or profits interests of any Debtor (whether or not arising under or in connection with any employment agreement), including any Claim against the Debtors that is subject to subordination pursuant to section 510(b) of the Bankruptcy Code arising from or related to any of the foregoing; *provided*~~,~~ that the term "Interests" shall not include the Intercompany Interests.

"Person" shall have the meaning set forth in section 101(41) of the Bankruptcy Code.

"Plan Supplement" means the compilation of documents and forms of documents, schedules, and exhibits to the Plan (as amended, supplemented, or modified from time to time in accordance with the terms thereof, the Plan, the Bankruptcy Code, the Bankruptcy Rules, the Backstop Commitment Agreement, and the Plan Support Agreement), to be initially Filed by the Debtors no later than ~~21~~20 days before the Confirmation Hearing, and additional documents or amendments to previously Filed documents, Filed before the Effective Date as additions or amendments to the Plan Supplement, including the following, as applicable: (a) the New Organizational Documents; (b) a list of retained Causes of Action; (c) the Registration Rights Agreement; (d) the Schedule of Assumed Executory Contracts and Unexpired Leases; (e) the Schedule of Rejected Executory Contracts and Unexpired Leases; (f) the form of the Management Incentive Plan; (g) the ~~New OpCo Notes Indenture~~Exit Facility Debt Documents, when such documents are available; (h) the ~~documents governing the New Revolver (and any agreements, documents or instruments related thereto); (i) the~~ REX Settlement Letter Agreement; (i) an estimate of the Expense Reimbursement incurred under the Backstop Commitment Agreement (to be provided in advance of the Voting Deadline); and (j) any and all other documentation necessary to effectuate the Restructuring Transactions or that is contemplated by the Plan subject to the process and approval rights of the Required Consenting Parties set forth in the Backstop Commitment Agreement and the Plan Support Agreement~~; provided, that the Schedule of Assumed Executory Contracts and Unexpired Leases and Schedule of Rejected Executory Contracts and Unexpired Leases shall be Filed no later than 35 days before the Confirmation Hearing.~~. The Debtors shall have the right to amend the documents contained in, and exhibits to, the Plan Supplement through the Effective Date in accordance with the processes and approval rights of the Required Consenting Parties set forth in the Plan Support Agreement and the Backstop Commitment Agreement.

B. Additional Important Information.

The confirmation and effectiveness of the Plan are subject to certain material conditions precedent described herein and set forth in Article IX of the Plan. There is no assurance that the Plan will be confirmed, or if confirmed, that the conditions required to be satisfied for the Plan to go effective will be satisfied (or waived).

You are encouraged to read this Disclosure Statement in its entirety, including the section entitled "*Risk Factors*," and the Plan before submitting your ballot to vote on the Plan.

The Bankruptcy Court's approval of this Disclosure Statement does not constitute a guarantee by the Bankruptcy Court of the accuracy or completeness of the information contained herein or an endorsement by the Bankruptcy Court of the merits of the Plan.

Summaries of the Plan and statements made in this Disclosure Statement are qualified in their entirety by reference to the Plan. The summaries of the financial information and the documents annexed to this Disclosure Statement or otherwise incorporated herein by reference are qualified in their entirety by reference to those documents. The statements contained in this Disclosure Statement are made only as of the date of this Disclosure Statement, and there is no assurance that the statements contained herein will be correct at any time after such date. Except as otherwise provided in the Plan or in accordance with applicable law, the Debtors are under no duty to update or supplement this Disclosure Statement.

The information contained in this Disclosure Statement is included for purposes of soliciting acceptances to, and Confirmation of, the Plan and may not be relied on for any other purpose. In the event of any inconsistency between the Disclosure Statement and the Plan, the relevant provisions of the Plan will govern.

This Disclosure Statement has not been approved or disapproved by the United States Securities and Exchange Commission (the "SEC") or any similar federal, state, local or foreign regulatory agency, nor has the SEC or any other agency passed upon the accuracy or adequacy of the statements contained in this Disclosure Statement.

The Debtors have sought to ensure the accuracy of the financial information provided in this Disclosure Statement; however, the financial information contained in this Disclosure Statement or incorporated herein by reference has not been, and will not be, audited or reviewed by the Debtors' independent auditors unless explicitly provided otherwise.

Upon Confirmation~~ of the Plan~~, certain of the securities described in this Disclosure Statement will be issued pursuant to an effective registration statement under the Securities Act of 1933, 15 U.S.C. §§ 77a–77aa, together with the rules and regulations promulgated thereunder (the "Securities Act"), or (ii) in reliance on the exemption from registration under the Securities Act set forth in (a) section 1145 of the Bankruptcy Code or (b) Section 4(a)(2) of the Securities Act or Regulation D promulgated thereunder. Other securities may be issued pursuant to other applicable exemptions under the federal securities laws. All securities issued pursuant to the exemption from registration set forth in section 4(a)(2) of the Securities Act or Regulation D promulgated thereunder will be considered "restricted securities" and may not be transferred except pursuant to an effective registration statement under the Securities Act or an available exemption therefrom.

The Debtors make statements in this Disclosure Statement that are considered forward-looking statements under federal securities laws. The Debtors consider all statements regarding anticipated or future matters, to be forward-looking statements. Forward-looking statements may include statements about:

- risks associated with drilling oil and natural gas wells;
- the volatility of oil, natural gas and natural gas liquids ("NGL") prices;
- uncertainties in estimating oil, natural gas and NGL reserves;
- the need to replace the oil, natural gas and NGLs the Debtors produce;
- the Debtors' ability to execute their growth strategy by drilling wells as planned;
- the amount, nature and timing of capital expenditures, including future development costs, required to develop the Debtors' undeveloped areas;
- concentration of operations in the Pinedale Field in Wyoming;
- limitations of seismic data;
- the potential adverse effect of commodity price declines on the carrying value of the Debtors' oil and natural properties;
- severe or unseasonable weather that may adversely affect production;
- availability of satisfactory oil, natural gas and NGL marketing and transportation;
- availability and terms of capital to fund capital expenditures;
- amount and timing of proceeds of asset monetizations;
- substantial existing indebtedness and limitations on operations resulting from debt restrictions and financial covenants;
- potential financial losses or earnings reductions from commodity derivatives;
- potential elimination or limitation of tax incentives;

- competition in the oil and natural gas industry;
- general economic conditions, either in the areas where the Debtors operate or otherwise;
- costs to comply with current and future governmental regulation of the oil and natural gas industry, including environmental, health and safety laws and regulations, and regulations with respect to hydraulic fracturing and the disposal of produced water; and
- the need to maintain adequate internal control over financial reporting.

Statements concerning these and other matters are not guarantees of the Reorganized Debtors' future performance. There are risks, uncertainties, and other important factors that could cause the Debtors' actual performance or achievements to be different from those they may project, and the Debtors undertake no obligation to update the projections made herein. These risks, uncertainties, and factors may include: the Debtors' ability to confirm and consummate the Plan; the potential that the Debtors may need to pursue an alternative transaction if the Plan is not Confirmed; the Debtors' ability to reduce their overall financial leverage; the potential adverse impact of the Chapter 11 Cases on the Debtors' operations, management, and employees, and the risks associated with operating the Debtors' businesses during the Chapter 11 Cases; customer responses to the Chapter 11 Cases; the Debtors' inability to discharge or settle Claims during the Chapter 11 Cases; general economic, business and market conditions; currency fluctuations; interest rate fluctuations; price increases; exposure to litigation; a decline in the Debtors' market share due to competition or price pressure by customers; the Debtors' ability to implement cost reduction initiatives in a timely manner; the Debtors' ability to divest existing businesses; financial conditions of the Debtors' customers; adverse tax changes; limited access to capital resources; changes in domestic and foreign laws and regulations; trade balance; natural disasters; geopolitical instability; and the effects of governmental regulation on the Debtors' businesses.

VI. THE DEBTORS' CORPORATE HISTORY, STRUCTURE, AND BUSINESS OVERVIEW.

A. The Debtors and ~~t~~Their Corporate History.

HoldCo, along with its affiliated Debtors, is an oil and natural gas company headquartered in Houston, Texas. In the third quarter of 2016, the Debtors produced an average of 754 million cubic feet equivalent per day from approximately 2,000 net wells located on over 150,000 net acres of leasehold. The Debtors' E&P activities are principally focused in the Pinedale Field in Wyoming where the Debtors produce mainly natural gas. The Debtors also own oil producing assets in Utah and natural gas assets in Pennsylvania.

HoldCo was originally incorporated in 1979 as Starmark Resources Ltd. under the laws of British Columbia, Canada. Until 1990, the Debtors engaged in the acquisition and development of real estate ventures unrelated to the oil and gas industry. In 1990, the Debtors began to acquire oil and gas properties, initially in Texas, New Mexico, and Louisiana, and, in 1996, in Wyoming. Starmark Resources Ltd. later changed its name to Ultra Petroleum Corp. in 1993, and it became a Yukon corporation, by continuance from British Columbia, in 2000.

Between 2007 and 2016, HoldCo's common stock traded on the NYSE under the ticker "UPL." The stock previously traded on the Vancouver Stock Exchange, the Toronto Stock Exchange, and the American Stock Exchange. On May 3, 2016, HoldCo's stock was delisted from the NYSE, but it has continued to trade on the over-the-counter market.

B. The Debtors' Assets.

All of the Debtors' properties and operations are in the continental United States, where they own oil and natural gas properties located in Wyoming, Utah, and Pennsylvania. The Debtors are mainly focused on natural gas in the western states of the U.S. In the third quarter of 2016, over 94 percent of production was natural gas and 95 percent of total production came from Wyoming and Utah.

The table below summarizes, by asset, the Debtors' oil and gas acreage, well count, annual production, and proved oil and gas reserves, as of December 31, 2015.

Asset	Location	Net Acres	12/31/15 Net Producing Wells Count	% of total	2015 Production Bcfe	% of total	12/31/2015 Proved Reserves Bcfe	% of total
Pinedale/Jonah	Sublette Co., WY	68,000	1,803	*91%*	265	*91%*	2,390	*95%*
Three Rivers	Uintah Co., UT	9,000	124	*6%*	11	*4%*	34	*1%*
Marcellus	Pennsylvania	74,000	52	*3%*	14	*5%*	104	*4%*
	Totals	**151,000**	**1,979**	***100%***	**290**	***100%***	**2,528**	***100%***

The Debtors' Wyoming properties are located in the Green River Basin and include acreage in the Pinedale Field and, to a much lesser extent, in the adjacent Jonah Field, both of which are located in Sublette County. The Debtors are the largest leaseholders in Pinedale Field, which was mostly acquired during the 1990s. The remainder of their Wyoming holdings were acquired in September 2014 from SWEPI LP, a wholly-owned subsidiary of Royal Dutch Shell, plc. The Debtors operate approximately 85 percent of their net Wyoming production, with QEP Resources, Inc. operating nearly all of the remainder. The Debtors have continued an active development program in the Pinedale Field throughout the pendency of the Chapter 11 Cases and are currently operating four rigs there, while QEP Resources, Inc. is operating one rig on acreage in which a Debtor is a participant.

The Pinedale Field is one of the top ten natural gas fields in the United States. The Pinedale Field is named after the Pinedale anticline, a subsurface feature about five miles wide and thirty-five miles long. It covers nearly 84 square miles of land and is estimated to contain approximately 39 trillion cubic feet of recoverable natural gas. The Pinedale Field has long been a target of oil and gas exploration with the first well drilled in 1939. However, the field was not commercial until the 1990s when modern completion technology, along with improved natural gas prices, made it economic to drill and complete wells. Beginning in the mid-1990s, the Debtors' exploration and development efforts in the Pinedale Field have targeted a stacked sequence of over-pressured sandstones in the Cretaceous-aged Lance and Mesaverde formations having a gross reservoir thickness of up to 5,700 feet and located at subsurface depths of up to 14,000 feet. Wells are not horizontal, but are directionally drilled from pads containing up to thirty wells and then completed utilizing multi-stage fracture stimulation. Although the Debtors' production from the Pinedale Field is primarily natural gas, their wells in the field also produce condensate (a light, sweet grade of crude oil).

The Jonah Field, in which the Debtors own a much smaller acreage position, is also a substantial natural gas field, estimated to contain over 10.5 trillion cubic feet of natural gas. It is located to the south and west of the southeastern end of the Pinedale Field. Similar to their Pinedale production, the Debtors' production from the Jonah Field consists primarily of natural gas and, to a lesser extent, condensate.

The Debtors' Utah acreage is in the Three Rivers Field, which is located within the Uinta Basin region and produces primarily black wax crude oil. The Debtors acquired their Utah properties in December 2013. The Debtors' exploration and development efforts in the Three Rivers Field target primarily the Eocene-aged Lower Green River Formation. Due to their capital constraints and low oil prices, the Debtors suspended their drilling operations in May 2015 and elected to defer completion of twenty two wells drilled during the first few months of 2015, thirteen of which were completed in the second and third quarters of 2016.

The Debtors' Pennsylvania properties produce natural gas and are located in the Appalachian Basin in several counties in the north-central part of the state. The Debtors acquired their current Pennsylvania properties in February 2010. The Debtors previously owned, until September 2014, certain other operated and non-operated properties in Pennsylvania, which they sold to SWEPI LP in connection with the September 2014 transaction referenced above. The Debtors' exploration and development efforts in Pennsylvania have targeted primarily the Devonian-aged Marcellus Shale and, to a lesser extent, the Geneseo Shale. Due to their capital constraints and low natural gas prices, the Debtors have not drilled or completed any wells in Pennsylvania since 2012.

C. The Debtors' Operations.

The Debtors operate the vast majority of their properties, including over 90 percent of their productive acreage in the Pinedale and Jonah fields in Wyoming and 100 percent of their productive acreage in Utah. All of the Debtors' acreage in Pennsylvania is non-operated. Because the Debtors operate the vast majority of their properties, they are able to realize the significant benefits of being operators, including the ability to control the timing and

amount of their capital expenditures, the nature and scope of development activities, and lower costs of drilling, completion, and production operations.

The Debtors have historically been one of the lowest-cost operators in the domestic U.S. oil and gas industry, particularly with regard to the cash costs components of their drilling, completion, and production operations. The Debtors have demonstrated their ability to consistently improve their operating efficiencies, particularly in Pinedale field, over many years. Specifically, since 2006, the Debtors have reduced their average total Pinedale well cost by approximately 63 percent (from approximately $7.0 million in 2006 to approximately $2.6 million in 2016) and their average spud to total depth drill time by 87 percent (from approximately 67 days in 2006 to just under approximately 8.9 days in the third quarter of 2016).

As of the Petition Date, the Debtors had approximately 159 full-time employees. None of their employees are represented by a collective bargaining unit.

D. Prepetition Capital Structure.

As illustrated in the capitalization table below, and as discussed in detail herein, the Debtors' funded indebtedness—~~all of which is unsecured—consists~~as of the Petition Date—consisted of: (a) approximately $1.3 billion in principal amount of unsecured senior notes issued by HoldCo which are structurally subordinated to OpCo's funded indebtedness; (b) approximately $999.0 million in unsecured bank debt borrowed by OpCo (and guaranteed by UP Energy and HoldCo); and (c) approximately $1.46 billion in principal amount of unsecured senior notes issued by OpCo (and guaranteed by UP Energy and HoldCo).

($ in millions)	Issuance Year	Maturity Date	Interest Rate	Principal Amount
Ultra Resources, Inc.				
$1 Billion Revolving Credit Facility	2011	Oct-16	Libor + 2.5%	$ 999.0
7.31% Senior Notes	2009	Mar-16	7.31%	62.0
4.98% Senior Notes	2010	Jan-17	4.98%	116.0
5.92% Senior Notes	2008	Mar-18	5.92%	200.0
7.77% Senior Notes	2009	Mar-19	7.70%	173.0
5.50% Senior Notes	2010	Jan-20	5.50%	207.0
4.51% Senior Notes	2010	Oct-20	4.51%	315.0
5.60% Senior Notes	2010	Jan-22	5.60%	87.0
4.66% Senior Notes	2010	Oct-22	4.66%	35.0
5.85% Senior Notes	2010	Jan-25	5.85%	90.0
4.91% Senior Notes	2010	Oct-25	4.91%	175.0
Total OpCo Funded Indebtedness				**$ 2,459.0**
Ultra Petroleum Corp.				
5.75% Senior Notes	2013	Dec-18	5.75%	$ 450.0
6.125% Senior Notes	2014	Oct-24	6.13%	850.0
Total HoldCo Funded Indebtedness				**$ 1,300.0**
Total Funded Indebtedness				**$ 3,759.0**

1. The OpCo Credit Agreement.

OpCo is the borrower of approximately $999.0 million of ***unsecured*** bank indebtedness under the OpCo Credit Agreement. The OpCo Credit Agreement provides the Debtors with a senior, unsecured revolving credit facility.

All obligations under the OpCo Credit Agreement are guaranteed, on an unsecured basis, by HoldCo and UP Energy. The obligations under the OpCo Credit Agreement are not guaranteed by any subsidiaries of OpCo. As of the Petition Date, the outstanding principal obligations under the OpCo Credit Agreement total approximately

$999.0 million. As of the Petition Date, there was no further borrowing availability under the OpCo Credit Agreement, which matured as of October 2016.

2. The OpCo Notes.

OpCo is also the primary obligor with respect to approximately $1.46 billion of unsecured private placement notes issued under the OpCo Note Purchase Agreement. The OpCo Note Purchase Agreement provides for the issuance of the ten tranches of unsecured senior notes.

All obligations under the OpCo Notes are guaranteed, on an unsecured basis, by HoldCo and UP Energy. The obligations under the OpCo Notes are not guaranteed by any subsidiaries of OpCo. The outstanding principal obligations under the OpCo Notes totaled approximately $1.46 billion as of the Petition Date. The maturity dates of the OpCo Notes range through October 2025.

3. The HoldCo Notes.

HoldCo is the obligor with respect to approximately $1.3 billion of ***unsecured*** notes. The HoldCo Notes are not guaranteed by, and do not have recourse against, any other Debtor entity. The HoldCo Notes were issued in two transactions: ***first***, in December 2013, as to $450.0 million in principal amount; and, ***second***, in September 2014, as to $850.0 million in principal amount.

The HoldCo Notes issued in December 2013 were issued pursuant to the Indenture, dated as of December 12, 2013 (as amended, modified, or supplemented in accordance with the terms thereof, the "2013 HoldCo Indenture"), by and between HoldCo, as issuer, and Delaware Trust Company, as successor trustee to U.S. Bank National Association, which provides for the issuance of HoldCo's 5.750 percent senior unsecured notes due 2018 (collectively, the "2018 Notes"). As of the Petition Date, the outstanding principal obligations under the 2018 Notes totaled approximately $450.0 million.

The HoldCo Notes issued in September 2014 were issued pursuant to the Indenture, dated as of September 18, 2014 (as amended, modified, or supplemented in accordance with the terms thereof, and, together with the 2013 HoldCo Indenture, the "HoldCo Indentures"), by and between HoldCo, as issuer, and Delaware Trust Company, as successor trustee to U.S. Bank National Association, which provides for the issuance of HoldCo's 6.125 percent senior unsecured notes due 2024 (collectively, the "2024 Notes"). As of the Petition Date, the outstanding principal obligations under the 2024 Notes totaled approximately $850.0 million.

4. HoldCo's Equity Interests.

HoldCo is a publicly-_held company that was listed on the NYSE, under the symbol "UPL," beginning in 2007. On May 3, 2016, HoldCo's stock was delisted from the NYSE, but it has continued to trade over the counter. As of the Petition Date, HoldCo had 153,388,832 outstanding shares of common stock.

VII. EVENTS LEADING TO THE CHAPTER 11 FILINGS.

A. Commodity Price Decline.

Between 2008, when the Debtors issued the first of the OpCo Notes, and continuing through 2014, when the Debtors issued the last of the HoldCo Notes, the Debtors and their lenders created a capital structure that was designed to support the Debtors in pursuing the profitable growth business model they had successfully employed since 1999.[12]

The Debtors' difficulties are consistent with those faced industry-wide. Natural gas and crude oil prices have been highly volatile over the past several years, and plunged to historically low levels during 2015 and early 2016. These dramatic changes in commodity prices created significant disruption and turmoil in all aspects of the oil and gas industry. Independent exploration and production companies with leveraged balance sheets like the Debtors were especially hard-hit. Dozens of oil and gas companies filed for chapter 11 in 2015 and 2016.

B. Financial Responses and Restructuring Negotiations.

In response to the decline in commodity prices, the Debtors undertook a series of operational and financial actions in 2014 and 2015 in an attempt to improve their liquidity position and stabilize their capital structure. Notwithstanding these initiatives, given the continued low commodity prices, it became clear that the Debtors' capital structure was not sustainable without, minimally, modifications to the terms of their debt agreements. Accordingly, the Debtors retained financial and legal advisors to assist them in discussions and negotiations with their creditors and equityholders.

More specifically, beginning in October 2015, the Debtors began negotiations with certain OpCo RCF Lenders and OpCo Noteholders. The Debtors' initial objective during these discussions—which ultimately continued over the next several months—was to negotiate an amendment to the OpCo Note Purchase Agreement that would alleviate the constraints of the consolidated leverage ratio financial covenant. The Debtors also sought to negotiate a replacement credit facility to the OpCo Credit Agreement, which matured as of October 2016.

Although many meetings were convened, negotiations conducted, and drafts of term sheets and proposals prepared and exchanged, conditions in the oil and gas business continued to be very poor, and the Debtors' financial condition continued to deteriorate through the end of 2015, and, as a result, no changes were agreed to regarding the Debtors' capital structure.

As 2016 began, the Debtors and their lenders continued their efforts to reach a consensual out-of-court restructuring of the Debtors' balance sheet. More specifically, in early January 2016, the Debtors delivered an updated proposal to a steering committee of OpCo Noteholders and, separately, to JPMorgan Chase Bank, N.A., on behalf of the OpCo RCF Lenders. The Debtors' proposal contemplated a comprehensive restructuring of the Debtors' capital structure, including the OpCo Notes. After receiving the proposal, the OpCo Noteholders engaged a financial advisor, who began a comprehensive diligence process. Although there was some discussion of the proposal, it did not result in an agreement.

By the beginning of February 2016, the OpCo RCF Lenders engaged a financial advisor, and the OpCo RCF Lenders began to focus on negotiating forbearance agreements to address the near-term interest and maturity payments under the OpCo Notes instead of the Debtors' overall restructuring proposal. These discussions continued throughout the month, and the Debtors, each of the OpCo RCF Lenders and OpCo Noteholders signed waiver and amendment agreements on March 1, 2016.

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[12] The Debtors increased the PV-10 value of their proved reserves more than 17,000 percent between year-end 1999, when its proved reserves had a PV-10 value of less than $50.0 million, and 2014, when its proved reserves had a PV-10 value of $7.1 billion.

These agreements—which were intended to provide time to attempt to negotiate an out-of-court restructuring transaction—allowed the Debtors to defer approximately $102.0 million in principal and interest payments due March 1, 2016 under the OpCo Notes as well as $2.7 million in interest payments payable between March 1, 2016 and April 30, 2016 under the OpCo Credit Agreement. The agreements also conditioned the waivers on the Debtors electing not to make an April 1, 2016 interest payment due on certain HoldCo Notes.

On March 8, 2016, the Debtors invited the OpCo RCF Lenders and OpCo Noteholders to a meeting in New York City. At the meeting, the Debtors presented another, different proposal to restructure all of the Debtors' debt on an out-of-court basis. On April 1, 2016, as contemplated by the waiver and amendment agreements, HoldCo elected to defer the approximately $26.0 million interest payment on the 2024 Notes, entering a 30-day grace period. On April 4, 2016, the OpCo RCF Lenders and OpCo Noteholders provided a joint counterproposal to the Debtors. Thereafter, the Debtors realized the parties would struggle to reach an agreement prior to the April 30, 2016 expiration of the forbearance and waiver agreements and that a comprehensive restructuring of the Debtors' obligations could only be achieved through the chapter 11 process. Over the course of their lengthy discussions with the lenders to OpCo, the Debtors and their advisors also engaged in several constructive discussions with certain holders of the HoldCo Notes and their advisors. However, no agreement could be reached with the holders of the HoldCo Notes prior to the Petition Date.

Accordingly, with the help of their advisors, the Debtors began working in earnest to consider restructuring alternatives and ensure that their businesses were best positioned to compete in the exploration and production industry going forward. To achieve an orderly restructuring and maximize the value of the Debtors' businesses, a series of steps were undertaken in a coordinated manner leading up to the filing of the Chapter 11 Cases.

VIII. EVENTS OF THE CHAPTER 11 CASES.

A. First Day Relief.

On the Petition Date, the Debtors filed several motions (the "First Day Motions") designed to facilitate the administration of the Chapter 11 Cases and minimize disruption to the Debtors' operations, by, among other things, easing the strain on the Debtors' relationships with employees, vendors, and customers following the commencement of the Chapter 11 Cases. At a hearing on May 3, 2016, the Bankruptcy Court granted all of the relief requested in the First Day Motions. The First Day Motions, and all orders for relief granted in the Chapter 11 Cases, can be viewed free of charge at ~~http://dm.epiq11.com/ultra.~~http://dm.epiq11.com/ultra.

B. Second Day Relief.

1. Ordinary Course Professionals.

On May 20, 2016, the Debtors filed the *Debtors' Motion for Entry of an Order Authorizing the Debtors to Retain and Compensate Professionals Utilized in the Ordinary Course of Business* [Docket No. 190] (the "OCP Motion"). Thereafter, on June 13, 2016 the Court entered an order granting the OCP Motion [Docket No. 294], authorizing the Debtors to compensate certain non-bankruptcy professionals in the ordinary course.

2. Employment and Compensation of Advisors.

To assist the Debtors in carrying out their duties as debtors-in-possession and to otherwise represent the Debtors' interests in the Chapter 11 Cases, the Bankruptcy Court entered orders authorizing the Debtors to retain and employ the following advisors: (a) Kirkland & Ellis LLP as counsel to the Debtors [Docket No. 357]; (b) Jackson Walker LLP as co-counsel to the Debtors [Docket No. 296]; (c) Watt Thompson & Henneman LLP as special claims litigation counsel to the Debtors [Docket No. 780]; (d) Farnsworth & vonBerg, LLP as special claims litigation counsel to the Debtors [Docket No. ~~781]; (e~~781]; (e) Holland & Hart LLP as special claims litigation counsel to the Debtors [Docket No. 995]; (f) Rothschild, Inc. and Petrie Partners Securities, LLC as investment bankers to the Debtors [Docket No. 337]; and (~~f~~g) Epiq Bankruptcy Solutions, LLC as claims, noticing, and solicitation agent [Docket No. 148]. On June 13, 2016, the Bankruptcy Court entered an order approving procedures for the interim compensation and reimbursement of expenses of retained Professionals in the Chapter 11 Cases

[Docket No. 295]. On November 1, 2016, Jackson Walker LLP filed its *Motion to Withdraw as Co-Counsel For Debtors* [Docket No. 680], which motion was granted on December 1, 2016 [Docket No. 799].

C. Appointment of the Official Committee of Unsecured Creditors.

On May 5, 2016, the U.S. Trustee filed the *Notice of Organization Meeting for Official Joint Committee of Unsecured Creditors* [Docket No. 121], notifying parties in interest that the U.S. Trustee had appointed a statutory committee of unsecured creditors in the Chapter 11 Cases. On September 26, 2016, the U.S. Trustee filed the *Notice of Reconstitution of Official Joint Committee of Unsecured Creditors* [Docket No. 569], notifying parties in interest that two creditors had resigned as members to the Committee. The Committee is currently composed of Delaware Trust Company, The Prudential Insurance Company of America, REX, Sunoco Partners Marketing & Terminals L.P. ("Sunoco") and Doyle and Margret Hartman. On October 27, 2016, the Debtors held a meeting with the Committee, which included a discussion of certain claims against the Debtors as well as the Debtors new business plan.

D. Other Creditors and Equityholders.

In addition to the Committee, the following committees organized during the pendency of the Chapter 11 Cases.

- Equityholder Committee. An ad hoc committee of investors in HoldCo equity. On June 8, 2016, the Equityholder Committee submitted a letter to the U.S. Trustee requesting appointment of an official committee of equity security holders. On June 29, 2016, the U.S. Trustee announced that it would not appoint an official committee of equity security holders at that time. On July 20, 2016, the Equityholder Committee filed the *Verified Statement of Brown Rudnick LLP Pursuant to Bankruptcy Rule 2019* [Docket No. 422, as modified, Docket No. 884].

- HoldCo Noteholder Committee. An ad hoc committee of investors in HoldCo indebtedness. On June 13, 2016, the HoldCo Noteholder Committee filed the *Verified Statement of the Ad Hoc Committee of Holdco Noteholders Pursuant to Bankruptcy Rule 2019* [Docket No. 286] and the *First Supplemental Verified Statement of the Ad Hoc Committee of Holdco Noteholders Pursuant to Bankruptcy Rule 2019* [Docket No. 556, as modified, Docket No. 883].

- OpCo Group. On June 8, 2016, the OpCo Group filed the *Verified Statement Pursuant to Bankruptcy Rule 2019* [Docket No. 228, as modified, Docket No. ~~836~~979].

- OpCo Noteholder Group. On January 6, 2017, an ad hoc committee of OpCo Noteholders filed the *Verified Statement of Morgan, Lewis, & Bockius LLP Pursuant to Rule 2019 of the Federal Rules of Bankruptcy Procedure* [Docket No. 896, as modified, Docket No. 1020].

The Debtors and/or their advisors have engaged principals and advisors from each of these committees in discussions and negotiations during the pendency of the Chapter 11 Cases.

E. Schedules and Statements.

On June 8, 2016, the Debtors filed their Schedules of Assets and Liabilities and Statements of Financial Affairs. On October 14, 2016, Ultra Wyoming LGS, LLC amended its schedules to include an intercompany payable amount on that Debtor's schedule of unsecured claims [Docket No. 615].

F. Section 341 Meeting.

On June 14, 2016, the Debtors attended a meeting of their creditors pursuant to section 341 of the Bankruptcy Code and addressed inquiries from the U.S. Trustee and certain creditors regarding, among other topics, the Debtors' operations and finances and other issues related to the Chapter 11 Cases.

G. Employee Compensation Motions.

On May 30, 2016 the Debtors filed the *Debtors' Motion for Entry of an Order Authorizing and Approving Non-Insider Retention Program* [Docket No. 207] (the "KERP Motion") and the *Debtors' Motion for Entry of an Order Authorizing and Approving the Debtors' Key Employee Incentive Plan* [Docket No. 206] (the "KEIP Motion," and together with the KERP Motion, the "Employee Compensation Motions"). After the Petition Date, and prior to filing their Employee Compensation Motions, the Debtors engaged in discussions with, and provided relevant information to, the U.S. Trustee and the Committee's advisors regarding the terms of the Debtors' proposed retention program and incentive plan, including sharing copies of the applicable plan documents and advance drafts of the motions with the Committee's counsel. The Debtors also convened an in-person meeting with the U.S. Trustee that the Committee's counsel attended during which senior management answered questions regarding the compensation programs. These efforts ultimately resulted in a settlement that resolved the Committee's objection to the KEIP Motion. The U.S. Trustee's objection, to the extent it was not withdrawn, was overruled, and the KEIP Motion was granted.

H. Exclusivity.

Under the Bankruptcy Code, a debtor has the exclusive right to file and solicit acceptance of a plan or plans of reorganization for an initial period of 120 days from the date on which the debtor filed for voluntary relief (which may be extended by the Bankruptcy Court for a period of up to 18 months from the petition date) (the "Exclusive Filing Period"). If a debtor files a plan within this initial exclusive period, then the debtor has the exclusive right for 180 days from the petition date to solicit acceptances to the plan (which may be extended by the Bankruptcy Court for a period of up to 20 months from the petition date) (the "Exclusive Solicitation Period," and together with the Exclusive Filing Period, the "Exclusive Periods"). During these Exclusive Periods, no other party in interest may file a competing plan of reorganization, however, a court may extend these periods upon request of a party in interest and "for cause."

The Debtors' initial 120-day Exclusive Filing Period was initially scheduled to expire on August 27, 2016 with the initial 180-day Exclusive Solicitation Period set to expire on October 26, 2016. The Debtors filed a motion to extend Exclusive Periods by six months on July 27, 2016 [Docket No. 445]. Both the Committee and the OpCo Creditors filed objections to the Exclusivity Motion [Docket Nos. 498 and 501]. After a contested hearing on August 25, 2016, the Bankruptcy Court extended the Exclusive Filing Period to March 1, 2017 and the Exclusive Solicitation Period to May 1, 2017 [Docket No. 522]; *provided*, that the Debtors provide a long-term business plan to counsel for their key stakeholder constituencies on or before December 1, 2016. On November 30, 2016, the Debtors provided a long-term business plan to counsel to their key stakeholder constituencies.

The Debtors filed the Plan and Disclosure Statement within the Exclusive Filing Period. On February 1, 2017, the Debtors filed the *Debtors' Motion To Further Extend Their Exclusivity Periods to File A Chapter 11 Plan And Solicit Acceptances Thereof* [Docket No. 1049], which is scheduled to be heard on February 22, 2017 at 3:30 p.m. (prevailing Central Time).

I. Claim Resolution Process.

1. The Bar Date; Bar Date Stipulation.

The Debtors' general bar date was established as September 1, 2016, with the deadline for filing governmental claims established as October 26, 2016 [Docket No. 83]. On August 22, 2016, the Court entered an order approving certain modification with respect to the Bar Date requested by certain holders of OpCo's funded indebtedness [Docket No. 508].

2. The Claims Process.

During the Chapter 11 Cases, the Debtors have—and continue to—reviewed, reconciled, and contested certain potential significant contingent Claims. (including, among other things, Claims asserted against, or that may be asserted against HoldCo, OpCo and UP Energy Corporation). To facilitate this process, the Debtors have worked with the Notice and Claims Agent, the Debtors' primary restructuring counsel, and certain law firms to be engaged

pursuant to section 327(e) of the Bankruptcy Code as special claims litigation counsel [Docket Nos. 631 and 632]. In particular, the Debtors have worked during these Chapter 11 Cases to resolve following claims.

3. REX.

On April 4, 2016, the Debtors received a demand for payment from REX in which REX demanded that OpCo pay approximately $303.2 million by April 20, 2016. On April 14, 2016, REX filed a lawsuit against OpCo in Texas state court in Harris County, Texas alleging breach of contract and seeking damages related to the alleged breach. On August 26, 2016, REX filed a Proof of Claim with the Bankruptcy Court for approximately $303.3 million [Claim No. 276]. On October 28, 2016, the Debtors filed an objection to the REX Proof of Claim [Docket No. 677]. On November 28, 2016, the Bankruptcy Court entered a scheduling order establishing March 1, 2017, as the trial date with respect to the Debtors' claim objection [Docket No. 782]. On January 11, 2017, the Debtors and REX entered into the REX Settlement Letter Agreement pursuant to which: (a) REX will have an Allowed General Unsecured Claim in the amount of $150,000,000, which will be treated as an Allowed ~~Class 9 Claim (OpCo Trade~~ General Unsecured Claim~~s)~~ for purposes of the Plan~~; provided that OpCo shall pay REX's Allowed Class 9 Claim in full in cash no later than October 30, 2017~~; and (b) OpCo will enter into a new seven-year firm transportation agreement with REX commencing December 1, 2019, for service west-to-east of 200,000 dekatherms per day at a rate of approximately $0.37, or approximately $26.8 million annually.

4. Sempra.

On February 26, 2016, the Debtors received a letter from Sempra Rockies Marketing, LLC ("Sempra") alleging that the Debtors were in breach of the Capacity Release Agreement, dated as of March 5, 2009. The letter also notified the Debtors that Sempra would immediately and permanently recall the capacity released to the Debtors. On March 8, 2016, the Debtors received a letter from Sempra notifying the Debtors that Sempra had in fact completely and permanently recalled the capacity previously made available to the Debtors on the Rockies Express Pipeline effective as of March 9, 2016. On August 25, 2016, Sempra filed a Proof of Claim with the Bankruptcy Court for approximately $63.8 million [Claim No. 245]. On October 28, 2016, the Debtors filed an objection to the Sempra proof of Claim [Docket No. 676]. On ~~November 28, 2016~~January 23, 2017, the Bankruptcy Court entered ~~a scheduling order establishing March 2, 2017, as~~ the ~~trial date for the Debtors' claim objection~~*Scheduling Order Regarding Objection to Claim of Sempra Rockies Marketing, LLC* [Docket No. ~~782~~1037].

5. Big West.

Prior to the Petition Date, the Debtors and Big West entered into several contracts related to the purchase and sale of crude oil produced in Wyoming and Utah. On April 26, 2016, Big West and the Debtors entered into a Temporary Suspension of Contracts and Interim Crude Oil Purchase and Sale Agreement (the "Suspension Agreement"). Pursuant to the Suspension Agreement, the Debtors and Big West suspended performance under their prepetition agreements on the condition that the Debtors would continue to sell and deliver crude oil to Big West during the suspension period. On October 10, 2016, Big West and the Debtors entered an extension of the Suspension Period through January 21, 2017. On August 30, 2016, Big West filed Proofs of Claim with the Bankruptcy Court asserting approximately $32.6 million related to lost profits associated with the interim purchase agreement [Claim No. 310, 311, 313, 318, 320, 321, 323, and 324]. ~~The Debtors intend to object to Big West's Proofs of Claim. At this time, the Debtors are not able to determine the likelihood or range of damages owed to Big West, if any, or, if and when such amounts are assessed, whether such amounts would be material.~~On December 13, 2016, the Debtors objected to Big West Claims [Docket No. 830]. The Debtors and Big West have engaged in discussions and have reached a proposed settlement which provides that Big West shall be deemed to have Allowed General Unsecured Claims against each of the Debtors in the amount of $17,350,000. On January 31, 2017 the Debtors filed the *Debtors' Motion For Entry Of Stipulation and Consent Order Between the Debtors and Big West Oil LLC* [Docket No. 1047], which is set for hearing on February 22, 2017 at 3:30 p.m. (prevailing Central Time).

6. Sunoco.

On April 29, 2016, the Debtors received a letter from counsel to Sunoco asserting that the Debtors had breached, by anticipatory repudiation, a contract for the purchase and sale of crude oil between OpCo and Sunoco

and the contract was terminated. In the letter, Sunoco demanded payment for damages resulting from the breach in the amount of $38.6 million. On August 31, 2016, Sunoco filed a Proof of Claim with the Bankruptcy Court for approximately $16.9 million [Claim No. 335]. The Debtors dispute Sunoco's positions in the letter and its Proof of Claim, and the Debtors intend to object to Sunoco's Proof of Claim. Accordingly, on December 13, 2016, the Debtors filed their *Objection to Proof of Claim of Sunoco Partners Marketing & Terminals, L.P.* [Docket No. 829]. The Debtors also commenced an adversary proceeding against Sunoco, which proceeding is styled as *Ultra Resources, Inc. v.* At this time, the Debtors are not able to determine the likelihood or range of damages owed to Sunoco, if any, related to this matter, or, if and when such amounts are assessed, whether such amounts would be material. *Sunoco Partners Marketing & Terminals, L.P. (In re Ultra Petroleum Corp.)*, Adv. Proc. No. 16-3272 (MI) (Bankr. S.D. Tex.). On January 19, 2017, the Bankruptcy Court entered a comprehensive scheduling order with respect to such matters [Docket No. 998]. Sunoco is a member of the Committee.

7. Pinedale Corridor L.P.

Corridor leases a liquids gathering system to Ultra Wyoming LGS, LLC ("UWLGS") (the "UWLGS Lease"). On August 30, 2016, Corridor filed Proofs of Claim with the Bankruptcy Court asserting approximately over $450 million in claims related to the UWLGS Lease and the Debtors' guarantees related to the UWLGS Lease [Claim Nos. 281, 282, 283, 284, and 291].

On September 20, 2016, Corridor filed a motion to dismiss UWLGS's Chapter 11 Case, or alternatively, to appoint a trustee or examiner [Docket No. 559] (the "Corridor Motion"). On October 11, 2016, the Debtors filed an objection to the Corridor Motion [Docket No. 610] in which the Debtors demonstrated that: (a) they had an alternative to the liquids gathering system that would completely replace Corridor and could be available to the Debtors following a modest capital investment; (b) unless Corridor and the Debtors could reach agreement on a modified UWLGS Lease that saved the Debtors money, the Debtors might find it within their business interest to reject the UWLGS Lease; and (c) the Corridor Motion was otherwise without merit. On October 13, 2016, the Committee filed a joiner to the Debtors' objection to the Corridor Motion [Docket No 613] On October 14, 2016, the Equityholder Committee filed a joiner to the Debtors' objection as well [Docket No 616].

On October 20, 2016, the Debtors and Corridor agreed to engage in mediation of all of their disputes and to defer any further action on the Corridor Motion [Docket No. 628]. The mediation took place on November 2, 2016, and was successful. On November 11, 2016, the Debtors filed the *Debtors' Expedited Motion for Entry of Order (I) Approving Term Sheet with Pinedale Corridor L.P. and (II) Authorizing the Debtors to Assume Unexpired Lease of Non-Residential Real Property* [Docket No. 710], which was approved on November 28, 2016 [Docket No 779]. The term sheet provides, among other things, that: Corridor will withdraw all of its Proofs of Claim; the Debtors would assume the UWLGS Lease with a $0.00 cure; Corridor will support the Plan; and Corridor will have an Allowed General Unsecured Claim against OpCo up to a maximum of $250,000 on account of legal fees actually incurred. On January 11, 2017, the Debtors and Corridor entered into a stipulation pursuant to which the parties agreed that Corridor had incurred not less than $250,000 in legal fees and that Corridor would, accordingly, have an Allowed General Unsecured Claim against OpCo in the amount of $250,000.

8. Stonegate Resources.

In February 26, 2015, Ouray Park Irrigation Company filed a lawsuit against HoldCo, Three Rivers Holding, LLC, and Stonegate Resources LLC ("Stonegate") to quiet title in certain mineral rights in Utah. This litigation is pending in Utah state court under the caption *Ouray Park Irrigation Co. v. Stonegate Resources LLC, et al.,* Civil No. 150800019. On July 14, 2016, Stonegate filed a motion to lift the automatic stay to resolve the Utah state court proceeding, where several dispositive motions were set for trial as of June 2016. On August 12, 2016, the Bankruptcy Court entered an order granting the requested relief from the automatic stay for that purpose [Docket No. 488].

9. ONRR Proceeding.

On April 19, 2016, the Debtors received a preliminary determination notice from the Office of Natural Resources Revenue (the "ONRR") asserting that the Debtors' allocation of certain processing costs and plant fuel use at certain processing plants were impermissibly charged as deductions in the determination of royalties owed

under federal oil and gas leases. During the second quarter of 2016, the Debtors responded to the preliminary determination asserting the reasonableness of their allocation methodology of such costs, noting several matters the Debtors believed should have been considered in the preliminary determination notice. The ONRR unbundling review could ultimately result in an order for payment of additional royalties under the Debtors' federal oil and gas leases for current and prior periods. On October 27, 2016, ONRR filed a Proof of Claim with the Bankruptcy Court asserting approximately $35.1 million in claims attributable to the Debtors' royalty calculations. The Debtors are not able to determine the likelihood or range of any additional royalties or, if and when assessed, whether such amounts would be material.

10. Proceedings Related to Royalty and Working Interests.

Certain of the Debtors are currently party to the following adversary proceedings: (a) *Hartman et al. v. Ultra Petroleum Corp., et al.*, Adv. No. 16-03250; (b) *Jonah LLC et al. v. Ultra Petroleum Corp. et al.*, Adv. No. 16-03278; and (c) *Gasconade Oil Co. et al v. Ultra Res., Inc. et al.*, Adv. No. 17-03019. Each of these adversary proceedings relates to disputes between the Debtors and their counterparties to such proceedings with respect to royalty interests, overriding royalty interests, or net profits interests burdening the Debtors' oil and gas properties. Certain of these adversary proceedings request the imposition of a constructive trust; although the Debtors do not expect any such remedy to be granted, such a remedy may have a material adverse effect on the Debtors' financial position, results of operation, and ability to confirm the Plan.

11. Other Claims.

The Debtors are currently involved in various routine disputes and allegations incidental to their business operations. While it is not possible to determine the ultimate disposition of these matters, the Debtors believe that the resolution of all such pending or threatened litigation is not likely to have a material adverse effect on the Debtors' financial position, results of operations, or ability to confirm the Plan.

12. The Backstop Commitment Agreement's Cap on Allowed General Unsecured Claims.

The Backstop Commitment Agreement provides that a condition to the Backstop Parties' obligations thereunder is that Allowed General Unsecured Claims not exceed $330 million, as set forth in section 7.1(r) of the Backstop Commitment Agreement.

CERTAIN PARTIES ASSERT THAT THE DISCLOSURE STATEMENT LACKS ADEQUATE INFORMATION REGARDING HOW THE DEBTORS WILL SATISFY THE CONDITION OF THE BACKSTOP COMMITMENT AGREEMENT THAT ALLOWED GENERAL UNSECURED CLAIMS WILL NOT EXCEED $330 MILLION.

Pursuant to Section 7.1.(r) of the Backstop Commitment Agreement, the Backstop Parties may, but are not required to, terminate the Backstop Commitment Agreement if the Claims Cap (as defined in the Backstop Commitment Agreement) exceeds $330 million. Upon any such termination of the Backstop Commitment Agreement, the Backstop Parties would no longer be obligated to fund the $580 million rights offering, and the Plan Support Agreement may be terminated. *See* Plan Support Agreement § 7.E.

In determining whether such General Unsecured Claims have exceeded the Claims Cap: (a) the Debtors and the Backstop Parties may consider any such general unsecured claims that have been allowed pursuant to the terms of settlements; (b) the Debtors, upon the reasonable request of the Backstop Parties, will, subject to professional responsibilities, estimate and/or object to any claims; and (c) if the Debtors and the Backstop Parties do not agree on such determination, they shall seek such a determination from the Bankruptcy Court.

The Debtors, in consultation with their advisers, believe that they can and will satisfy the Claims Cap condition under the Backstop Commitment Agreement. The Debtors have conducted considerable analysis to determine what they believe is the ultimate allowed amount of General Unsecured Claims subject to the Claims Cap, and, as reflected in the Summary of Expected Recoveries table above, currently estimate that number to be approximately $~~270.0~~255 million, before reductions attributable to any cost savings resulting from potential renegotiations of operational contracts. On the other hand, the Committee and the OpCo Group have not purported to have conducted any such analysis to substantiate their objection to this provision. The Debtors will consult with advisers to the Committee regarding the Debtors' claims base.

The Debtors are prepared to meet their evidentiary burden (if any) with respect to such matters at the Confirmation Hearing. The rights of all parties are fully preserved with respect to such matters.

J. Assumption of Unexpired Leases.

The Debtors have a number of agreements for the lease of nonresidential real property, which consist of surface lease agreements, office space leases, and oil and gas leases, depending on the real property laws of the states in which their oil and gas leases are located. The Debtors have worked diligently to determine whether to assume or reject any of their unexpired leases of nonresidential real property. Pursuant to the *Order Extending the Time Within Which the Debtors Must Assume or Reject Unexpired Leases of Nonresidential Property* [Docket No. 520], the Court extended the deadline under section 365(d)(4) of the Bankruptcy Code for the Debtors to assume their unexpired leases of nonresidential real property through and including November 28, 2016. On November 7, 2016, the Debtors filed omnibus motions [Docket Nos. 690 & 691] for authorization to assume certain unexpired leases of nonresidential real property, including all of their oil and gas leases. On November 28, 2016, the Court granted such relief.

K. Maintenance and Administration of Customer Programs and Agreements.

The Debtors are party to approximately 116 agreements (collectively, the "Customer Agreements") for the purchase, sale, and transportation of the Debtors' oil and natural gas production with major energy companies, oil refiners, pipeline companies, distribution companies, and various end-users in several industries. In April, the Debtors filed *Debtors' Corrected Emergency Motion for Entry of Interim and Final Orders Authorizing Debtors to (I) Maintain and Administer Customer Programs and Honor Related Obligations and (II) Assume Customer Agreements* [Docket No. 20] requesting the Court allow the Debtors to continue to perform under the ordinary course of business and consistent with past practice the Customer Agreements. In August, pursuant to the Court's *Final Order Authorizing the Debtors to (I) Maintain and Administer Customer Programs and Honor Related Obligations and (II) Assume Customer Agreements* [Docket No. 521], the Debtors are authorized to continue to maintain and perform under all Customer Agreements.

L. Equity Trading Order.

The Debtors have substantial tax net operating loss carryforwards and other tax attributes. Under the U.S. Internal Revenue Code, the Debtors' ability to use these net operating losses and other tax attributes may be limited if the Debtors experience a change of control, as determined under the U.S. Internal Revenue Code. Accordingly, the Debtors obtained entry of the *Final Order Approving Notification and Hearing Procedures for Certain Transfers of and Declarations of Worthlessness with Respect to Common Stock* [Docket No. 297] (the "NOL Order"). The NOL Order is intended to protect the Debtors' ability to use their tax attributes by imposing certain notice procedures and transfer restrictions on the trading of HoldCo's common stock. In general, the NOL Order applies to any person or entity that, directly or indirectly, beneficially owns (or would beneficially own as a result of a proposed transfer) at least 4.5 percent of Existing HoldCo Equity Interests. Such persons are required to notify the Debtors and the Bankruptcy Court before effecting a transaction that might result in the Debtors losing the ability to use their tax attributes, and the Debtors have the right to seek an injunction to prevent the transaction if it might adversely affect the Debtors' ability to use their tax attributes. Any purchase, sale or other transfer of HoldCo equity securities in violation of the restrictions of the NOL Order is null and void ab initio as an act in violation of a Bankruptcy Court order and would therefore confer no rights on a proposed transferee. Under the Backstop Commitment Agreement, transfers of the Backstop Commitments or Subscription Rights, and the fulfillment of the

Backstop Commitments or the exercise of the Subscription Rights, in each case in accordance with the Backstop Commitment Agreement, are not precluded by the NOL Order.

M. Hedging Program.

To limit exposure to fluctuations in market prices with respect to their oil, natural gas, and natural gas liquids production activities—principally, the prevailing price for the Debtors' Wyoming natural gas production—the Debtors, like most other large, complex oil and gas exploration and production businesses, have historically hedged a portion of their oil, natural gas, and/or natural gas liquids production through the use of financial derivative transactions, including cash-settled swaps, with creditworthy financial counterparties, or through the use of physically settled forward contracts under which the Debtors agree to physically deliver natural gas or crude oil at a fixed delivery point over a fixed period of time for a fixed price, each as specified in the contract.

The board of directors for HoldCo has adopted a Commodity Price Hedging Policy (the "Hedging Policy"), pursuant to which the Debtors are authorized to enter into physical and financial hedging transactions covering up to 50 percent of the Debtors' forecast production during a fiscal year without further board approval. Consistent with the Hedging Policy, the Debtors may also enter into physical and financial hedging transactions covering more than 50 percent of the Debtors' forecast production during a fiscal year with board approval.[13]

The Debtors' historic hedging transactions have generated significant value, with the Debtors realizing hedging-related gains of nearly $1 billion during the decade prior to the Petition Date. However, the Debtors elected not to hedge any of their forecasted production for 2016 because commodity prices at which hedges could be executed at the end of 2015 and early in 2016 prior to the Petition Date were too low. Therefore, as of the Petition Date, the Debtors did not have any hedging transactions in place. However, because commodity prices have improved since the Petition Date, the Debtors are engaged in discussions with several potential third-party hedge counterparties regarding the terms of postpetition hedging transactions, and the Debtors believe it is likely that they will, in the near future, be able to enter into postpetition hedging transactions with one or more counterparties at price levels and on other commercials terms that would render the decision to enter into such postpetition hedging transactions in the best interest of the Debtors and their estates.

The Debtors believe entering into postpetition hedging transactions would be a significant and, most importantly, low-risk means to reduce the impact of commodity-price volatility on the Debtors' cash-flow stream. ~~All of the Debtors' prepetition hedging transactions since at least 2009 were consummated on an unsecured basis, which the Debtors believed was in their best interests. The Debtors also expect that any postpetition hedging transactions entered into will be on an unsecured basis, which the Debtors still believe is in their best interests as well as the best interests of all of their stakeholders.~~

To provide assurance to counterparties regarding the Debtors' ability to enter into and perform under postpetition hedging transactions notwithstanding the pendency of these chapter 11 cases, the Debtors filed the *Debtors' Motion for Entry of Order (A) Authorizing the Debtors to Enter into and Perform Postpetition Hedging Transactions, (B) Providing Administrative Expense Status to Authorized Postpetition Hedging Transactions, and (C) Modifying the Automatic Stay* [Docket No. 637] (the "Postpetition Hedging Transactions Motion"). To address certain informal comments from the Committee, the HoldCo Noteholder Committee, the Equityholder Committee, and certain other parties, the Debtors revised the proposed form of order approving the Postpetition Hedging Transactions Motion to, among other things, require that the Debtors provide their major constituencies with information regarding postpetition hedging transactions and certain related matters. On November 28, 2016, the Bankruptcy Court entered an order granting the Postpetition Hedging Transactions Motion [Docket No. 778]. The Debtors also filed the *Debtors' Third Omnibus Motion For Entry Of An Order Authorizing The Debtors To Assume Executory Contracts (Gas Processing and Gathering Agreements)* [Docket No. 1048] (the "Gas Processing Motion"). The Gas Processing Motion contemplates the assumption of new gas processing agreements that will lock

[13] From time to time over the past several years, the Debtors have received board approval to hedge more than 50 percent of forecasted production during a fiscal year. For example, during 2011, 2012, 2013, and 2015, the Debtors hedged 67, 51, 51, and 62 percent, respectively, of their forecasted production for such periods.

in favorable terms for the Debtors' gas processing requirements and generate significant savings and additional revenue for the Debtors in the years ahead.

N. Corporate Structure upon Emergence.

Except as otherwise provided in the Plan, or any agreement, instrument, or other document incorporated in the Plan or the Plan Supplement, on the Effective Date, each Debtor shall continue to exist after the Effective Date as a separate corporation, limited liability company, partnership, or other form of entity, as the case may be, with all the powers of a corporation, limited liability company, partnership or other form of entity, as the case may be, pursuant to the applicable law in the jurisdiction in which each applicable Debtor is incorporated or formed and pursuant to the respective certificate of incorporation and bylaws (or other analogous formation documents) in effect before the Effective Date, except to the extent such certificate of incorporation and bylaws (or other analogous formation documents) are amended by the Plan or otherwise, and to the extent such documents are amended, such documents are deemed to be amended pursuant to the Plan and require no further action or approval (other than any requisite filings required under applicable state, provincial, or federal law).

O. Trustee Motion.

On December 23, 2016, the OpCo Group filed a motion [Docket No. 875] seeking the appointment of a trustee at OpCo pursuant to section 1104(a) of the Bankruptcy Code or, in the alternative, the appointment of three independent directors to OpCo's board of directors. On January 13, 2017, the Debtors filed their objection to the OpCo Group's trustee motion [Docket No. 941].

P. Bankruptcy Rule 3013 Motion.

On December 29, 2016, the OpCo Group filed a motion [Docket No. 878] seeking certain determinations regarding the Plan's classification structure pursuant to Bankruptcy Rule 3013. On January 17, 2017, the Debtors filed their objection to the OpCo Group's classification motion [Docket No. ~~___].~~961]. Certain other parties joined in the Debtors' objection [Docket No. 965].

Q. Makewhole Litigation.

On December 29, 2016, the OpCo Group commenced an adversary proceeding against HoldCo, OpCo, and UP Energy Corporation seeking, among other things, a determination by the Bankruptcy Court that ~~the~~each OpCo Note Makewhole Claim is valid and enforceable and that OpCo Note Makewhole Claims ~~are valid and enforceable and~~ should be Allowed ~~in the amount of not less than $200,725,869~~ plus postpetition interest thereon at the contractual Default Rate (as defined by the OpCo Notes MNPA).~~ ~~ The Debtors, in consultation with their advisers, determined that they may have valid defenses to the OpCo Note Makewhole Claims. In light of the fact that the asserted amount of OpCo Note Makewhole Claims exceeds $207 million, the Debtors believe that it is prudent and in the best interests of their stakeholders to dispute the OpCo Note Makewhole Claims. To this end, the Debtors have considered certain strategies to challenge the OpCo Note Makewhole Claims and, on January 30, 2017, filed a motion to dismiss the OpCo Note Makewhole Claim adversary proceeding commenced by the OpCo Group. The Bankruptcy Court has not yet ruled on the Debtors' motion to dismiss.

The Debtors believe that they have valid defenses with respect to the OpCo Note Makewhole Claims and the arguments made in the OpCo Group's adversary proceeding, including the OpCo Group's assertion that OpCo Note Makewhole Claims should include postpetition interest. Under the Plan, the Class ~~7~~4 OpCo ~~Note Makewhole~~Funded Debt Claims, ~~if~~ to the extent Allowed, will receive a distribution on account of postpetition interest ~~only if and~~ to the extent ~~such interest is~~ Allowed by the Plan or pursuant to an order from the Bankruptcy Court. ~~To be clear, notwithstanding the fact that the OpCo Note Makewhole Claims are Disputed Claims, the Holders of such Claims are entitled to vote to accept or reject the Plan, to the extent of their ownership of OpCo Notes.~~

Notwithstanding the fact that OpCo Note Makewhole Claims are Disputed by the Debtors, the OpCo Funded Debt Claimants are presumed to accept the Plan as the OpCo Funded Debt Claims are Unimpaired.

IX. PROJECTED FINANCIAL INFORMATION.

Attached hereto as **Exhibit D** is a projected consolidated income statement, which includes consolidated, projected, unaudited, financial statement information of the Reorganized Debtors (collectively, the "Financial Projections") for the period beginning 2016 and continuing through 2020. The Financial Projections are based on an assumed Effective Date of March 31, 2017. To the extent that the Effective Date occurs before or after March 31, 2017the projected Effective Date therein, recoveries on account of Allowed Claims and Existing HoldCo Common Stock could be affected.

CERTAIN PARTIES ASSERT THAT THE PLAN IS NOT CONFIRMABLE BECAUSE THE REORGANIZED DEBTORS MAY NOT HAVE THE FINANCIAL WHEREWITHAL TO SATISFY THE CURRENTLY DISPUTED PORTIONS OF THE OPCO NOTE CLAIMS (WHICH DISPUTED PORTIONS ARE BASED ON, WITHOUT LIMITATION, ASSERTED CLAIMS ON ACCOUNT OF A MAKEWHOLE AMOUNT, POSTPETITION INTEREST THEREON AT THE CONTRACTUAL DEFAULT RATE, AND OTHER AMOUNTS ASSERTED TO BE DUE AND OWING UNDER THE OPCO NOTES MNPA, THE OPCO NOTES, AND THE OPCO RCF, INCLUDING WITHOUT LIMITATION, POSTPETITION INTEREST AT THE CONTRACTUAL DEFAULT RATE AND ALL FEES AND EXPENSES) IN FULL IN CASH TO THE EXTENT THAT ANY PORTION OF SUCH CLAIMS IS ALLOWED AFTER THE EFFECTIVE DATE.

The Debtors disagree. As set forth in this Disclosure Statement, based upon the Financial Projections, the Debtors believe that the Reorganized Debtors will have the financial wherewithal to satisfy any currently disputed portions of the OpCo Funded Debt Claims, in full and in Cash as provided in the Plan, to the extent that any such Claim is Allowed after the Effective Date. For this reason, the Debtors submit that the Plan is feasible notwithstanding the fact that the Debtors will not "reserve" for any such Claims that may become Allowed Claims after the Effective Date.

The rights of all parties are fully preserved with respect to such matters.
impacted.

Creditors, equityholders, and other interested parties should see the below "Risk Factors" for a discussion of certain factors that may affect the future financial performance of the Reorganized Debtors.

X. RISK FACTORS.

Holders of Claims and Interests should read and consider carefully the risk factors set forth below before voting to accept or reject the Plan. Although there are many risk factors discussed below, these factors should not be regarded as constituting the only risks present in connection with the Debtors' businesses or the Plan and its implementation.

A. Bankruptcy Law Considerations.

The occurrence or non-occurrence of any or all of the following contingencies, and any others, could affect distributions available to holders of Allowed Claims and Existing HoldCo Common Stock under the Plan but will not necessarily affect the validity of the vote of the Impaired Classes to accept or reject the Plan or necessarily require a re-solicitation of the votes of holders of Claims and Interests in such Impaired Classes.

1. Parties in Interest May Object to the Plan's Classification of Claims and Interests.

Section 1122 of the Bankruptcy Code provides that a plan may place a claim or an equity interest in a particular class only if such claim or equity interest is substantially similar to the other claims or equity interests in such class. As noted above, certain Certain parties have already objectedmay object to the Plan's proposed classification structure, and it is possible that other parties may object to Confirmation of the Plan on similar bases. More specifically, the

Committee, the OpCo Group, an ad hoc group of holders of OpCo Note Claims, and Third Point objected to the Disclosure Statements on the grounds that they believe: (a) the Debtors may not separately classify the Claims in Class 4 (Non-Election OpCo Note Claims and Non-Election OpCo RCF Claims), Class 5 (Election OpCo Note Claims and Election OpCo RCF Claims), and Class 7 (OpCo Note Makewhole Claims); (b) the Debtors may not separately classify the Claims in Class 3 (HoldCo Note Claims) and Class 6 (OpCo Note Guarantee Claims and OpCo RCF Guarantee Claims); and/or (c) the Debtors may not separately classify the Claims in Class 9 (OpCo Trade General Unsecured Claims), Class 10 (Other OpCo General Unsecured Claims), and Class 11 (Other General Unsecured Claims). It is possible that such parties or other parties in interest may object to Confirmation of the Plan on the same or similar bases. The Debtors believe that the classification of the Claims and Interests under the Plan complies with the requirements set forth in the Bankruptcy Code. Each of the Classes of Claims and Interests created by the Debtors encompass Claims or Interests, as applicable, that are substantially similar to the other Claims or Interests, as applicable, in each such Class. Furthermore, the Plan expressly permits the Debtors to combine one Class with another Class, or to substantively consolidate one Estate with another Estate, to the extent that it is necessary to confirm the Plan. Nevertheless, there can be no assurance that the Bankruptcy Court will reach the same conclusion.

CERTAIN PARTIES ASSERT THAT THE DEBTORS HAVE IMPROPERLY SEPARATED THE CLASSES OF CLAIMS TO GERRYMANDER AFFIRMATIVE VOTES. SUCH PARTIES ASSERT, AMONG OTHER THINGS, THAT THE DEBTORS HAVE IMPROPERLY CLASSIFIED: (A) OPCO NOTE CLAIMS AND OPCO RCF CLAIMS IN CLASS 4 (NON-ELECTION OPCO NOTE CLAIMS AND NON-ELECTION OPCO RCF CLAIMS) AND CLASS 5 (ELECTION OPCO NOTE CLAIMS AND ELECTION OPCO RCF CLAIMS) BASED ON CERTAIN ELECTIONS CONTEMPLATED BY THE PLAN; AND (B) OPCO GENERAL UNSECURED CLAIMS INTO CLASS 9 (OPCO TRADE GENERAL UNSECURED CLAIMS), CLASS 10 (OTHER OPCO GENERAL UNSECURED CLAIMS), AND CLASS 11 (OTHER GENERAL UNSECURED CLAIMS) BASED ON WHETHER WHETHER THE REORGANIZED DEBTORS INTEND TO CONTINUE TO TRANSACT BUSINESS WITH THE HOLDERS OF SUCH CLAIMS IN THE ORDINARY COURSE OF THEIR OPERATIONS.

The Debtors disagree. Section 1122(a) of the Bankruptcy Code permits classification of "'substantially similar' claims in different classes where such classification is undertaken for reasons independent of the debtor's motivation to secure the vote of an impaired, assenting class of claims." ***Phx. Mut. Life Ins. Co. v. Greystone III Joint Venture (In re Greystone III Joint Venture)*****, 995 F.2d 1274, 1279 (5th Cir. 1991). Courts in the Fifth Circuit have permitted separate classification where, among other reasons, there is a business or economic justification for such classification.** ***In re Save Our Springs (S.O.S.) All., Inc.*****, 388 B.R. 202 (Bankr. W.D. Tex. 2008), aff'd, 2009 U.S. Dist. LEXIS 121177 (W.D. Tex. Sept. 29, 2009),** ***aff'd sub nom.*****,** ***Save Our Springs All., Inc. v. WSI (II)-COS, L.L.C.*****, 632 F.3d 168 (5th Cir. 2011).**

As to the separate classification of the Claims in Classes 4 and 5, the Debtors submit that it is permissible for debtors to offer to their creditors or interest holders the opportunity to receive a more favorable recovery in the event that a class of claims or interest holders votes in favor of a plan. That is all the Debtors seek to accomplish with the separate classification and treatment of claims in Classes 4 and 5. ***See*** **Plan § 3.2(e)(3). Class 5 is an election Class, and any holder of an OpCo Note Claim or OpCo RCF Claim can elect into Class 5. Moreover, the treatment of electing holders is contingent on the Class voting in favor of the Plan, but is not contingent on any particular holder agreeing to vote its claims in favor of the Plan. The Debtors established Class 5 to provide to OpCo funded debt holders the opportunity to receive a greater proportion of their Plan distributions in the form of cash rather than New OpCo Notes.**

As to the separate classification of the Claims in Classes 9, 10, and 11, the Debtors submit that the proposed treatments with respect to such Claims are consistent with the Bankruptcy Code and applicable law.

First, although the Debtors expect to have adequate liquidity to fund the Plan, in light of the various distributions and transaction implementation requirements of the Reorganized Debtors necessary to consummate the Plan on and after the Effective Date—including, among other things, the Debtors' need to make significant Cash distributions to certain holders of Allowed Claims on the Effective Date, the Debtors' need to make other distributions under the Plan on the Effective Date, the Debtors' need to consummate the Plan on the Effective Date, the Reorganized Debtors' go-forward liquidity management needs, and uncertainty as to the exact terms and availability (if any) of the New Revolver—the Debtors believe it is prudent and in the best interests of the Estates to satisfy Claims in Classes 9, 10, and 11 on a date that is after the Effective Date, rather than on the Effective Date.

Second, the proposed treatment for Allowed Claims in Classes 9, 10, and 11 will encourage holders of such Claims to continue to do business with the Reorganized Debtors. This is because Class 9, which includes Allowed Claims of creditors who will continue to do business with the Reorganized Debtors, provides the Debtors with the flexibility to pay such Allowed Claims on a date that is less than six months after the Effective Date. In contrast, Classes 10 and 11, which include Allowed Claims of creditors who will not continue to do business with the Reorganized Debtors, provide for payment six months after the Effective Date. The Debtors believe that the flexibility to satisfy Claims in Cash less than six months after the Effective Date will incentivize holders of such Claims to continue to do business with the Reorganized Debtors. The proposed treatment will also permit the Reorganized Debtors to engage in discussions with the holders of such Claims following the Effective Date, which may permit the Reorganized Debtors to reduce the Allowed amounts of any such Claims.

In light of the foregoing, the Debtors submit that the proposed treatment with respect to such Claims is consistent with the Bankruptcy Code and applicable law.

The Debtors are prepared to meet their evidentiary burden (if any) with respect to such matters at the Confirmation Hearing. The rights of all parties are fully preserved with respect to such matters.

The Conditions Precedent to the Effective Date of the Plan May Not Occur.

As more fully set forth in Article IX of the Plan, the Effective Date is subject to a number of conditions precedent. If such conditions precedent are not met or waived, the Effective Date will not take place.

2. The Debtors May Fail to Satisfy Vote Requirements.

If votes are received in number and amount sufficient to enable the Bankruptcy Court to confirm the Plan, the Debtors intend to seek, as promptly as practicable thereafter, Cconfirmation of the Plan. In the event that sufficient votes are not received, the Debtors may seek to confirm an alternative chapter 11 plan. There can be no assurance that the terms of any such alternative chapter 11 plan would be similar or as favorable to the holders of Allowed Claims and Existing HoldCo Common Stock as those proposed in the Plan.

3. The Debtors May Not Be Able to Secure Confirmation of the Plan.

Section 1129 of the Bankruptcy Code sets forth the requirements for confirmation of a chapter 11 plan, and requires, among other things, a finding by the Bankruptcy Court that: (a) such plan "does not unfairly discriminate" and is "fair and equitable" with respect to any non-accepting classes; (b) confirmation of such plan is not likely to be followed by a liquidation or a need for further financial reorganization unless such liquidation or reorganization is contemplated by the plan; and (c) the value of distributions to non-accepting holders of claims and equity interests within a particular class under such plan will not be less than the value of distributions such holders would receive if the Debtors were liquidated under chapter 7 of the Bankruptcy Code.

There can be no assurance that the requisite acceptances to confirm the Plan will be received. Even if the requisite acceptances are received, there can be no assurance that the Bankruptcy Court will confirm the Plan. A non-accepting holder of an Allowed Claim or Existing HoldCo Common Stock might challenge either the adequacy of this Disclosure Statement or whether the balloting procedures and voting results satisfy the requirements of the

Bankruptcy Code or Bankruptcy Rules. Even if the Bankruptcy Court determines that this Disclosure Statement, the balloting procedures, and voting results are appropriate, the Bankruptcy Court could still decline to confirm the Plan if it finds that any of the statutory requirements for Confirmation are not met. If a chapter 11 plan of reorganization is not confirmed by the Bankruptcy Court, it is unclear whether the Debtors will be able to reorganize their business and what, if anything, holders of Allowed Claims and Interests against them would ultimately receive on account of such Allowed Claims and Interests.

CERTAIN PARTIES ASSERT THAT THE DISCLOSURE STATEMENT LACKS ADEQUATE INFORMATION REGARDING LIQUIDATION VALUES FOR EACH DEBTOR AND, THEREFORE, THAT A SEPARATE LIQUIDATION ANALYSIS IS REQUIRED FOR EACH DEBTOR TO DEMONSTRATE THAT THE PLAN SATISFIES THE BEST INTERESTS OF CREDITORS TEST.

The Committee asserts that the Disclosure Statement does not contain adequate information because the Liquidation Analysis has been prepared on a consolidated basis. The Bankruptcy Code requires the Debtors to demonstrate that the Plan is in the "best interests" of creditors, which requires that each holder of an Allowed Claim accept the Plan or receive or retain under the Plan property of a value, as of the Effective Date, that is not less than the amount that such holder would receive if the Debtors were liquidated under chapter 7 of the Bankruptcy Code. Whether the Liquidation Analysis is prepared on a consolidated basis or an individual debtor basis, even assuming that the analysis shows that any particular creditor's Allowed Claim would be satisfied in full in liquidation, the Plan still satisfies the best interests of creditors test, because the Plan proposes to satisfy all Allowed Claims in full. The (including all Allowed Claims against OpCo, which Claims the Debtors or the Reorganized Debtors, as applicable, will satisfy in full in Cash as provided in the Plan). To the extent that any party disputes whether the Plan will satisfy all Allowed Claims in full, the Debtors are prepared to meet their evidentiary burden (if any) with respect to such matters at the Confirmation Hearing. The rights of all parties are fully preserved with respect to such matters.

Confirmation of the Plan is also subject to certain conditions as described in Article IX of the Plan. If the Plan is not confirmed, it is unclear what distributions, if any, holders of Allowed Claims and Interests will receive on account of such Allowed Claims and Interests.

As noted above, certain parties have already objected to the Plan's proposed classification structure, and it is possible that other parties may object to Confirmation of the Plan on similar bases. More specifically, the Committee, the OpCo Group, an ad hoc group of holders of OpCo Note Claims, and Third Point objected to the Disclosure Statements on the grounds that they believe: (a) the Debtors may not separately classify the Claims in Class 4 (Non-Election OpCo Note Claims and Non-Election OpCo RCF Claims), Class 5 (Election OpCo Note Claims and Election OpCo RCF Claims), and Class 7 (OpCo Note Makewhole Claims); (b) the Debtors may not separately classify the Claims in Class 3 (HoldCo Note Claims) and Class 6 (OpCo Note Guarantee Claims and OpCo RCF Guarantee Claims); and/or (c) the Debtors may not separately classify the Claims in Class 9 (OpCo Trade General Unsecured Claims), Class 10 (Other OpCo General Unsecured Claims), and Class 11 (Other General Unsecured Claims). The Debtors believe that the classification of the Claims and Interests under the Plan complies with the requirements set forth in the Bankruptcy Code. Each of the Classes of Claims and Interests created by the Debtors encompass Claims or Interests, as applicable, that are substantially similar to the other Claims or Interests, as applicable, in each such Class.

The Debtors, subject to the terms and conditions of the Plan, reserve the right to modify the terms and conditions of the Plan as necessary for Confirmation.It is possible that other parties may object to confirmation of the Plan. The Debtors, subject to the terms and conditions of the Plan, reserve the right to modify (in accordance with the Bankruptcy Code) the terms and conditions of the Plan to the extent necessary to obtain Confirmation of the Plan. Any such modifications (which may include combining certain Classes with other Classes or substantively consolidating certain Estates, (to the estate that such actions are necessary to obtain Confirmation of the Plan)extent permitted by applicable law)) could result in less favorablean alternative treatment of any non-accepting Class, as well as any Class junior to such non-accepting Class, than the treatment currently provided in the Plan., without the need for the Debtors to resolicit the Plan. Such a less favorable treatment could include a distribution of property with a lesser value, or a different type of consideration or combination of different types of consideration, than currently provided in the Plan or no distribution whatsoever under the Plan. For example, the Debtors expressly

~~reserve the right to combine the Claims in Classes 4, 5, and 7 in a single Class and to provide the same treatment to the Claims in such combined Class, and to combine the Claims in Classes 9, 10, and/or 11 in one or more Classes and to provide the same treatment to the Claims in such combined Class or Classes, in each case, to the extent that such actions are necessary to confirm the Plan.~~

The rights of all parties in interest with respect to any modification of the Plan, including the right to object to confirmation of the Plan on the grounds that any such modification is impermissible under the Bankruptcy Code and that the Disclosure Statement did not contain sufficient disclosure of any such potential modification, are fully reserved and preserved in all respects.

4. Nonconsensual Confirmation.

In the event that any impaired class of claims or interests does not accept a chapter 11 plan, a bankruptcy court may nevertheless confirm a plan at the proponents' request if at least one impaired class (as defined under section 1124 of the Bankruptcy Code) has accepted the plan (with such acceptance being determined without including the vote of any "insider" in such class), and, as to each impaired class that has not accepted the plan, the bankruptcy court determines that the plan "does not discriminate unfairly" and is "fair and equitable" with respect to the dissenting impaired class(es). The Debtors believe that the Plan satisfies these requirements, and the Debtors may request such nonconsensual Confirmation in accordance with subsection 1129(b) of the Bankruptcy Code. Nevertheless, there can be no assurance that the Bankruptcy Court will reach this conclusion. In addition, the pursuit of nonconsensual Confirmation or Consummation of the Plan may result in, among other things, increased expenses relating to professional compensation.

5. Continued Risk upon Confirmation.

Even if a chapter 11 plan of reorganization is consummated, the Debtors will continue to face a number of risks, including certain risks that are beyond their control, such as further deterioration or other changes in economic conditions, changes in the industry, potential revaluing of their assets due to chapter 11 proceedings, changes in consumer demand for, and acceptance of, their oil and gas, and increasing expenses. Some of these concerns and effects typically become more acute when a case under the Bankruptcy Code continues for a protracted period without indication of how or when the case may be completed. As a result of these risks and others, there is no guarantee that a chapter 11 plan of reorganization reflecting the Plan will achieve the Debtors' stated goals.

In addition, at the outset of the Chapter 11 Cases, the Bankruptcy Code will give the Debtors the exclusive right to propose the Plan and will prohibit creditors and others from proposing a plan. The Debtors will have retained the exclusive right to propose the Plan upon filing their petitions for chapter 11 relief. If the Bankruptcy Court terminates that right, however, or the exclusivity period expires, there could be a material adverse effect on the Debtors' ability to achieve confirmation of the Plan to achieve the Debtors' stated goals.

Furthermore, even if the Debtors' debts are reduced and/or discharged through the Plan, the Debtors may need to raise additional funds through public or private debt or equity financing or other various means to fund the Debtors' business after the completion of the proceedings related to the Chapter 11 Cases. Adequate funds may not be available when needed or may not be available on favorable terms.

6. The Chapter 11 Cases May Be Converted to Cases under Chapter 7 of the Bankruptcy Code.

If the Bankruptcy Court finds that it would be in the best interest of creditors and/or the debtor in a chapter 11 case, the Bankruptcy Court may convert a chapter 11 bankruptcy case to a case under chapter 7 of the Bankruptcy Code. In such event, a chapter 7 trustee would be appointed or elected to liquidate the debtor's assets for distribution in accordance with the priorities established by the Bankruptcy Code. The Debtors believe that liquidation under chapter 7 would result in significantly smaller distributions being made to creditors than those provided for in a chapter 11 plan because of (a) the likelihood that the assets would have to be sold or otherwise disposed of in a disorderly fashion over a short period of time rather than reorganizing or selling in a controlled manner affecting the business as a going concern, (b) additional administrative expenses involved in the

appointment of a chapter 7 trustee, and (c) additional expenses and Claims, some of which would be entitled to priority, that would be generated during the liquidation, and including Claims resulting from the rejection of Unexpired Leases and other Executory Contracts in connection with cessation of operations.

7. The Debtors May Object to the Amount or Classification of a Claim.

Except as otherwise provided in the Plan or the Disclosure Statement Order, the Debtors reserve the right to object to the amount or classification of any Claim under the Plan. The estimates set forth in this Disclosure Statement cannot be relied upon by any holder of a Claim where such Claim is subject to an objection. Any holder of a Claim which is subject to an objection, thus, may not receive its expected share of the estimated distributions described in this Disclosure Statement.

8. Risk of Non-Occurrence of the Effective Date.

Although the Debtors believe that the Effective Date may occur quickly after the Confirmation Date, there can be no assurance as to such timing or as to whether the Effective Date will, in fact, occur.

9. Contingencies Could Affect Votes of Impaired Classes to Accept or Reject the Plan.

The distributions available to holders of Allowed Claims and Existing HoldCo Common Stock under the Plan can be affected by a variety of contingencies, including, without limitation, whether the Bankruptcy Court orders certain Allowed Claims to be subordinated to other Allowed Claims and Existing HoldCo Common Stock. The occurrence of any and all such contingencies, which could affect distributions available to holders of Allowed Claims and Existing HoldCo Common Stock under the Plan, will not affect the validity of the vote taken by the Impaired Classes to accept or reject the Plan or require any sort of revote by the Impaired Classes.

The estimated Claims and Interests and creditor recoveries and equityholder treatments set forth in this Disclosure Statement are based on various assumptions, and the actual Allowed amounts of Claims may significantly differ from the estimates. Should one or more of the underlying assumptions ultimately prove to be incorrect, the actual Allowed amounts of Claims may vary from the estimated Claims contained in this Disclosure Statement. Moreover, the Debtors cannot determine with any certainty at this time, the number, or amount, of Claims that will ultimately be Allowed. Such differences may materially and adversely affect, among other things, the percentage recoveries to holders of Allowed Claims and Existing HoldCo Common Stock under the Plan.

~~CERTAIN PARTIES ASSERT THAT THE DISCLOSURE STATEMENT LACKS ADEQUATE INFORMATION REGARDING THE "DISPARATE TREATMENT" OF GENERAL UNSECURED CLAIMS IN CLASSES 3, 4, 5, 9, 10, AND 11.~~

~~The Debtors disagree. As a preliminary matter, the Bankruptcy Code proscribes unfair discrimination between classes; the Bankruptcy Code does not proscribe "disparate treatment" between different classes. Here, the Debtors submit that the Plan provides adequate information about the treatment provided to Claims in Classes 3, 4, 5, 9, 10, and 11. Furthermore, the Debtors submit that the different treatment between Claims in such Classes is not "unfair discrimination."~~

~~With respect to Class 3, it is appropriate for the Holders of Claims in such Class to receive postpetition interest, charges and fees, as determined by the Bankruptcy Court or as otherwise agreed by the relevant parties, based on the fact that the Holders of Claims in Class 3 have agreed to equitize such Claims.~~

~~With respect to Classes 4 and 5, it is appropriate for the Debtors to offer the holders of OpCo Note Claims and OpCo RCF Claims the opportunity to receive a more preferable form of recovery in the event that such holders elect into Class 5 and Class 5 votes to accept the Plan.~~

~~**With respect to Classes 9, 10, and 11, it is appropriate for the Debtors to seek to preserve their business relationships with trade creditors that will continue to provide services to the Reorganized Debtors after the Effective Date, as well as to utilize the flexibility available for Claims in Class 10 and/or Class 11 as a means to effectuate better claims settlements and business resolutions with the holders of such Claims who will have ongoing business relationships with the Reorganized Debtors.**~~

~~**The Debtors are prepared to meet their evidentiary burden (if any) with respect to such matters at the Confirmation Hearing. The rights of all parties are fully preserved with respect to such matters.**~~

10. Releases, Injunctions, and Exculpations Provisions May Not Be Approved.

Article VIII of the Plan provides for certain releases, injunctions, and exculpations, including a release of liens and third-party releases that may otherwise be asserted against the Debtors, Reorganized Debtors, or Released Parties, as applicable. The releases, injunctions, and exculpations provided in the Plan are subject to objection by parties in interest and may not be approved. If the releases are not approved, certain Released Parties may withdraw their support for the Plan.

B. Risks Related to Recoveries under the Plan.

1. The Debtors May Not Be Able to Achieve Their Projected Financial Results.

With respect to holders of Interests in the Reorganized Debtors, the Reorganized Debtors may not be able to achieve their projected financial results. The Financial Projections set forth in this Disclosure Statement represent the Debtors' management team's best estimate of the Debtors' future financial performance, which is necessarily based on certain assumptions regarding the anticipated future performance of the Reorganized Debtors' operations, as well as the United States and world economies in general, and the particular industry segments in which the Debtors operate in particular. While the Debtors believe that the Financial Projections contained in this Disclosure Statement are reasonable, there can be no assurance that they will be realized. If the Debtors do not achieve their projected financial results, (a) the value of the New Common Stock may be negatively affected, (b) the Debtors may lack sufficient liquidity to continue operating as planned after the Effective Date, and (c) the Debtors may be unable to service their debt obligations as they come due. Moreover, the financial condition and results of operations of the Reorganized Debtors from and after the Effective Date may not be comparable to the financial condition or results of operations reflected in the Debtors' historical financial statements. The Reorganized Debtors' New Common Stock May Not Be Publicly Traded As of the Effective Date.

The Debtors will use commercially reasonable efforts to cause the New Common Stock to become publicly traded and listed on a national securities exchange on or as soon as reasonably practicable after the Effective Date. There can be no assurance that an active market for the New Common Stock will develop, nor can any assurance be given as to the prices at which such stock might be traded.

2. The Bankruptcy Court May Allow the OpCo Note Makewhole Claims, Which Could Significantly Reduce Recovery for the Debtors' Creditors and Equityholders.

The OpCo Note Purchase Agreement contains a so-called "make-whole" provision which, if enforceable in the Chapter 11 Cases, may entitle the OpCo Noteholders to a significant unsecured damages claim. The Plan ~~classifies the~~provides that any potential OpCo Note Makewhole Claim ~~as a Class 7 Claim, which is paid only~~will be satisfied in full in Cash after a determination by the Bankruptcy Court with respect to the Allowed amount of any OpCo Note Makewhole Claims (if any). It is possible the Bankruptcy Court may Allow the OpCo Note Makewhole Claims. In such case, the Plan provides that holders of Allowed OpCo Note Makewhole Claims (if any) shall receive an amount of ~~Additional New OpCo Notes~~Cash equal to the amount of Allowed OpCo Note Makewhole Claims held by such holders. Thus, if the Debtors are required to satisfy the make-whole claim, the Reorganized Debtors would emerge from chapter 11 with a higher amount of funded indebtedness incurred to satisfy such Claims in full in Cash as provided under the Plan.

3. Federal Income Tax Consequences of the Plan.

The Reorganized Debtors' New Common Stock May Not Be Publicly Traded As of the Effective Date.

The Debtors will use commercially reasonable efforts to cause the New Common Stock to become publicly traded and listed on a national securities exchange on or as soon as reasonably practicable after the Effective Date. There can be no assurance that an active market for the New Common Stock will develop, nor can any assurance be given as to the prices at which such stock might be traded.

3. The Restructuring of the Debtors May Adversely Affect the Debtors' Tax Attributes.

Under federal income tax law, a corporation is generally permitted to deduct from taxable income NOLs carried forward from prior years. The Debtors have reported NOL carryforwards of approximately $850 million as of the December 31, 2015. The Debtors' ability to utilize their NOL carryforwards and other tax attributes to offset future taxable income and to reduce federal income tax liability is subject to certain requirements and restrictions. In general, such NOLs and other tax attributes could be reduced by the amount of discharge of indebtedness arising in a chapter 11 case under section 108 of the Internal Revenue Code of 1986, as amended (the "U.S. Tax Code") or to offset any taxable gains recognized by the Debtors attributable to the restructuring transactions. In addition, if the Debtors experience an "ownership change," as defined in section 382 of the U.S. Tax Code, then their ability to use the NOL carryforwards may be substantially limited, which could have a negative impact on the Debtors' financial position and results of operations. Generally, there is an "ownership change" if one or more stockholders owning 5 percent or more of a corporation's common stock have aggregate increases in their ownership of such stock of more than 50 percentage points over the prior three-year period. Following the implementation of a plan of reorganization, it is likely that an "ownership change" will be deemed to occur. Under section 382 of the U.S. Tax Code, absent an applicable exception, if a corporation undergoes an "ownership change," the amount of its NOLs that may be utilized to offset future taxable income generally is subject to an annual limitation. The Debtors currently expect that their net operating loss carryforwards and other tax attributes may be significantly reduced, eliminated, or limited in connection with the restructuring transactions, through a combination of one or more of the above factors.

For a detailed description of the effect consummation of the Plan may have on the Debtors' tax attributes, see "*Certain United States Federal Income Tax Consequences of the Plan*," which begins on page 80 herein.

4. The Debtors May Not Be Able to Accurately Report Their Financial Results.

The Debtors have established internal controls over financial reporting. However, internal controls over financial reporting may not prevent or detect misstatements or omissions in the Debtors' financial statements because of their inherent limitations, including the possibility of human error, and the circumvention or overriding of controls or fraud. Therefore, even effective internal controls can provide only reasonable assurance with respect to the preparation and fair presentation of financial statements. Although the Debtors do not anticipate this condition occurring, if the Debtors fail to maintain the adequacy of their internal controls, the Debtors may be unable to provide financial information in a timely and reliable manner within the time periods required for the Debtors' financial reporting under SEC rules and regulations and the terms of the agreements governing the Debtors' indebtedness. Any such difficulties or failure could materially adversely affect the Debtors' business, results of operations, and financial condition.

C. Risks Related to the Debtors' and the Reorganized Debtors' Businesses.

1. The Debtors May Not Be Able to Generate Sufficient Cash to Service All of Their Indebtedness (Including General Unsecured Claims That Are Disputed As of the Effective Date and That Become Allowed After the Effective Date).

The Reorganized Debtors will emerge from chapter 11 carrying approximately $2 billion in principal amount of New OpCo Notes.a $600 million Exit Term Loan, a $400 million Exit Revolver, and a $1.4 billion Exit Bridge which will otherwise convert into unsecured term loans, in accordance with the terms of the Exit Facility Documents. The aggregate principal amount of commitments under the Exit Bridge will be reduced by any Exit Notes issued in accordance with the Exit Facility Documents. The Debtors' ability to make scheduled payments on, or refinance their debt obligations, including the New OpCo NotesExit Facility, depends on the Debtors' financial

condition, available cash reserves, access to additional funding, and operating performance, which are subject to prevailing economic, industry, and competitive conditions and to certain financial, business, legislative, regulatory, and other factors beyond the Debtors' control (including the factors discussed in Article X, which begins on page 50 hereof). The Debtors may be unable to maintain a level of cash flow from operating activities sufficient to permit the Debtors to pay the principal, premium, if any, and interest on their indebtedness, including the ~~New OpCo Notes.~~Exit Facility.

2. The Debtors Will Be Subject to the Risks And Uncertainties Associated with the Chapter 11 Cases.

For the duration of the Chapter 11 Cases, the Debtors' ability to operate, develop, and execute a business plan, and continue as a going concern, will be subject to the risks and uncertainties associated with bankruptcy. These risks include the following: (a) ability to develop, confirm, and consummate the restructuring transactions specified in the Plan or an alternative restructuring transaction; (b) ability to obtain court approval with respect to motions filed in the Chapter 11 Cases from time to time; (c) ability to maintain relationships with suppliers, service providers, customers, employees, royalty interest holders, working interest holders, and other third parties; (d) ability to maintain contracts that are critical to the Debtors' operations; (e) ability of third parties to seek and obtain court approval to terminate contracts and other agreements with the Debtors; (f) ability of third parties to seek and obtain court approval to terminate or shorten the exclusivity period for the Debtors to propose and confirm a chapter 11 plan, to appoint a chapter 11 trustee, or to convert the Chapter 11 Cases to chapter 7 proceedings; and (g) the actions and decisions of the Debtors' creditors and other third parties who have interests in the Chapter 11 Cases that may be inconsistent with the Debtors' plans.

These risks and uncertainties could affect the Debtors' businesses and operations in various ways. For example, negative events associated with the Chapter 11 Cases could adversely affect the Debtors' relationships with suppliers, service providers, customers, employees, and other third parties, which in turn could adversely affect the Debtors' operations and financial condition. Also, the Debtors will need the prior approval of the Bankruptcy Court for transactions outside the ordinary course of business, which may limit the Debtors' ability to respond timely to certain events or take advantage of certain opportunities. Because of the risks and uncertainties associated with the Chapter 11 Cases, the Debtors cannot accurately predict or quantify the ultimate impact of events that occur during the Chapter 11 Cases that may be inconsistent with the Debtors' plans.

3. Operating in Bankruptcy for a Long Period of Time May Harm the Debtors' Businesses.

The Debtors' future results will be dependent upon the successful confirmation and implementation of a plan of reorganization. A long period of operations under Bankruptcy Court protection could have a material adverse effect on the Debtors' businesses, financial condition, results of operations, and liquidity. So long as the proceedings related to the Chapter 11 Cases continue, senior management will be required to spend a significant amount of time and effort dealing with the reorganization instead of focusing exclusively on business operations. A prolonged period of operating under Bankruptcy Court protection also may make it more difficult to retain management and other key personnel necessary to the success and growth of the Debtors' businesses. In addition, the longer the proceedings related to the Chapter 11 Cases continue, the more likely it is that customers and suppliers will lose confidence in the Debtors' ability to reorganize their businesses successfully and will seek to establish alternative commercial relationships.

So long as the proceedings related to the Chapter 11 Cases continue, the Debtors will be required to incur substantial costs for professional fees and other expenses associated with the administration of the Chapter 11 Cases. The chapter 11 proceedings may also require the Debtors to seek debtor-in-possession financing to fund operations. If the Debtors are unable to obtain such financing on favorable terms or at all, the chances of successfully reorganizing the Debtors' businesses may be seriously jeopardized, the likelihood that the Debtors will instead be required to liquidate their assets may be enhanced, and, as a result, creditor recoveries may be significantly impaired.

Furthermore, the Debtors cannot predict the ultimate amount of all settlement terms for the liabilities that will be subject to a plan of reorganization. Even after a plan of reorganization is approved and implemented, the

Debtors' operating results may be adversely affected by the possible reluctance of prospective lenders and other counterparties to do business with a company that recently emerged from bankruptcy protection.

4. Financial Results May Be Volatile and May Not Reflect Historical Trends.

During the Chapter 11 Cases, the Debtors expect that their financial results will continue to be volatile as asset impairments, asset dispositions, restructuring activities and expenses, contract terminations and rejections, and claims assessments may significantly impact the Debtors' consolidated financial statements. As a result, the Debtors' historical financial performance likely will not be indicative of their financial performance after the Petition Date.

In addition, if the Debtors emerge from chapter 11, the amounts reported in subsequent consolidated financial statements may materially change relative to historical consolidated financial statements, including as a result of revisions to the Debtors' operating plans pursuant to a plan of reorganization. The Debtors also may be required to adopt fresh start accounting, in which case their assets and liabilities will be recorded at fair value as of the fresh start reporting date, which may differ materially from the recorded values of assets and liabilities on the Debtors' consolidated balance sheets. The Debtors' financial results after the application of fresh start accounting also may be different from historical trends.

5. The Debtors Will Need Adequate Liquidity to Execute Their Business Plan.

The Debtors' principal sources of liquidity historically have been cash flow from operations, their revolving credit facility, and the issuances of debt securities. Since filing for chapter 11, the Debtors have increased their cash on hand substantially from operations despite continuing a capital program and incurring professional fees related to the Chapter 11 Cases. The Debtors plan to significantly increase their capital budget upon emergence from chapter 11 in order to accelerate production and increase cash flows from operations. The Debtors' future capital program is expected to be self-funding at current futures prices for crude oil and natural gas. The majority of the Debtors' capital expenditures are discretionary and uncommitted, which allows them the flexibility to adjust their capital spending to match their operational cash flow and market dynamics. Also, since the vast majority of their acreage is held by production, the Debtors are not obligated to drill wells to hold acreage. This factor, along with their role as operator of such a significant portion of their acreage, allows the Debtors almost complete control of their capital allocation.

The Debtors' ability to maintain adequate liquidity depends, in part, upon industry conditions and general economic, financial, competitive, regulatory, and other factors beyond the Debtors' control. The Debtors' liquidity, including the ability to meet ongoing operational obligations, will be dependent upon, among other things: (a) ability to maintain adequate cash on hand; (b) ability to generate cash flow from operations; (c) ability to develop, confirm, and consummate a chapter 11 plan or other alternative restructuring. Furthermore, the Debtors' liquidity is contingent upon the proceeds of the Exit Facility. Without approval of the Exit Facility and the Exit Facility Documents under the Confirmation Order, the Debtors will have insufficient funds to maintain adequate liquidity to fund the Plan.

In the event that cash on hand and cash flow from operations are not sufficient to meet the Debtors' liquidity needs, the Debtors may be required to seek additional financing. The Debtors may seek to enter into a revolving credit facility, effective as of or after the Effective Date, the implementation of which would require the consent of the Required Consenting Parties. However, the Debtors can provide no assurance that a revolving credit facility or other financing would be available or, if available, offered to the Debtors on acceptable terms.

6. Drilling For and Producing Natural Gas and Crude Oil Are High Risk Activities with Many Uncertainties That Could Adversely Affect the Debtors' Business, Financial Condition or Results of Operations.

The Debtors' oil and natural gas operations are subject to all of the risks and hazards typically associated with drilling, completion, production and transportation of, oil and natural gas. These risks include blowouts, fire, explosion, pipe failure, casing collapse, abnormally pressured formations, and environmental hazards such as oil

spills, natural gas leaks, discharges of toxic gases, underground migration and surface spills or mishandling of fracture fluids, including chemical additives. The Debtors' operations could also be interrupted by severe weather, natural disasters, or drilling restrictions. The Debtors' operations are conducted primarily in the Rocky Mountain region of the United States. The Debtors also have properties in the north-central Pennsylvania area of the Appalachian Basin. The weather in these areas can be extreme and can cause interruption in the Debtors' exploration and production operations. Severe weather can result in damage to their facilities entailing longer operational interruptions and significant capital investment.

These risks of the oil and gas industry also include the necessity of spending large amounts of money for identification and acquisition of properties and for drilling and completion of wells and risks and uncertainty associated with marketing any production that is obtained. In the drilling and completing of wells, failures and losses may occur before any deposits of oil or natural gas are found and produced. If oil or natural gas is encountered, there can be no assurance that it can be produced in quantities sufficient to justify the cost of continuing such operations or that it can be marketed satisfactorily.

The occurrence of any or several of these events with respect to any property the Debtors own or operate (in whole or in part) could have a material adverse impact on the Debtors. The Debtors and the operators of their properties maintain insurance in accordance with customary industry practices and in amounts that the Debtors' management believes to be reasonable. However, insurance coverage is not always economically feasible and is not obtained to cover all types of operational risks. The occurrence of a significant event that is not fully insured could have a material adverse effect on the Debtors' financial condition.

7. Natural Gas and Crude Oil Prices Can Fluctuate Widely Due to a Number of Factors That Are Beyond the Debtors' Control, and Depressed or Declining Natural Gas or Crude Oil Prices Could Significantly Affect the Debtors' Financial Condition and Results of Operations.

The price the Debtors receive for their oil and natural gas heavily influences their revenue, profitability, access to capital and future rate of growth. Oil and natural gas are commodities and, therefore, their prices are subject to wide fluctuations in response to relatively minor changes in supply and demand. Historically, the markets for oil and natural gas have been volatile. For example, spot natural gas prices during 2015 ranged from a high of $3.30 to a low of $1.54 per MMBtu and the spot oil prices during 2015 ranged from a high of $61.43 to a low of $34.73 per Bbl. During 2016, commodity prices have continued to be volatile, with spot natural gas prices ranging as low as $1.81 per MMBtu and the spot oil prices ranging as low as $26.21 per Bbl earlier this year. These markets will likely continue to be volatile in the future.

The prices the Debtors receive for their production and the levels of the Debtors' production depend on numerous factors beyond the Debtors' control. These factors include the following:

- worldwide and regional economic conditions impacting the global supply and demand for oil and natural gas;
- the actions of the Organization of Petroleum Exporting Countries;
- the price and quantity of imports of foreign oil and natural gas;
- political conditions in or affecting other oil and natural gas-producing countries;
- the level of global oil and natural gas exploration and production;
- the level of global oil and natural gas inventories;
- localized supply and demand fundamentals and transportation availability;
- weather conditions and natural disasters;

- domestic, local and foreign governmental regulations and taxes;
- speculation as to the future price of oil and natural gas and the speculative trading of oil and natural gas futures contracts;
- price and availability of competitors' supplies of oil and natural gas;
- technological advances affecting energy consumption; and
- the price and availability of alternative fuels.

Substantially all of the Debtors' production is currently sold at market based prices. Lower oil and natural gas prices reduce their cash flows, borrowing ability and the present value of their reserves. Lower oil and natural gas prices also reduce the amount of oil and natural gas the Debtors can produce economically. Substantial decreases in oil and natural gas prices could render uneconomic a significant portion of the Debtors' identified drilling locations, and may cause the Debtors to make significant downward adjustments to their estimated proved reserves or to be unable to claim proved undeveloped reserves at all. If oil and natural gas prices experience a substantial or extended decline from current levels, the Debtors' future business, financial condition, results of operations, liquidity or ability to finance planned capital expenditures will be materially and adversely affected.

Natural gas comprised approximately 93 percent of the Debtors' total production for its fiscal year ended December 31, 2015 and represented 92 percent of the Debtors' total proved reserves as of December 31, 2015. Crude oil comprised approximately 7.3 percent of the Debtors' total production for the fiscal year ended December 31, 2015 and represented 5 percent of the Debtors' total proved reserves as of December 31, 2015. Crude oil prices declined substantially during 2015 and have remained very low during the first months of 2016. Most of the production from the Debtors' Uinta Basin properties is crude oil.

Volatility of natural gas and crude oil prices also makes it difficult to budget for and project the return on potential acquisitions and development and exploration projects, and sustained lower natural gas prices have caused and may, in the future continue to cause, the Debtors and/or the operators of properties in which the Debtors have ownership interests to curtail projects and limit or suspend drilling, completion or even production activities.

8. Unless the Debtors Are Able to Replace Reserves They Have Produced, Their Cash Flows and Production Will Decrease over Time. The Debtors Will Be Required to Make Substantial Capital Expenditures to Develop Their Existing Reserves and to Discover New Oil and Gas Reserves. The Debtors May Not Be Able to Replace Their Reserves or Generate Cash Flows If They Are Unable to Raise Capital.

The Debtors' future success depends on their ability to find, acquire, develop and produce additional oil and gas reserves that are economically recoverable. Without successful exploration, development or acquisition activities, the Debtors' reserves and production will decline. The Debtors' ability to continue exploration and development of their properties and to replace reserves depends upon their ability to fund the related and substantial capital expenditures for such activities. Continued periods of depressed commodity prices or further commodity price decreases could have a material adverse effect on the Debtors' ability to fund such capital expenditures. Without the ability to fund capital expenditures, the Debtors will be unable to replace reserves and production. There can also be no assurance that the Debtors will be able to fund the capital expenditures necessary to allow further exploration and development of their properties.

9. The Debtors' Reserve Estimates May Be Incorrect If the Assumptions upon Which These Estimates Are Based Are Inaccurate. Any Material Inaccuracies in These Reserve Estimates or Underlying Assumptions Will Materially Affect the Quantities and Present Value of the Debtors' Reserves.

There are numerous uncertainties inherent in estimating quantities of proved reserves and projected future rates of production and timing of development expenditures, including many factors beyond the Debtors' control.

The reserve data and standardized measures set forth herein represent only estimates. Reserve engineering is a subjective process of estimating underground accumulations of oil and natural gas that cannot be measured in an exact way and the accuracy of any reserve estimate is a function of the quality of available data and of engineering and geological interpretation and judgment. As a result, estimates of different engineers often vary. In addition, drilling, testing and production data acquired subsequent to the date of an estimate may justify revising such estimates. Accordingly, reserve estimates are often different from the quantities of oil, natural gas and natural gas liquids ("NGLs") that are ultimately recovered. Further, the estimated future net revenues from proved reserves and the present value thereof are based upon certain assumptions, including geologic success, the timing and identification of future drilling locations, commodity prices, future production levels, costs and the ability to finance future development that may not prove correct over time. Predictions of future production levels, development schedules (particularly with regard to non-operated properties), commodity prices and future operating costs are subject to great uncertainty, and the meaningfulness of such estimates is highly dependent upon the accuracy of the assumptions upon which they are based.

The present value of net proved reserves included any of the Debtors' reserve reports should not be considered as the market value of the reserves attributable to the Debtors' properties. In accordance with SEC requirements, the Debtors base the present value, discounted at 10 percent, of the pre-tax future net cash flows attributable to their net proved reserves on the average oil and natural gas prices during the 12-month period before the ending date of the period covered by this report determined as an un-weighted, arithmetic average of the first-day-of-the-month price for each month within such period, adjusted for quality and transportation fees. The costs to produce the reserves remain constant at the costs prevailing on the date of the estimate. Actual current and future commodity prices and costs may be materially higher or lower, and higher future costs and/or lower future commodity prices may impact whether development of the Debtors' reserves in the future occurs as scheduled or at all. In addition, the 10 percent discount factor, which the SEC requires the Debtors to use in calculating their discounted future net revenues for reporting purposes, may not be the most appropriate discount factor based on the Debtors' cost of capital from time to time and/or the risks associated with the Debtors business.

10. The Debtors May Fail To Fully Identify Problems with Any Properties They Acquire. For Example, the Debtors' Acquisitions May Perform Worse Than They Expected or Prove to Be Worth Less Than What the Debtors Paid Because of Uncertain Factors and Matters Beyond the Debtors' Control. In Addition, the Debtors' Acquisitions May Expose Them to Potentially Significant Liabilities.

The Debtors acquired a portion of the Debtors' acreage position in Wyoming, Pennsylvania, and Utah through property acquisitions and acreage trades, and the Debtors may acquire additional acreage in these or other regions in the future. Although the Debtors conduct a review of properties they acquire which they believe is consistent with industry practices, the Debtors can give no assurance that they have identified or will identify all existing or potential problems associated with such properties or that they will be able to mitigate any problems they do identify. When the Debtors make acquisitions of oil and gas properties, they make assumptions about many uncertain factors, including estimates of recoverable reserves, expected timing of recovering acquired reserves, future commodity prices, expected development and operating costs, and other matters, many of which are beyond their control. Assumptions about uncertain factors may be wrong, and the properties the Debtors acquire may perform worse than they expect, materially and adversely affecting their operations and financial condition.

11. Competitive Industry Conditions May Negatively Affect The Debtors' Ability to Conduct Operations and to Execute Their Business Plan.

The Debtors compete with numerous other companies in virtually all facets of their business. Their competitors in development, exploration, acquisitions and production include major integrated oil and natural gas companies as well as numerous independents, including many that have significantly greater resources. Therefore, competitors may be able to pay more for desirable leases and evaluate, bid for and purchase a greater number of properties or prospects than the Debtors' financial or personnel resources permit. The Debtors also compete for the materials, equipment and services that are necessary for the exploration, development and operation of their properties. The Debtors' ability to increase reserves in the future will be dependent on their ability to select and acquire suitable prospects for future exploration and development.

12. Compliance with Legislation and Regulatory Actions, Including Environmental and Other Government Regulations, Could Be Costly and Could Negatively Impact the Debtors' Financial Condition and Operations.

The Debtors' operations are subject to numerous laws and regulations, including laws and regulations relating to environmental protection and other governmental regulations. These laws and regulations, which are continuously being reviewed for amendment and/or expansion, may require that the Debtors obtain permits before developing their properties, restrict substances that can be released into the environment in connection with the Debtors' drilling, completion and/or production activities, limit or prohibit the Debtors' drilling activities on protected areas such as wetlands or wilderness areas, and require remedial measures to mitigate pollution from former operations, such as plugging abandoned wells.

Under these laws and regulations or under the common law, the Debtors could be liable for personal injury and clean-up costs and other environmental, natural resource and property damages, as well as administrative, civil and criminal penalties. The Debtors could also be affected by more stringent laws and regulations adopted in the future, including any related to climate change, engine emissions, greenhouse gases and hydraulic fracturing. The Debtors maintain limited insurance coverage for sudden and accidental environmental damages, but do not maintain insurance coverage for the full potential liability that could be caused by accidental environmental damages. Accordingly, the Debtors may be subject to liability in excess of their insurance coverage or may be required to cease production from properties in the event of environmental damages.

A significant percentage of the Debtors' operations are conducted on federal and state lands. These operations are subject to a wide variety of regulations as well as other permits and authorizations which must be obtained from and issued by state and federal agencies. To conduct these operations, the Debtors may be required to file applications for permits, seek agency authorizations and comply with various other statutory and regulatory requirements. Complying with any of these requirements may adversely affect the Debtors' ability to complete their drilling programs at the costs and in the time periods anticipated.

13. Federal Legislation and State Legislative and Regulatory Initiatives Relating to Hydraulic Fracturing Could Result in Increased Costs and Additional Operating Restrictions or Delays.

The Debtors use hydraulic fracturing to stimulate production of hydrocarbons, particularly natural gas, from tight formations in their properties. The process involves the injection of water, sand and chemicals under pressure into formations to fracture the surrounding rock and stimulate production. The process is typically regulated by state oil and gas commissions but is not subject to regulation at the federal level (except for fracturing activity involving the use of diesel). The U.S. Environmental Protection Agency ("EPA") has commenced a study of the potential environmental impacts of hydraulic fracturing activities and has released a draft report; the final study has not yet been released. A committee of the U.S. House of Representatives is also conducting an investigation of hydraulic fracturing practices. In past sessions, legislation was introduced before Congress to provide for federal regulation of hydraulic fracturing and to require disclosure of the chemicals used in the fracturing process. In addition, some states have adopted, and other states are considering adopting, regulations that could restrict hydraulic fracturing in certain circumstances. Pennsylvania has adopted a variety of regulations limiting how and where fracturing can be performed. Wyoming has adopted regulations requiring producers to provide detailed information about wells they hydraulically fracture in that state. Some states have adopted or are considering adopting regulations requiring disclosure of chemicals in fluids used in hydraulic fracturing or other restrictions on drilling and completion operations, including requirements regarding casing and cementing of wells; testing of nearby water wells; restrictions on access to, and usage of, water; and restrictions on the type of chemical additives that may be used in hydraulic fracturing operations.

Any new laws or regulations that significantly restrict hydraulic fracturing could make it more difficult or costly for the Debtors to perform hydraulic fracturing activities and thereby affect their determination of whether a well is commercially viable. In addition, if hydraulic fracturing is regulated at the federal level, the Debtors' fracturing activities could become subject to additional permit requirements or operational restrictions and also to associated permitting delays and potential increases in costs. The Debtors have conducted hydraulic fracturing operations on most of their existing wells, and they anticipate conducting hydraulic fracturing operations on

substantially all of their future wells. As a result, restrictions on hydraulic fracturing could reduce the amount of oil and natural gas that the Debtors are ultimately able to produce in commercial quantities and adversely affect their operations and financial condition.

14. The Reorganized Debtors May Be Adversely Affected by Potential Litigation, Including Litigation Arising out of the Chapter 11 Cases.

The Debtors are currently subject to or interested in certain legal proceedings, some of which may adversely affect the Debtors. For example, on December 29, 2016, an adversary proceeding against HoldCo, OpCo, and UP Energy Corporation was initiated seeking a determination by the Bankruptcy Court of whether the OpCo Note Makewhole Claims on account of the OpCo Funded Debt Claims are valid and enforceable and should be Allowed in the amount of not less than $200,725,869 plus postpetition interest thereon at the contractual Default Rate. The Debtors filed their Motion to Dismiss in response thereto on on January 30, 2017. A status conference with respect to the adversary proceeding is scheduled for February 16, 2017, at 2:00 p.m. (prevailing Central Time).

In the future, the Reorganized Debtors may become party to litigation. In general, litigation can be expensive and time consuming to bring or defend against. Such litigation could result in settlements or damages that could significantly affect the Reorganized Debtors' financial results. It is also possible that certain parties will commence litigation with respect to the treatment of their Claims and Interests under the Plan. It is not possible to predict the potential litigation that the Reorganized Debtors may become party to, nor the final resolution of such litigation. The impact of any such litigation on the Reorganized Debtors' businesses and financial stability, however, could be material.

15. The Loss of Key Personnel Could Adversely Affect the Debtors' Operations.

The Debtors' operations are dependent on a relatively small group of key management personnel, including the Debtors' executive officers. The Debtors' recent liquidity issues and the Chapter 11 Cases have created distractions and uncertainty for key management personnel and employees. As a result, the Debtors have experienced and may continue to experience increased levels of employee attrition. Because competition for experienced personnel in the oil and gas industry can be significant, the Debtors may be unable to find acceptable replacements with comparable skills and experience and the loss of such key management personnel could adversely affect the Debtors' ability to operate their businesses. In addition, a loss of key personnel or material erosion of employee morale at the corporate and/or field levels could have a material adverse effect on the Debtors' ability to meet customer and counterparty expectations, thereby adversely affecting the Debtors' businesses and the results of operations.

16. Certain Claims May Not Be Discharged and Could Have a Material Adverse Effect on the Debtors' Financial Condition and Results of Operations.

The Bankruptcy Code provides that the confirmation of a plan of reorganization discharges a debtor from substantially all debts arising prior to confirmation. With few exceptions, all claims that arise prior to the Debtors' filing a petition for reorganization under the Bankruptcy Code or before confirmation of the plan of reorganization (a) would be subject to compromise and/or treatment under the plan of reorganization and/or (b) would be discharged in accordance with the terms of the plan of reorganization. Any claims not ultimately discharged through a plan of reorganization could be asserted against the reorganized entity and may have an adverse effect on the Reorganized Debtors' financial condition and results of operations on a post-reorganization basis.

IN RESPONSE TO AN INQUIRY FROM THE UNITED STATES GOVERNMENT, THE DEBTORS INTEND TO INCLUDE THE FOLLOWING RESERVATION OF RIGHTS IN THE PLAN:

Nothing in the Confirmation Order or the Plan discharges, releases, precludes, or enjoins: (i) any liability to any Governmental Unit that is not a Claim; (ii) any Claim of a Governmental Unit arising on or after the Effective Date; (iii) any police or regulatory liability to a Governmental Unit that any Entity would be subject to under applicable non-bankruptcy law as the owner or operator of property after the Effective Date; or (iv) any liability to a Governmental Unit under applicable non-bankruptcy law on the part of any Entity other than the Debtors or Reorganized Debtors. Nor shall anything in the Confirmation Order or the Plan enjoin or otherwise bar a Governmental Unit from asserting or enforcing, outside this Court, any liability described in the preceding sentence. Nothing in the Confirmation Order or the Plan shall affect any setoff or recoupment rights of any Governmental Unit under section 553 of the Bankruptcy Code or applicable non-bankruptcy law. Nothing in the Confirmation Order or the Plan divests any tribunal of any jurisdiction it may have under police or regulatory law to adjudicate any defense asserted under the Confirmation Order or the Plan. Nothing in the Confirmation Order or the Plan shall require the United States to file a request for the payment of an expense described in section 503(b)(1)(B) or (C) of the Bankruptcy Code as a condition of it being an Allowed Administrative Claim.

XI. SOLICITATION AND VOTING PROCEDURES.

This Disclosure Statement, which is accompanied by a Ballot or Ballots to be used for voting on the Plan, is being distributed to the holders of Claims and Interests in those Classes that are entitled to vote to accept or reject the Plan. The procedures and instructions for voting and related deadlines are set forth in the exhibits annexed to the Disclosure Statement Order, which is attached hereto as **Exhibit C**.

The Disclosure Statement Order is incorporated herein by reference and should be read in conjunction with this Disclosure Statement and in formulating a decision to vote to accept or reject the Plan.

THE DISCUSSION OF THE SOLICITATION AND VOTING PROCESS SET FORTH IN THIS DISCLOSURE STATEMENT IS ONLY A SUMMARY.
PLEASE REFER TO THE DISCLOSURE STATEMENT ORDER ATTACHED HERETO FOR A MORE COMPREHENSIVE DESCRIPTION OF THE SOLICITATION AND VOTING PROCESS.

A. Holders of Claims and Interests Entitled to Vote on the Plan.

Under the provisions of the Bankruptcy Code, not all holders of claims against or interests in a debtor are entitled to vote on a chapter 11 plan. The table in section III.C of this Disclosure Statement, which begins on page 9 hereof, provides a summary of the status and voting rights of each Class (and, therefore, of each holder within such Class absent an objection to the holder's Claim or Interest, as applicable) under the Plan.

As shown in the table, the Debtors are soliciting votes to accept or reject the Plan only from holders of Claims and Interests in Classes 3, ~~4, 5~~6, 7, 8 and 9~~, 10, 11, 14~~ (collectively, the "Voting Classes"). The holders of Claims and Interests in the Voting Classes are Impaired under the Plan and may, in certain circumstances, receive a distribution under the Plan. Accordingly, holders of Claims and Interests in the Voting Classes have the right to vote to accept or reject the Plan.

The Debtors are ***not*** soliciting votes from holders of Claims and Interests in Classes 1, 2, ~~6, 8, 12, 13~~4, and~~ 15~~ 5. Additionally, the Disclosure Statement Order provides that certain holders of Claims and Interests in the Voting Classes, such as those holders whose Claims or Interests have been disallowed or are subject to a pending objection, are not entitled to vote to accept or reject the Plan.

B. Voting Record Date.

The order approving the Disclosure Statement will provide that the voting record date is ~~January 11, 2017.~~[__]. The voting record date under the order approving the Disclosure Statement is the date on which it will be determined which holders of Claims and Interests in the Voting Classes are entitled to vote to accept or reject the Plan and whether Claims and Interests have been properly assigned or transferred under Bankruptcy Rule 3001(e) such that an assignee or transferee, as applicable, can vote to accept or reject the Plan as the holder of a Claim or Interest.

C. Voting on the Plan.

The order approving the Disclosure Statement will provide that the deadline to vote on the Plan is ~~February 23~~**March 13, 2017**~~,~~ **at 4:00 p.m.** (prevailing Central Time~~.~~). To be counted as votes to accept or reject the Plan, all ballots must be properly executed, completed, and delivered in accordance with the instructions on your ballot so that the ballots are **actually received** by the Debtors' voting and claims agent (the "Voting and Claims Agent") on or before the deadline to vote on the Plan under the order approving the Disclosure Statement.

D. Ballots Not Counted.

No ballot will be counted toward Confirmation if, among other things: (1) it is illegible or contains insufficient information to permit the identification of the holder of the Claim or Interest; (2) it was transmitted by facsimile, email, or other electronic means not specifically approved pursuant to the Disclosure Statement Order; (3) it was cast by an entity that is not entitled to vote on the Plan; (4) it was cast for a Claim or Interest listed in the Debtors' schedules as contingent, unliquidated, or disputed for which the applicable Bar Date has passed and no Proof of Claim was timely filed; (5) it was cast for a Claim that is subject to an objection pending as of the voting record date (unless temporarily allowed in accordance with the Disclosure Statement Order); (6) it was sent to the Debtors, the Debtors' agents/representatives (other than the Voting and Claims Agent), an indenture trustee, or the Debtors' financial or legal advisors instead of the Voting and Claims Agent; (7) it is unsigned; or (8) it is not clearly marked to either accept or reject the Plan or it is marked both to accept and reject the Plan. **Please refer to the Disclosure Statement Order for additional requirements with respect to voting to accept or reject the Plan.**

IF YOU HAVE ANY QUESTIONS ABOUT THE SOLICITATION OR VOTING PROCESS, PLEASE CONTACT THE VOTING AND CLAIMS AGENT TOLL-FREE (844) 276-3028. ANY BALLOT RECEIVED AFTER THE VOTING DEADLINE OR OTHERWISE NOT IN COMPLIANCE WITH THE SOLICITATION ORDER WILL NOT BE COUNTED.

XII. CONFIRMATION OF THE PLAN.

A. Requirements for Confirmation of the Plan.

Among the requirements for Confirmation of the Plan pursuant to section 1129 of the Bankruptcy Code are: (1) the Plan is accepted by all Impaired Classes of Claims or Interests, or if rejected by an Impaired Class, the Plan "does not discriminate unfairly" and is "fair and equitable" as to the rejecting Impaired Class; (2) the Plan is feasible; and (3) the Plan is in the "best interests" of holders of Claims and Interests.

At the Confirmation Hearing, the Bankruptcy Court will determine whether the Plan satisfies all of the requirements of section 1129 of the Bankruptcy Code. The Debtors believe that: (1) the Plan satisfies, or will satisfy, all of the necessary statutory requirements of chapter 11; (2) the Debtors have complied, or will have complied, with all of the necessary requirements of chapter 11; and (3) the Plan has been proposed in good faith.

CERTAIN PARTIES ASSERT THAT THE PLAN HAS NOT BEEN PROPOSED IN GOOD FAITH~~ AND THAT OPCO'S BOARD MEMBERS, MICHAEL D. WATFORD AND GARLAND R. SHAW, CANNOT ADEQUATELY REPRESENT OPCO'S INTERESTS BECAUSE THEY HOLD EQUITY INTERESTS IN HOLDCO AND BECAUSE THEY ARE POTENTIAL PARTICIPANTS IN THE MANAGEMENT INCENTIVE PLAN CONTEMPLATED BY THE PLAN.~~. THE OPCO GROUP'S ARGUMENTS WITH RESPECT TO SUCH MATTERS ARE SET FORTH IN, AMONG OTHER THINGS, ITS MOTION

PURSUANT TO BANKRUPTCY RULE 3013 [DOCKET NO. 878] AND ITS MOTION FOR THE APPOINTMENT OF A CHAPTER 11 TRUSTEE AT OPCO [DOCKET NO. 875].

The Debtors strongly disagree with this characterization and believe that the Plan has been proposed in good faith. As explained in greater detail in the Debtors' objection to the OpCo Group's motion to appoint a chapter 11 trustee [Docket No. 941], there is not a "conflict" of any type between HoldCo and OpCo and the "conflicts" alleged by the OpCo Group are not conflicts at all and do not harm any stakeholders (let alone the OpCo Group). Furthermore, there is no deadlocked OpCo (or any other Debtor) board; instead, the Debtors' boards and management have functioned quite appropriately in negotiating and filing a Plan that calls for the payment in full of all claims against all Debtors and a substantial recovery for owners of Holdco equity. Furthermore, as to the alleged "conflicts" based on Messrs. Watford and Shaw's ownership of Existing HoldCo Common Stock, this is no different than employee-directors of other debtor-subsidiaries in complex chapter 11 cases who hold the equity in their respective upstream debtor entities. Finally, any awards under the the proposed Management Incentive Plan, which is subject to confirmation by the Bankruptcy Court as part of the Confirmation Hearing, are subject to approval by HoldCo's (and reorganized HoldCo's) boards, will have no impact whatsoever on any recovery to members of the OpCo Group, and will dilute only the owners of reorganized HoldCo (the majority of whom includes the parties to the PSA who negotiated the terms of the Plan).

For these reasons, the Debtors submit that the interests of OpCo and HoldCo are completely aligned. ~~Because OpCo is solvent, OpCo's board is obligated to maximize the value of OpCo by ensuring that OpCo's contractual liabilities are satisfied in full (but no more and no less), and by working to preserve as much value as possible for OpCo's upstream owners: HoldCo and its stakeholders.~~

The rights of all parties in interest with respect to this matter, including the right to object to confirmation of the Plan on the grounds that the Plan has not been proposed in good faith and whether the Disclosure Statement contains sufficient disclosure regarding this matter, are fully reserved and preserved in all respects.

B. Best Interests of Creditors/Liquidation Analysis.

Often called the "best interests" test, section 1129(a)(7) of the Bankruptcy Code requires that a bankruptcy court find, as a condition to confirmation, that a chapter 11 plan provides, with respect to each impaired class, that each holder of a claim or an equity interest in such impaired class either (1) has accepted the plan or (2) will receive or retain under the plan property of a value that is not less than the amount that the non-accepting holder would receive or retain if the Debtors liquidated under chapter 7 of the Bankruptcy Code. Attached hereto as **Exhibit F** and incorporated herein by reference is a liquidation analysis (the "Liquidation Analysis"). As reflected in the Liquidation Analysis, the Debtors believe that liquidation of the Debtors' businesses under chapter 7 of the Bankruptcy Code would result in substantial diminution in the value to be realized by holders of Claims and Interests as compared to distributions contemplated under the Plan. Consequently, the Debtors and their management believe that Confirmation of the Plan will provide a substantially greater return to holders of Claims and Interests than would a liquidation under chapter 7 of the Bankruptcy Code.

~~CERTAIN PARTIES ASSERT THAT OPCO NOTE CLAIMS AND OPCO RCF CLAIMS WILL NOT RECEIVE A 100 PERCENT RECOVERY AND THAT THE PROPOSED TREATMENT OF SUCH CLAIMS IS NOT IN THE BEST INTERESTS OF CREDITORS. The Debtors disagree with this characterization of these matters.~~

FURTHERMORE, CERTAIN PARTIES ASSERT THAT THE DISCLOSURE STATEMENT DOES NOT CONTAIN ADEQUATE INFORMATION BECAUSE THE LIQUIDATION ANALYSIS HAS BEEN PREPARED ON A CONSOLIDATED BASIS. The Debtors submit that the development of a separate Liquidation Analysis for each Debtor is not necessary or appropriate for purposes of approval of the Disclosure Statement under the facts and circumstances of the Chapter 11 Cases because: (a) each holder of an Allowed Claim will accept the Plan; or (b) the Debtors will demonstrate at the Confirmation Hearing that each holder of an Allowed Claim will receive or retain under the Plan property of a value, as of the Effective Date, that is not less than the amount that such holder would receive if the Debtors were liquidated under chapter 7 of the Bankruptcy Code. The Debtors are prepared to meet their evidentiary burden (if any) with respect to such matters at the Confirmation Hearing. The rights of all parties are fully preserved with respect to such matters.

C. Feasibility.

Section 1129(a)(11) of the Bankruptcy Code requires that confirmation of a plan of reorganization is not likely to be followed by the liquidation, or the need for further financial reorganization of the debtor, or any successor to the debtor (unless such liquidation or reorganization is proposed in such plan of reorganization).

To determine whether the Plan meets this feasibility requirement, the Debtors have analyzed their ability to meet their respective obligations under the Plan. As part of this analysis, the Debtors have prepared the Financial Projections. Based upon the Financial Projections, the Debtors believe that they will be a viable operation following their emergence from chapter 11 and that the Plan will meet the feasibility requirements of the Bankruptcy Code.

CERTAIN PARTIES ASSERT THAT THE PLAN IS NOT CONFIRMABLE BECAUSE THE REORGANIZED DEBTORS MAY NOT HAVE THE FINANCIAL WHEREWITHAL TO SATISFY THE CURRENTLY DISPUTED PORTIONS OF THE OPCO NOTE CLAIMS (WHICH DISPUTED PORTIONS ARE BASED ON, WITHOUT LIMITATION, ASSERTED CLAIMS ON ACCOUNT OF A MAKEWHOLE AMOUNT, POSTPETITION INTEREST THEREON AT THE CONTRACTUAL DEFAULT RATE, AND OTHER AMOUNTS ASSERTED TO BE DUE AND OWING UNDER THE OPCO NOTES MNPA, THE OPCO NOTES, AND THE OPCO RCF, INCLUDING WITHOUT LIMITATION, POSTPETITION INTEREST AT THE CONTRACTUAL DEFAULT RATE AND ALL FEES AND EXPENSES) IN FULL IN CASH TO THE EXTENT THAT ANY PORTION OF SUCH CLAIMS IS ALLOWED AFTER THE EFFECTIVE DATE.

The Debtors disagree. As set forth in this Disclosure Statement, based upon the Financial Projections, the Debtors believe that the Reorganized Debtors will have the financial wherewithal to satisfy any currently disputed portions of the OpCo Funded Debt Claims, in full and in Cash as provided in the Plan, to the extent that any such Claim is Allowed after the Effective Date. For this reason, the Debtors submit that the Plan is feasible notwithstanding the fact that the Debtors will not "reserve" for any such Claims that may become Allowed Claims after the Effective Date.

The rights of all parties are fully preserved with respect to such matters.

The Financial Projections are attached hereto as **Exhibit D** and incorporated herein by reference.

D. Acceptance by Impaired Classes.

The Bankruptcy Code requires, as a condition to confirmation, except as described in the following section, that each class of claims or equity interests impaired under a plan, accept the plan. A class that is not "impaired"

under a plan is ~~d~~pre~~e~~sumed to have accepted the plan and, therefore, solicitation of acceptances with respect to such a class is not required.[14]

Section 1126(c) of the Bankruptcy Code defines acceptance of a plan by a class of impaired claims as acceptance by holders of at least two-thirds in a dollar amount and more than one-half in a number of allowed claims in that class, counting only those claims that have *actually* voted to accept or to reject the plan. Thus, a class of claims will have voted to accept the plan only if two-thirds in amount and a majority in number actually cast their ballots in favor of acceptance. Pursuant to section 1126(d) of the Bankruptcy Code, a class of interests will be ~~d~~pre~~e~~sumed to accept a plan if holders of at least two-third in amount of the allowed interests of such class have voted to accept the plan.

~~CERTAIN PARTIES ASSERT THE DISCLOSURE STATEMENT DOES NOT ADEQUATELY INFORM HOLDERS OF CLAIMS IN CLASSES 9, 10, AND 11 WHY THEIR CLAIMS ARE IMPAIRED.~~

~~The Debtors disagree. The Debtors believe that the Plan is clear with respect to the proposed treatment of Claims in Classes 9, 10, and 11 and no further information is required to adequately inform why their claims are impaired. In light of the Reorganized Debtors' projected financial condition as of the Effective Date, including the need to make significant Cash distributions to certain holders of Allowed Claims on the Effective Date, and the go-forward liquidity needs of the Reorganized Debtors, although the Debtors expect to have adequate liquidity at emergence to fund the Plan, the Debtors nevertheless believe it is prudent and in their best interests to satisfy Claims in Classes 9, 10, and 11 following the Effective Date, rather than on the Effective Date. The Debtors also submit that the treatment of Claims in Classes 9, 10, and 11 under the Plan will permit the Reorganized Debtors to engage in discussions with the holders of such Claims following the Effective Date, which may permit the Reorganized Debtors to reduce the Allowed amounts of any such Claims. The Debtors submit that the impairment of Claims in Classes 9, 10, and 11 are consistent with the Bankruptcy Code and applicable law. The Debtors are prepared to meet their evidentiary burden (if any) with respect to such matters at the Confirmation Hearing. The rights of all parties are fully preserved with respect to such matters.~~

E. Confirmation without Acceptance by All Impaired Classes.

Section 1129(b) of the Bankruptcy Code allows a bankruptcy court to confirm a plan even if all impaired classes have not accepted it; *provided*~~,~~ that the plan has been accepted by at least one impaired class. Pursuant to section 1129(b) of the Bankruptcy Code, notwithstanding an impaired class's rejection or deemed rejection of the plan, the plan will be confirmed, at the plan proponent's request, in a procedure commonly known as a "cramdown" so long as the plan does not "discriminate unfairly" and is "fair and equitable" with respect to each class of claims or equity interests that is impaired under, and has not accepted, the plan.

If any Impaired Class rejects the Plan, the Debtors reserve the right to seek to confirm the Plan utilizing the "cramdown" provision of section 1129(b) of the Bankruptcy Code. To the extent that any Impaired Class rejects the Plan or is deemed to have rejected the Plan, the Debtors will request Confirmation of the Plan, as it may be modified from time to time, under section 1129(b) of the Bankruptcy Code. The Debtors reserve the right, subject to the Plan Support Agreement and Backstop Commitment Agreement, to alter, amend, modify, revoke, or withdraw the Plan or any Plan Supplement document, including the right to amend or modify the Plan or any Plan Supplement document to satisfy the requirements of section 1129(b) of the Bankruptcy Code. The Plan Support Agreement and the Backstop Commitment Agreement each provide that the Consenting HoldCo Noteholders and Consenting HoldCo Equityholders may terminate their obligations thereunder if the Debtors withdraw or revoke the Plan under certain circumstances.

[14] A class of claims is "impaired" within the meaning of section 1124 of the Bankruptcy Code unless the plan (a) leaves unaltered the legal, equitable and contractual rights to which the claim or equity interest entitles the holder of such claim or equity interest or (b) cures any default, reinstates the original terms of such obligation, compensates the holder for certain damages or losses, as applicable, and does not otherwise alter the legal, equitable, or contractual rights to which such claim or equity interest entitles the holder of such claim or equity interest.

THE PLAN PROVIDES THAT THE DEBTORS SHALL SEEK CONFIRMATION OF THE PLAN PURSUANT TO SECTION 1129(b) OF THE BANKRUPTCY CODE WITH RESPECT TO ANY REJECTING CLASS OF CLAIMS OR INTERESTS. The Debtors reserve the right, to the extent permitted or required by the Bankruptcy Code to modify the Plan in accordance with Article X of the Plan to the extent, if any, that Confirmation (including Confirmation pursuant to section 1129(b) of the Bankruptcy Code) requires modification of any provision of the Plan, including, without limitation, by (a) modifying the treatment applicable to a Class of Claims or Interests to render such Class of Claims or Interests Unimpaired to the extent permitted by the Bankruptcy Code and the Bankruptcy Rules, (b) reclassifying any Claim or Interest in one particular Class together with any substantially similar Claim or Interest in a different Class, as applicable, to the extent permitted by the Bankruptcy Code and the Bankruptcy Rules, and/or (c) withdrawing the Plan as to an individual Debtor at any time before the Confirmation Date.

The rights of all parties in interest with respect to any modification of the Plan, including the right to object to confirmation of the Plan on the grounds that any such modification is impermissible under the Bankruptcy Code or that there was insufficient disclosure of such modification in the Disclosure Statement, are fully reserved and preserved in all respects.

1. No Unfair Discrimination.

The "unfair discrimination" test applies to classes of claims or interests that are of equal priority and are receiving different treatment under a plan. The test does not require that the treatment be the same or equivalent, but that treatment be "fair." In general, bankruptcy courts consider whether a plan discriminates unfairly in its treatment of classes of claims and interests of equal rank (*e.g.*, classes of the same legal character). Bankruptcy courts will take into account a number of factors in determining whether a plan discriminates unfairly. A plan could treat two classes of unsecured creditors differently without unfairly discriminating against either class.

2. Fair and Equitable Test.

The "fair and equitable" test applies to classes of different priority and status (*e.g.*, secured versus unsecured) and includes the general requirement that no class of claims receive more than 100 percent of the amount of the allowed claims in the class. As to the dissenting class, the test sets different standards depending upon the type of claims or equity interests in the class.

The Debtors submit that if the Debtors "cramdown" the Plan pursuant to section 1129(b) of the Bankruptcy Code, the Plan is structured so that it does not "discriminate unfairly" and satisfies the "fair and equitable" requirement. With respect to the unfair discrimination requirement, all Classes under the Plan are provided treatment that is substantially equivalent to the treatment that is provided to other Classes that have equal rank. The Debtors believe that the Plan and the treatment of all Classes of Claims and Interests under the Plan satisfy the foregoing requirements for nonconsensual ~~C~~confirmation of the Plan.

F. Valuation of the Debtors.

In conjunction with formulating the Plan and satisfying their obligations under section 1129 of the Bankruptcy Code, the Debtors determined that it was necessary to estimate the post-Confirmation going concern value of the Debtors. The Valuation Analysis is set forth in **Exhibit E** attached hereto and incorporated herein by reference. ~~The Debtors are prepared to meet their evidentiary burden (if any) with respect to support for their valuation analysis at the Confirmation Hearing. The rights of all parties are fully preserved with respect to such matters.~~

~~**CERTAIN PARTIES ASSERT THAT THE DISCLOSURE STATEMENT DOES NOT PROVIDE SUPPORT FOR THE DEBTORS' $6 BILLION ENTERPRISE VALUE.**~~

On December 22, 2016, the Debtors filed a valuation analysis, attached as Exhibit E to the Disclosure Statement [Docket No. 872], supporting the Debtors' valuation. The Valuation Analysis, which was prepared by Petrie Partners LLC, one of the Debtors' investment bankers, estimates the total enterprise value of the Reorganized Debtors to be approximately $4.8 billion to $7.0 billion, with a midpoint of $5.9 billion as of the assumed Effective Date of March 31, 2017. Based on assumed pro forma net debt of $2.1 billion as of the assumed Effective Date, the total enterprise value implies an equity value range of $2.7 billion to $4.9 billion, with a midpoint of $3.8 billion. The Debtors are prepared to meet their evidentiary burden (if any) with respect to support for their valuation analysis at the Confirmation Hearing. The rights of all parties are fully preserved with respect to such matters**The Debtors have requested that the Committee elaborate on its request for further information regarding the Plan's proposed valuation for purposes of the Disclosure Statement**.

The Debtors are prepared to meet their evidentiary burden (if any) with respect to such matters at the Confirmation Hearing. The rights of all parties are fully preserved with respect to such matters.

G. Substantive Consolidation.

The Debtors are not currently proposing the substantive consolidation of their respective Estates.; *provided* that subject to satisfying the requirements for substantive consolidation pursuant to the Plan; provided, thatapplicable law, the Plan will provide for the substantive consolidation of certain of the Debtors to the extent necessary for Confirmation. Certain parties assert that the Debtors may not substantively consolidate their Estates. The Debtors disagree and submit that they may substantively consolidate certain Estates pursuant to applicable Fifth Circuit law. More specifically, courts in the Fifth Circuit have held that a court has the authority to order substantive consolidation of a debtors' estate. *See S.I. Acquisition, Inc. v. Eastway Delivery Serv., Inc. (In re S.I. Acquisition, Inc.)*, 817 F.2d 1142, 1145 n.2 (5th Cir. 1987) ("The bankruptcy court has authority to order de facto disregard of the corporate form through [substantive] consolidation proceedings."); *In re Permian Producers Drilling, Inc.*, 263 B.R. 510, 516 (W.D. Tex. 2000)(same).

The standard for determination of whether the circumstances merit substantive consolidation varies and takes into account the relative costs and benefits. *See Permian*, 263 B.R. at 517 (citing *In re Bonham*, 229 F.3d 750, 764 (9th Cir. 2000)); *see also In re Introgen Therapeutics, Inc.*, 429 B.R. 570, 584 (Bankr. W.D. Tex. 2010)("the party proposing consolidation must first show identity between the entities to be consolidated, and then show that consolidation is necessary in order to prevent harm or prejudice, or to effect a benefit generally.")

The Debtors believe that it may be appropriate to substantively certain Estates if it is necessary to obtain confirmation of the Plan given the significant benefits that the Plan would provide to the Debtors' stakeholders. The Debtors are prepared to meet their evidentiary burden (if any) with respect to such matters. The OpCo Group disputes that a valid basis may exist for the possible substantive consolidation of the Estates. The rights of all parties are fully preserved with respect to such matters.

XIII. RIGHTS OFFERING PROCEDURES.[15]

The procedures and instructions for exercising Subscription Rights are set forth in the Rights Offering Procedures, which are attached hereto as **Exhibit G**. The Rights Offering Procedures are incorporated herein by reference and should be read in conjunction with this Disclosure Statement in formulating a decision to exercise Subscription Rights. ***The discussion of the Rights Offering Procedures set forth in this Disclosure Statement is only a summary. Please refer to the Rights Offering Procedures attached as Exhibit G hereto for a more comprehensive description.***

Pursuant to the Plan, each holder of an Allowed HoldCo Note Claim, as of the Rights Offering RecordSubscription Commencement Date (defined as Rights Offering Participants in the Plan), will receive rights to

15. Capitalized terms used in this Article but not otherwise defined in this Disclosure Statement or the Plan shall have the meanings ascribed to them in the Backstop Commitment Agreement.

subscribe for its pro rata portion of 75 percent of the Shares (as defined in the Rights Offering Procedures) offered in the Rights Offering (the "HoldCo Noteholders Rights Offering" and, such Shares, the "HoldCo Noteholders Rights Offering Shares"), which HoldCo Noteholder Rights Offering Shares, collectively, will reflect an aggregate purchase price of $435,000,000 calculated by multiplying the number of Shares offered in the HoldCo Noteholder Rights Offering by the Purchase Price~~,~~; *provided* that it timely and properly executes and delivers its applicable Beneficial Holder Subscription Form(s) (with accompanying IRS Form W-9 or appropriate IRS Form W-8, as applicable) to the Subscription Agent or its Nominee~~,~~ (with accompanying other instructions required by such Nominee to deliver the relevant HoldCo Notes through The Depository Trust Company ("DTC") Automated Tender Offer Program ("ATOP")), as applicable, in advance of the Subscription ~~Expiration~~Instruction Deadline~~.~~ (as defined in the Rights Offering Procedures).

Pursuant to the Plan, each holder of Existing HoldCo Common Stock, as of the ~~Rights Offering Record~~Subscription Commencement Date, will receive rights to subscribe for its pro rata portion of 25 percent of the Shares offered in the Rights Offering (the "HoldCo Equityholders Rights Offering," and such Shares, the "HoldCo Equityholders Rights Offering Shares" and, together with the HoldCo Noteholders Rights Offering Shares, the "Rights Offering Shares"), which HoldCo Equityholder Rights Offering Shares, collectively, will reflect an aggregate purchase price of $145,000,000 calculated by multiplying the number of Shares offered in the HoldCo Equityholder Rights Offering by the Purchase Price; *provided*~~,~~ that it timely and properly executes and delivers its applicable Beneficial Holder Subscription Form(s) (with accompanying IRS Form W-9 or appropriate IRS Form W-8, as applicable) to the Subscription Agent or its Nominee~~,~~ (with accompanying other instructions required by such Nominee to deliver the relevant HoldCo Common Stock through ATOP), as applicable, in advance of the Subscription ~~Expiration~~Instruction Deadline.

No Rights Offering Participant shall be entitled to participate in the Rights Offering unless the aggregate Purchase Price (as defined below) for the Rights Offering Shares it subscribes for is received by the Subscription Agent (i) in the case of a Rights Offering Participant that is not a Commitment Party, by the Subscription ~~Expiration~~Payment Deadline~~,~~ (as defined in the Rights Offering Procedures), and (ii) in the case of a Rights Offering Participant that is a Commitment Party, no later than the deadline specified in a written notice (a "Funding Notice") delivered by or on behalf of the Debtors to the Commitment Parties in accordance with Section 2.4 of the Backstop Commitment Agreement (the "Backstop Funding Deadline"); *provided*~~,~~ that the Commitment Parties may deposit their aggregate Purchase Price in the Escrow Account (as defined below), in accordance with the terms of the Backstop Commitment Agreement. No interest is payable on any advanced funding of the Purchase Price. If the Rights Offering is terminated for any reason, the aggregate Purchase Price previously received by the Subscription Agent will be returned to eligible holders as provided in Section 6 of the Rights Offering Procedures. No interest will be paid on any returned Purchase Price. Any Rights Offering Participant who is not a Commitment Party submitting payment via its Nominee must coordinate such payment with its Nominee in sufficient time to allow the Nominee to forward such payment to the Subscription Agent by the Subscription ~~Expiration~~Payment Deadline.

TO PARTICIPATE IN THE RIGHTS OFFERING, EACH RIGHTS OFFERING PARTICIPANT MUST COMPLETE ALL THE STEPS OUTLINED IN THE RIGHTS OFFERING PROCEDURES ATTACHED AS EXHIBIT G HERETO. IF ALL OF THE STEPS OUTLINED IN THE RIGHTS OFFERING PROCEDURES ARE NOT COMPLETED BY THE SUBSCRIPTION ~~EXPIRATION~~INSTRUCTION DEADLINE, SUBSCRIPTION PAYMENT DEADLINE OR THE BACKSTOP FUNDING DEADLINE, AS APPLICABLE, THE RIGHTS OFFERING PARTICIPANT SHALL BE DEEMED TO HAVE FOREVER AND IRREVOCABLY RELINQUISHED AND WAIVED ITS RIGHT TO PARTICIPATE IN THE RIGHTS OFFERING.

To validly exercise its Subscription Rights, each Rights Offering Participant that is not a Commitment Party must:

- return duly completed and executed applicable Beneficial Holder Subscription Form(s) (with accompanying IRS Form W-9 or appropriate IRS Form W-8, as applicable) to the Subscription Agent or its Nominee~~,~~ (or otherwise follow the directions of its Nominee), as applicable, so that~~, if applicable,~~ such ~~documents~~holder's subscription instructions may be ~~transmitted to the Subscription Agent~~effected by the Nominee~~, so that such documents are actually~~

~~received~~ by delivering the ~~Subscription Agent by~~applicable HoldCo Notes or HoldCo Common Stock via DTC's ATOP system prior to the Subscription ~~Expiration~~Instruction Deadline; and

- at the same time it returns its Beneficial Holder Subscription Form(s) to its Nominee, but in no event later than the Subscription ~~Expiration~~Payment Deadline, pay, or arrange for the payment by its Nominee of, the applicable Purchase Price to the Subscription Agent by wire transfer **ONLY** of immediately available funds in accordance with the instructions included in the applicable Beneficial Holder Subscription Form(s).

To validly exercise its Subscription Rights, each Rights Offering Participant that is a Commitment Party must:

- return duly completed and executed applicable Beneficial Holder Subscription Form(s) (with accompanying IRS Form W-9 or appropriate IRS Form W-8, as applicable) to the Subscription Agent or its Nominee~~,~~, (or otherwise follow the directions of its Nominee), as applicable, so that~~, if applicable,~~ such ~~documents~~holder's subscription instructions may be ~~transmitted to the Subscription Agent~~effected by the Nominee~~, so that such documents are actually received~~ by delivering the ~~Subscription Agent by~~applicable HoldCo Notes or HoldCo Common Stock via DTC's ATOP system prior to the Subscription ~~Expiration~~Instruction Deadline;~~ and~~

- ensure that the Commitment Party Addendum is completed and returned to the Subscription Agent by the Subscription Payment Deadline; and

- no later than the Backstop Funding Deadline, pay the applicable Purchase Price to the Subscription Agent or to the escrow account established and maintained by a third party satisfactory to the Commitment Parties and the Debtors (the "Escrow Account") by wire transfer **ONLY** of immediately available funds in accordance with the wire instructions included in the Funding Notice.

ALL COMMITMENT PARTIES MUST PAY THEIR APPLICABLE PURCHASE PRICE DIRECTLY TO THE SUBSCRIPTION AGENT OR TO THE ESCROW ACCOUNT, AS APPLICABLE, AND SHOULD NOT PAY THEIR NOMINEE(S).

With respect to the requirements above, each eligible holder must duly complete, execute and return any applicable Beneficial Holder Subscription Form ~~in accordance with the~~ to their Nominee (or otherwise follow their Nominee's instructions~~ herein to its Nominee~~) in sufficient time to allow its Nominee to process its instructions and deliver ~~to the Subscription Agent the Master Subscription Form, its completed Beneficial Holder Subscription Form(s)~~ (with accompanying IRS Form W-9 or appropriate IRS Form W-8, as applicable~~),~~) the underlying HoldCo Notes or HoldCo Common Stock through ATOP, and, solely with respect to the eligible holders that are not Commitment Parties, payment of the applicable Purchase Price, payable for the Rights Offering Shares elected to be purchased by such eligible holder, by the Subscription ~~Expiration~~Payment Deadline. Eligible holders that are Commitment Parties must deliver their payment of the applicable Purchase Price payable for the Rights Offering Shares elected to be purchased by such Commitment Party directly to the Subscription Agent or to the Escrow Account, as applicable, no later than the Backstop Funding Deadline.

In the event that the funds received by the Subscription Agent or the Escrow Account, as applicable, from any eligible holder do not correspond to the Purchase Price payable for the Rights Offering Shares elected to be purchased by such Rights Offering Participant, the number of the Rights Offering Shares deemed to be purchased by such Rights Offering Participant will be the lesser of (a) the number of the Rights Offering Shares elected to be purchased by such Rights Offering Participant as evidenced by the relevant ATOP submission(s) and (b) a number of the Rights Offering Shares determined by dividing the amount of the funds received by the Purchase Price, in each case up to such Rights Offering Participant's pro rata portion of Rights Offering Shares. Any HoldCo Notes or HoldCo Common Stock submitted through ATOP that do not have a corresponding payment amount will be returned to the Nominee that submitted the instruction.

The cash paid to the Subscription Agent in accordance with the~~se~~ Rights Offering Procedures will be deposited and held by the Subscription Agent in a segregated account until released to the Debtors in connection with the settlement of the Rights Offering on the Effective Date. The Subscription Agent may not use such cash for any other purpose prior to the Effective Date and may not encumber or permit such cash to be encumbered with any lien or similar encumbrance. The cash held by the Subscription Agent hereunder shall not be deemed part of the Debtors' bankruptcy estates.

The Rights Offering Shares will be distributed and issued by the Debtors~~: (i) pursuant to an effective registration statement under the Securities Act (such offering, a "Registered Rights Offering"); or (ii)~~ without registration under the Securities Act, in reliance upon the exemption provided in section 1145 of the Bankruptcy Code~~ (such offering, an "1145 Rights Offering");~~. None of the Subscription Rights or the Rights Offering Shares issuable upon exercise of such rights distributed pursuant to the Rights Offering Procedures in reliance upon the exemption provided in section 1145 of the Bankruptcy Code will be registered under the Securities Act, nor any state or local law requiring registration for offer and sale of a security.

~~If the Rights Offering is a Registered Rights Offering, the Subscription Rights will be immediately detachable and freely transferable separately from the underlying HoldCo Common Stock and Allowed HoldCo Note Claims, as applicable; provided, that the transferability of Subscription Rights held by an Affiliate (as that term is defined under Rule 144 promulgated under the Securities Act) of the Debtors may be subject to limitations on transferability under the Securities Act.~~

~~If the Rights Offering is an 1145 Rights Offering, the~~The Subscription Rights will not be detachable or transferable separately from the underlying Existing HoldCo Common Stock and Allowed HoldCo Note Claims, as applicable. Rather, the Subscription Rights together with the underlying the underlying Existing HoldCo Common Stock and Allowed HoldCo Note Claims with respect to which such Subscription Rights were ~~issued~~activated, will trade together ~~as a unit~~and be evidenced by the underlying HoldCo Notes or HoldCo Common Stock until the Subscription Instruction Deadline, subject to such limitations, if any, that would be applicable to the transferability of the underlying Existing HoldCo Common Stock and Allowed HoldCo Note Claims; *provided*~~,~~ that following the exercise of any Subscription Rights, the holder thereof shall be prohibited from transferring or assigning the underlying Existing HoldCo Common Stock and Allowed HoldCo Note Claims, as applicable, corresponding to such Subscription Rights until the earlier of (i) termination of the Rights Offering and (ii) the revocation of exercise of the Subscription Rights to the extent permitted by the Rights Offering Procedures.

CERTAIN PARTIES ASSERT THAT THE DISCLOSURE STATEMENT DOES NOT PROVIDE SUPPORT FOR PRICING THE RIGHTS OFFERING SHARES AT A 20% DISCOUNT TO SETTLEMENT PLAN VALUE.

The proposed pricing of the Rights Offering Shares at a 20% discount to Settlement Plan Value is consistent with market practice. The proposed pricing of the Rights Offering Shares reflected in the Backstop Commitment Agreement is the product of extensive good-faith, arm's-length discussions between the Debtors and the Backstop Commitment Parties, and reflects a prudent exercise of the Debtors' business judgment. Moreover, if the Plan is consummated as anticipated in the Backstop Commitment Agreement, the pricing of the Rights Offering will have no economic impact whatsoever on any members of the OpCo Group or any of the Committee's constituents (except holders of Holdco Notes, over two-thirds of which are Plan Support Parties who entered into the agreement).

The Debtors are prepared to meet their evidentiary burden (if any) with respect to such matters. The rights of all parties are fully preserved with respect to such matters.

XIV. CERTAIN SECURITIES LAW MATTERS.

A. New Common Stock; Rights Offering Shares; Backstop Commitment Shares.

As discussed herein, the Plan provides for Reorganized HoldCo to distribute: (1) New Common Stock to holders of Existing HoldCo Common Stock and holders of Allowed HoldCo Note Claims on account of their

respective Existing HoldCo Common Stock and Allowed HoldCo Note Claims, as applicable; (2) New Common Stock under the Management Incentive Plan; (3) the Rights Offering Shares to holders of Existing HoldCo Common Stock and holders of Allowed HoldCo Note Claims, as applicable, in connection with the Rights Offering; (~~4) the New OpCo Notes to holders of Allowed OpCo Note Claims and Allowed OpCo RCF Claims on account of their respective Allowed Claims, as applicable; (5~~3) New Common Stock, consisting of Unsubscribed Shares (as defined in the Backstop Commitment Agreement) not purchased in the Rights Offering to certain Consenting HoldCo Noteholders and Consenting HoldCo Equityholders, together with their permitted successors and assigns, that have committed to fund the Rights Offering and are signatories to the Backstop Commitment Agreement (respectively, the "Backstop Commitment Shares" and the "Backstop Parties"); and (~~6~~4) New Common Stock issued to the Rights Offering Backstop Parties on account of the Commitment Premium.

The Debtors believe that the New Common Stock~~ and New OpCo Notes~~ will be "securities," as defined in section 2(a)(1) of the Securities Act, section 101 of the Bankruptcy Code, and any applicable state securities law (a "Blue Sky Law"). The Debtors further believe that the offer and sale of the New Common Stock~~ and New OpCo Notes~~, as applicable, pursuant to the Plan is, and subsequent transfers of the New Common Stock~~ and New OpCo Notes, as applicable,~~ by the holders thereof that are not "underwriters" (as defined in section 2(a)(11) of the Securities Act and in the Bankruptcy Code) will be, exempt from federal and state securities registration requirements under various provisions of the Securities Act, the Bankruptcy Code, and any applicable state Blue Sky Law as described in more detail below. **The New Common Stock underlying the Management Incentive Plan will be issued pursuant to a registration statement or another available exemption from registration under the Securities Act and other applicable law.**

RECIPIENTS OF NEW COMMON STOCK~~ AND NEW OPCO NOTES~~ ARE URGED TO CONSULT WITH THEIR OWN LEGAL ADVISORS AS TO THE AVAILABILITY OF ANY EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT AND ANY APPLICABLE STATE BLUE SKY LAW.

B. Backstop Commitment Agreement.

The Backstop Parties, severally and not jointly, and the Debtors entered into a Backstop Commitment Agreement, pursuant to which the Backstop Parties, severally and not jointly, have agreed to backstop the Rights Offering to be conducted in accordance with the Plan. Under the Backstop Commitment Agreement, the Backstop Parties, severally and not jointly, have agreed to purchase the Rights Offering Shares that are not duly subscribed for pursuant to the Rights Offering.

The Debtors will pay the Backstop Parties upon the closing of the Rights Offering a Commitment Premium equal to 6.0 percent of the $580.0 million committed amount. The Commitment Premium shall be fully earned as of the date of entry of the Backstop Approval Order~~ (as defined in the Plan Support Agreement). If the Approval Order is entered, the~~. The Commitment Premium will be an Allowed Administrative Claim against HoldCo that will paid either in the form of New Common Stock at the Purchase Price, if the Plan is consummated as contemplated in the Plan Support Agreement, or in ~~c~~Cash in the amount of 4.0 percent of the $580.0 million committed amount, if the Backstop Commitment Agreement is terminated for any reason other than by the Debtors due to the failure of any Commitment Party to complete the Rights Offering in violation of the Backstop Commitment Agreement, in each case in accordance with the Backstop Commitment Agreement.

All New Common Stock issued to the Backstop Parties pursuant to the Backstop Commitment Agreement in respect of their backstop commitment will be issued (i) pursuant to an effective registration statement under the Securities Act or (ii) in reliance upon the exemption from registration under the Securities Act, provided by Section 4(a)(2) thereof and/or Regulation D thereunder. As a condition to the closing of the transactions contemplated by the Backstop Commitment Agreement and the Term Sheet, the Debtors will enter into the Registration Rights Agreement (as defined below). Backstop Parties will not be entitled to transfer all or any portion of their backstop commitments except as expressly provided in the Backstop Commitment Agreement.

On December 6, 2016, the Debtors filed a motion for entry of the Backstop Approval Order [Docket No. 820]. The Committee [Docket No. 933] and the OpCo Group [Docket No. 932] filed objections to the

Debtors' motion for entry of the Backstop Approval Order. On January 19, 2017, the Bankruptcy Court entered the Backstop Approval Order [Docket No. 996].

C. Registration Rights Agreement.

The Plan provides that from and after the Effective Date, (~~1~~a) each HoldCo Equityholder and HoldCo Noteholder receiving at least ten percent (10 percent) or more of the New Common Stock issued under the Plan and/or the Rights Offerings or that cannot sell its New Common Stock under Rule 144 promulgated under the Securities Act without volume or manner of sale restrictions and (~~2~~b) each Backstop Party, in each case, will be entitled to registration rights that are customary for transactions of a similar nature to the Restructuring Transactions, pursuant to a registration rights agreement to be entered into as of the Effective Date, and substantially in the form to be included in the Plan Supplement (the "Registration Rights Agreement"), and ~~(b)~~ will provide for customary demand, shelf and piggyback registration rights with respect to all New Common Stock beneficially owned by such Persons or their successors in interest (whether acquired at the Effective Date or thereafter) and will provide for a shelf registration statement to be filed by the Debtors for the benefit of such Persons within ten (10) business days following the later of (i) the Effective Date and (ii) the filing of the Debtors' Annual Report on Form 10-K for the year ended December 31, 2016.

D. Issuance and Resale of New Common Stock~~, New OpCo Notes~~ Under the Plan.

1. Issuance under Section 1145 of the Bankruptcy Code, Private Placement Exemptions.

Except as expressly provided herein, all shares of New Common Stock issued under the Plan, including the Rights Offering Shares, the Backstop Commitment Shares and the New Common Stock issued on account of the Commitment Premium~~, as well as all New OpCo Notes issued under the Plan,~~ will be issued either: (a) pursuant to an effective registration statement under the Securities Act; or (b) without registration under the Securities Act or any similar federal, state, or local law in reliance upon either (A) section 1145 of the Bankruptcy Code or (B) section 4(a)(2) of the Securities Act or Regulation D promulgated thereunder. All shares of New Common Stock, including the Backstop Commitment Shares, ~~and all New OpCo Notes~~ issued pursuant to the exemption from registration set forth in section 4(a)(2) of the Securities Act or Regulation D promulgated thereunder will be considered "restricted securities" and may not be transferred except pursuant to an effective registration statement under the Securities Act, including a registration statement pursuant to the Registration Right Agreement, or an available exemption therefrom.

Persons who purchase the New Common Stock, including the Backstop Commitment Shares, ~~or receive New OpCo Notes, as applicable,~~ pursuant to the exemption from registration set forth in section 4(a)(2) of the Securities Act or Regulation D promulgated thereunder will hold "restricted securities." Resales of such restricted securities would not be exempted by section 1145 of the Bankruptcy Code from registration under the Securities Act or other applicable law. Holders of restricted securities would, however, be permitted to resell New Common Stock ~~or New OpCo Notes, as applicable,~~ without registration if they are able to comply with the applicable provisions of Rule 144 or Rule 144A (to the extent applicable) or any other registration exemption under the Securities Act, or if resales of such securities are registered with the Securities and Exchange Commission, including a registration statement pursuant to the Registration Right Agreement as described above.

All shares of New Common Stock issued to holders of Existing HoldCo Common Stock and Allowed HoldCo Note Claims on account of their respective Claims and Interests, as applicable, in connection with the Rights Offering, upon exercise of their rights, all New Common Stock issued on account of the Commitment Premium~~, and/or all New OpCo Notes issued to holders of Allowed OpCo Note Claims or Allowed OpCo RCF Claims on account of their respective Allowed Claims, as applicable,~~ are expected to be issued without registration under the Securities Act or any similar federal, state, or local law in reliance on Section 1145(a) of the Bankruptcy Code. The Backstop Commitment Shares are expected to be issued pursuant to the exemption from registration set forth in section 4(a)(2) of the Securities Act or Regulation D promulgated thereunder.

RECIPIENTS OF THE NEW COMMON STOCK ~~AND NEW OPCO NOTES~~ ARE URGED TO CONSULT WITH THEIR OWN LEGAL ADVISORS AS TO THE AVAILABILITY OF ANY EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT AND ANY APPLICABLE STATE BLUE SKY LAW.

2. Resale of New Common Stock ~~or New OpCo Notes~~; Definition of Underwriter.

Section 1145(b)(1) of the Bankruptcy Code defines an "underwriter" as one who, except with respect to "ordinary trading transactions" of an entity that is not an "issuer": (a) purchases a claim against, interest in, or claim for an administrative expense in the case concerning, the debtor, if such purchase is with a view to distribution of any security received or to be received in exchange for such claim or interest; (b) offers to sell securities offered or sold under a plan for the holders of such securities; (c) offers to buy securities offered or sold under a plan from the holders of such securities, if such offer to buy is (i) with a view to distribution of such securities and (ii) under an agreement made in connection with the plan, with the consummation of the plan, or with the offer or sale of securities under the plan; or (d) is an issuer of the securities within the meaning of section 2(a)(11) of the Securities Act. In addition, a person who receives a fee in exchange for purchasing an issuer's securities could also be considered an underwriter within the meaning of section 2(a)(11) of the Securities Act.

The definition of an "issuer" for purposes of whether a person is an underwriter under section 1145(b)(1)(D) of the Bankruptcy Code, by reference to section 2(a)(11) of the Securities Act, includes as "statutory underwriters" all persons who, directly or indirectly, through one or more intermediaries, control, are controlled by, or are under common control with, an issuer of securities. The reference to "issuer," as used in the definition of "underwriter" contained in section 2(a)(11) of the Securities Act, is intended to cover "Controlling Persons" of the issuer of the securities. "Control," as defined in Rule 405 of the Securities Act, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract, or otherwise. Accordingly, an officer or director of a reorganized debtor or its successor under a plan of reorganization may be deemed to be a "Controlling Person" of the debtor or successor, particularly if the management position or directorship is coupled with ownership of a significant percentage of the reorganized debtor's or its successor's voting securities. In addition, the legislative history of section 1145 of the Bankruptcy Code suggests that a creditor who owns ten percent or more of a class of securities of a reorganized debtor may be presumed to be a "Controlling Person" and, therefore, an underwriter.

Resales of the New Common Stock ~~or the New OpCo Notes, as applicable,~~ by entities deemed to be "underwriters" (which definition includes "Controlling Persons") are not exempted by section 1145 of the Bankruptcy Code from registration under the Securities Act or other applicable law. Under certain circumstances, holders of New Common Stock ~~or New OpCo Notes, as applicable,~~ who are deemed to be "underwriters" may be entitled to resell their New Common Stock ~~or New OpCo Notes, as applicable,~~ pursuant to the limited safe harbor resale provisions of Rule 144 promulgated under the Securities Act. Generally, Rule 144 promulgated under the Securities Act would permit the public sale of securities received by such Person if the required holding period has been met and, under certain circumstances, current information regarding the issuer is publicly available and volume limitations, manner of sale requirements and certain other conditions are met. Whether any particular Person would be deemed to be an "underwriter" (including whether the Person is a "Controlling Person") with respect to the New Common Stock ~~or New OpCo Notes~~, as applicable, would depend upon various facts and circumstances applicable to that Person. Accordingly, the Debtors express no view as to whether any Person would be deemed an "underwriter" with respect to the New Common Stock ~~or New OpCo Notes, as applicable,~~ and, in turn, whether any Person may freely resell New Common Stock ~~or New OpCo Notes, as applicable~~.

Unlike the securities that will be issued pursuant to section 1145(a)(1) of the Bankruptcy Code, any shares of New Common Stock, including the Backstop Commitment Shares~~, or the New OpCo Notes, as applicable,~~ issued in reliance upon section 4(a)(2) of the Securities Act or Regulation D promulgated thereunder will be deemed "restricted securities" that may not be offered, sold, exchanged, assigned or otherwise transferred unless they are registered under the Securities Act, including a registration statement pursuant to the Registration Right Agreement as described above, or an exemption from registration under the Securities Act is available, including under Rule 144 or Rule 144A promulgated under the Securities Act.

Rule 144 provides an exemption for the public resale of "restricted securities" if certain conditions are met. These conditions vary depending on whether the holder of the restricted securities is an affiliate of the issuer. An affiliate is defined as "a person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, the issuer."

A non-affiliate who has not been an affiliate of the issuer during the preceding three months may resell restricted securities after a six-month holding period if at the time of the sale there is available certain current public information regarding the issuer, and may sell the securities after a one-year holding period whether or not there is current public information regarding the issuer. Adequate current public information is available for a reporting issuer if the issuer has filed all periodic reports required under Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, during the twelve months preceding the sale of the restricted securities. If the issuer is a non-reporting issuer, adequate current public information is available if certain information about the issuer is made publicly available. The Debtors currently expect that the Reorganized Debtors will continue to be a reporting issuer and file all such required periodic reports and that current public information will be available to allow resales by non-affiliates when the six-month holding period expires (approximately six months after the emergence date).

An affiliate may resell restricted securities after the six-month holding period if at the time of the sale certain current public information regarding the issuer is available. As noted above, the Debtors currently expect that this information requirement will be satisfied. The affiliate must also comply with the volume, manner of sale and notice requirements of Rule 144. First, the rule limits the number of restricted securities (plus any unrestricted securities) sold for the account of an affiliate (and related persons) in any three-month period to the greater of one percent of the outstanding securities of the same class being sold, or, if the class is listed on a stock exchange, the greater of one percent of the average weekly reported volume of trading in such restricted securities during the four weeks preceding the filing of a notice of proposed sale on Form 144. Second, the manner of sale requirement provides that the restricted securities must be sold in a broker's transaction, which generally means they must be sold through a broker and handled as a routine trading transaction. The broker must receive no more than the usual commission and cannot solicit orders for the sale of the restricted securities except in certain situations. Third, if the sale exceeds 5,000 restricted securities or has an aggregate sale price greater than $50,000, an affiliate must file with the SEC three copies of a notice of proposed sale on Form 144. The sale must occur within three months of filing the notice unless an amended notice is filed.

The Debtors believe that the Rule 144 exemption will not be available with respect to any New Common Stock issued in reliance upon section 4(a)(2) of the Securities Act or Regulation D promulgated thereunder (whether held by non-affiliates or affiliates) until at least six months after the Effective Date. Accordingly, holders of such New Common Stock will be required to hold such New Common Stock for at least six months and, thereafter, to sell New Common Stock only in accordance with the applicable requirements of Rule 144, unless such New Common Stock is registered under the Securities Act, including a registration statement pursuant to the Registration Right Agreement as described above (or is otherwise exempt).

The Backstop Commitment Shares, if any, will be issued in certificated or book-entry form and will bear a restrictive legend. Each certificate or book-entry representing, or issued in exchange for or upon the transfer, sale or assignment of, any Backstop Commitment Shares shall be stamped or otherwise imprinted with a legend in substantially the following form:

"THE SECURITIES REPRESENTED BY THIS CERTIFICATE WERE ORIGINALLY ISSUED ON [DATE OF ISSUANCE], HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR ANY OTHER APPLICABLE STATE SECURITIES LAWS, AND MAY NOT BE SOLD OR TRANSFERRED IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT UNDER THE ACT OR AN AVAILABLE EXEMPTION FROM REGISTRATION THEREUNDER."

The Reorganized Debtors will reserve the right to require certification or other evidence of compliance with Rule 144 or another available exemption as a condition to the removal of such legend or to any resale of the Backstop Commitment Shares. The Reorganized Debtors will also reserve the right to stop the transfer of any such Backstop Commitment Shares if such transfer is not in compliance with Rule 144 or another available exemption. Any person who receives such Backstop Commitment Shares will be required to acknowledge and agree not to

resell such securities except in accordance with Rule 144, when available, or another available exemption and that the securities will be subject to the other restrictions described above.

ANY PERSONS RECEIVING "RESTRICTED SECURITIES" UNDER THE PLAN ARE URGED TO CONSULT WITH THEIR OWN COUNSEL CONCERNING THE AVAILABILITY OF AN EXEMPTION FROM REGISTRATION FOR RESALE OF THESE SECURITIES UNDER THE SECURITIES ACT AND OTHER APPLICABLE LAW.

BECAUSE OF THE COMPLEX, SUBJECTIVE NATURE OF THE QUESTION OF WHETHER A PARTICULAR PERSON MAY BE AN UNDERWRITER OR AN AFFILIATE AND THE HIGHLY FACT-SPECIFIC NATURE OF THE AVAILABILITY OF EXEMPTIONS FROM REGISTRATION UNDER THE SECURITIES ACT, INCLUDING THE EXEMPTIONS AVAILABLE UNDER SECTION 1145 OF THE BANKRUPTCY CODE AND RULE 144 UNDER THE SECURITIES ACT, NONE OF THE DEBTORS OR THE REORGANIZED DEBTORS MAKE ANY REPRESENTATION CONCERNING THE ABILITY OF ANY PERSON TO DISPOSE OF THE SECURITIES TO BE DISTRIBUTED UNDER THE PLAN. POTENTIAL RECIPIENTS OF THE SECURITIES TO BE ISSUED UNDER THE PLAN ARE URGED TO CONSULT THEIR OWN COUNSEL CONCERNING WHETHER THEY MAY FREELY TRADE SUCH SECURITIES. POTENTIAL RECIPIENTS OF NEW COMMON STOCK ~~AND NEW OPCO NOTES~~ ARE URGED TO CONSULT THEIR OWN COUNSEL CONCERNING THEIR ABILITY TO FREELY TRADE SUCH SECURITIES WITHOUT COMPLIANCE WITH THE FEDERAL LAW AND ANY APPLICABLE STATE BLUE SKY LAW.

3. New Common Stock and the Management Incentive Plan.

The Confirmation Order shall authorize the Reorganized HoldCo Board to adopt and enter into the Management Incentive Plan, on the terms set forth in Article IV of the Plan and the Plan Supplement. The issuance of New Common Stock under the Management Incentive Plan would dilute all of the New Common Stock.

E. Issuance and Resale of Exit Notes Under the Plan.

The Exit Notes will be issued without registration under the Securities Act or any similar federal, state, or local law in reliance upon section 4(a)(2) of the Securities Act and/or Rule 144A, Regulation S and/or Regulation D promulgated thereunder. All Exit Notes issued pursuant to the exemption from registration set forth in section 4(a)(2) of the Securities Act and/or Rule 144A, Regulation S and/or Regulation D promulgated thereunder will be considered "restricted securities" and may not be transferred except pursuant to an effective registration statement under the Securities Act or an available exemption therefrom.

Persons who purchase the Exit Notes pursuant to the exemption from registration set forth in section 4(a)(2) of the Securities Act and/or Rule 144A, Regulation S and/or Regulation D promulgated thereunder will hold "restricted securities." Holders of restricted securities would, however, be permitted to resell Exit Notes without registration if they are able to comply with the applicable provisions of Rule 144 or Rule 144A (if available) or any other registration exemption under the Securities Act, or if such securities are registered with the Securities and Exchange Commission. To the extent the Exit Notes are issued without registration under the Securities Act or any similar federal, state, or local law in reliance upon section 4(a)(2) of the Securities Act and/or Rule 144A, Regulation S and/or Regulation D promulgated thereunder, the Exit Noteholders shall have the benefit of the Exit Notes Registration Rights Agreement.

The Exit Notes Registration Rights Agreement (a) shall be effective on or prior to the Effective Date, (b) shall entitle the Exit Noteholders to registration rights that are customary for a transaction of this nature and (c) shall include such terms as are consistent with those set forth in the Exit Financing Agreements.

The Debtors shall, on or before the offering of the Exit Notes, take such action as the Debtors shall reasonably determine is necessary in order to obtain an exemption for, or to qualify the offer and sale of the Exit Notes under applicable securities and "Blue Sky" laws of the states of the United States (or to obtain an exemption from such qualification) and any applicable foreign jurisdictions, and shall provide evidence of any such action so

taken to the Commitment Parties on or prior to the offering of the Exit Notes. The Debtors or the Reorganized Debtors, as applicable, shall pay all reasonable fees and expenses in connection with satisfying its obligations under this paragraph.

The Reorganized Debtors shall use commercially reasonable efforts to promptly make the Exit Notes eligible for deposit with The Depository Trust Company.

XV. CERTAIN ~~UNITED STATES FEDERAL INCOME~~ TAX CONSEQUENCES OF THE PLAN.

A. Introduction.

The following discussion summarizes certain United States ("U.S.") federal income tax consequences and Canadian federal income tax consequences of the implementation of the Plan to the Debtors, the Reorganized Debtors, and certain holders of Claims and Existing HoldCo Common Stock.

With respect to the U.S. federal income tax consequences discussed below, this summary is based on the U.S. Tax Code, the U.S. Treasury Regulations promulgated thereunder (the "Treasury Regulations"), judicial decisions and published administrative rules, pronouncements of the Internal Revenue Service (the "IRS"), and the Convention Between the United States of America and Canada With Respect to Taxes on Income and on Capital, as amended by Protocols 1-5 (the "U.S.-Canada Treaty"), all as in effect on the date hereof (collectively, "Applicable U.S. Tax Law").

With respect to Canadian federal income tax consequences discussed below, this summary represents the opinion of Grant Thornton LLP (Canada) and is based upon on the provisions of the Income Tax Act (R.S.C., 1985, c. 1 (5th Supp.)) (the "ITA"), the regulations thereunder (the "Regulations"), the U.S.-Canada Treaty, the current published administrative policies and assessing practices of the Canada Revenue Agency ("CRA") publicly available prior to the date hereof, and all specific proposals to amend the ITA and Regulations publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the "Canadian Tax Proposals") on the basis that all such Canadian Tax Proposals will be enacted in the form proposed (though no assurance can be given that the Canadian Tax Proposals will be enacted in the form proposed or at all) (collectively, "Applicable Canadian Tax Law").

Changes in the rules or new interpretations of the rules may have retroactive effect and could significantly affect the U.S. federal income tax and Canadian tax consequences described below. The Debtors have not requested, and do not intend to request, any ruling or determination from the IRS, Canadian tax authority, or any other taxing authority with respect to the tax consequences discussed herein, and the discussion below is not binding upon the IRS or the courts. No assurance can be given that the IRS, Canadian tax authority, or any other taxing authority would not assert, or that a court would not sustain, a different position than any position discussed herein.

Other than as specifically noted below with respect to Canadian tax issues, this summary does not address foreign, state, or local tax consequences of the Plan, nor does it purport to address all aspects of U.S. federal income taxation that may be relevant to a holder in light of its individual circumstances or to a holder that may be subject to special tax rules (such as Persons who are related to the Debtors within the meaning of the U.S. Tax Code, U.S. expatriates, persons subject to the alternative minimum tax, broker-dealers, banks, mutual funds, insurance companies, financial institutions, small business investment companies, regulated investment companies, tax exempt organizations, pass-through entities, beneficial owners of pass-through entities, subchapter S corporations, persons who hold Claims or Existing HoldCo Common Stock or who will hold the New Common Stock as part of a straddle, hedge, conversion transaction, or other integrated investment, persons using a mark-to-market method of accounting, and holders of Claims or Existing HoldCo Common Stock who are themselves in bankruptcy). Furthermore, this summary assumes that a holder of a Claim holds only Claims in a single Class and holds a Claim, only as a "capital asset" (within the meaning of section 1221 of the U.S. Tax Code) for purposes of Applicable U.S. Tax Law. This summary also assumes that the various debt and other arrangements to which any of the Debtors are a party will be respected for U.S. federal income tax purposes in accordance with their form, and that the Claims constitute interests in the Debtors "solely as a creditor" for purposes of section 897 of the U.S. Tax Code. This summary does not discuss differences in tax consequences to holders of Claims or Existing HoldCo Common Stock that act as backstop parties or otherwise act or receive consideration in a capacity other than any other holder of a

Claim or Existing HoldCo Common Stock of the same Class or Classes, and the tax consequences for such holders may differ materially from that described below. This summary does not address any special considerations that may apply to (a) parties that have, at any time, directly or indirectly held 5% or more of the existing Interests in HoldCo or (b) will directly or indirectly hold 5% or more of the New Common Stock immediately after the Effective Date, in each case, after giving effect to applicable constructive ownership rules.

For purposes of this discussion, a "U.S. Holder" is a holder of a Claim or Existing HoldCo Common Stock that is: (1) an individual citizen or resident of the United States for U.S. federal income tax purposes; (2) a corporation (or other entity treated as a corporation for U.S. federal income tax purposes) created or organized under the laws of the United States, any state thereof or the District of Columbia; (3) an estate the income of which is subject to U.S. federal income taxation regardless of the source of such income; or (4) a trust (A) if a court within the United States is able to exercise primary jurisdiction over the trust's administration and one or more United States persons have authority to control all substantial decisions of the trust or (B) that has a valid election in effect under applicable Treasury Regulations to be treated as a United States person. For purposes of this discussion, a "non-U.S. Holder" is any holder of a Claim or Existing HoldCo Common Stock that is not a U.S. Holder other than any partnership (or other entity treated as a partnership or other pass-through entity for U.S. federal income tax purposes).

If a partnership (or other entity treated as a partnership or other pass-through entity for U.S. federal income tax purposes) is a holder of a Claim or Existing HoldCo Common Stock, the tax treatment of a partner (or other beneficial owner) generally will depend upon the status of the partner (or other beneficial owner) and the activities of the entity. Partners (or other beneficial owners) of partnerships (or other pass-through entities) that are holders of Claims or Existing HoldCo Common Stock are urged to consult their respective tax advisors regarding the U.S. federal income tax consequences of the Plan.

For the purposes of the discussion in respect of Canadian federal income tax matters, a "Canadian Holder" of a Claim or of an Existing HoldCo Common Stock is a holder who, at all relevant times for purposes of the ITA and any applicable income tax treaty or convention is resident in Canada, deals at arm's length with and is not affiliated with HoldCo or with any member of the UPE Group, holds its Claim or Existing HoldCo Common Stock as capital property and will hold its New Common Stock and the Subscription Rights as capital property, and a "Non-Canadian Holder" of a Claim or of an Existing HoldCo Common Stock is a holder who, at all relevant times for purposes of the ITA and any applicable income tax treaty or convention is a non-resident in Canada, deals at arm's length with and is not affiliated with HoldCo or with any member of the UPE Group, does not use or hold its Claim or Existing HoldCo Common Stock, and will not hold its Subscription Rights or New Common Stock as property of a business carried on in Canada, and who holds its Claim or Existing HoldCo Common Stock as capital property and will hold its New Common Stock and the Subscription Rights as capital property.

The Claims, Existing HoldCo Common Stock, New Common Stock and the Subscription Rights will, under Applicable Canadian Tax Law, generally constitute capital property to holders unless either the holder holds (or will hold) such securities in the course of carrying on a business, or the holder has acquired (or will acquire) such securities in a transaction considered to be an adventure in the nature of trade.

Certain Canadian holders whose Claims or Existing HoldCo Common Stock might not otherwise qualify as capital property may, in certain circumstances, treat such Claims or Existing HoldCo Common Stock as capital property by making an irrevocable election pursuant to subsection 39(4) of the ITA, to the extent such Claims or Existing HoldCo Common Stock are "Canadian securities" as defined in the ITA. The Holdco Note Claims, the Existing HoldCo Common Stock and the New Common Stock, but the not the Subscription Rights, are Canadian securities for the purpose of the irrevocable election under subsection 39(4) of the ITA. Canadian holders are advised to consult with their own tax advisors regarding such election.

This summary in respect of Canadian federal income tax matters to a Non-Canadian holder also assumes that the HoldCo Note Claims, Existing HoldCo Common Stock, Subscription Rights and New Common Stock do not constitute taxable Canadian property to such Non-Canadian holder. The HoldCo Note Claims, Existing HoldCo Common Stock, Subscription Rights and New Common Stock will generally not be considered to be taxable Canadian property to a Non-Canadian Holder unless at any time during the sixty-month period immediately preceding the time of disposition, more than 50 percent of the fair market value of issued shares of HoldCo was

derived directly or indirectly from one or any combination of: (i) real or immovable properties situated in Canada, (ii) "Canadian resource properties" (as defined in the ITA), (iii) "timber resource properties" (as defined in the ITA), and (iv) options in respect of, or interests in, or for civil law rights in, property in any of the foregoing whether or not the property exists. The Debtors do not anticipate that the Holdco Note Claims, Existing HoldCo Common Stock, Subscription Rights, and New Common Stock constitute taxable Canadian property to a Non-Canadian holder.

This summary in respect of Canadian federal income tax matters to a Holder of a Claim or of Existing HoldCo Common Stock does not apply to a Holder: (i) that is a "specified financial institution" for the purposes of the ITA, (ii) that is a "financial institution" for the purposes of the mark-to-market rules of the ITA; (iii) of an interest which is or would constitute a "tax shelter investment" for the purpose of the ITA; (iv) whose "functional currency" for the purposes of the ITA is the currency of a country other than Canada; or (v) who has entered into a "derivative forward agreement", as defined in the ITA, in respect of a Claim or in respect of the Existing HoldCo Common Stock; or (vi) that is a corporation and is, immediately after the acquisition of the New Common Stock, or becomes as part of a transaction or event or series of transactions or events that includes the acquisition of the New Common Stock, controlled by a corporation that is a non-resident of Canada for the purposes of the foreign affiliate dumping rules in section 212.3 of the ITA. Any such Holder is urged to consult its own tax advisor with respect the Plan.

ACCORDINGLY, THE FOLLOWING SUMMARY OF CERTAIN U.S. FEDERAL INCOME TAX AND CANADIAN FEDERAL INCOME TAX CONSEQUENCES IS FOR INFORMATIONAL PURPOSES ONLY AND IS NOT A SUBSTITUTE FOR CAREFUL TAX PLANNING AND ADVICE BASED UPON THE INDIVIDUAL CIRCUMSTANCES PERTAINING TO A HOLDER OF A CLAIM OR INTEREST. ALL HOLDERS OF CLAIMS OR INTERESTS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS AS TO THE FEDERAL, STATE, LOCAL, AND NON-U.S. INCOME, ESTATE, AND OTHER TAX CONSEQUENCES OF THE PLAN.

B. Certain U.S. Federal Income Tax Consequences to the Debtors and the Reorganized Debtors.

For U.S. federal income tax purposes, each of the Debtors other than the ultimate parent, HoldCo, are members of an affiliated group of corporations (or entities disregarded for federal income tax purposes that are wholly owned by members of such group), of which UP Energy Corporation ("UPE") is the common parent (the "UPE Group"). Because HoldCo is a Canadian entity, it is not a member of the UPE Group.

As of December 31, 2015, the UPE Group reported approximately $850 million of consolidated net operating losses ("U.S. NOLs") for U.S. federal income tax purposes. The Debtors ~~currently estimate that the UPE Group will generate~~believe additional U.S. NOLs were generated in 2016, but a final calculation of such amounts has not yet been performed, and additional U.S. NOLs may be generated before the Effective Date.

1. Cancellation of Debt and Reduction of Tax Attributes.

In general, absent an exception, a debtor will realize and recognize cancellation of debt income ("COD Income") upon satisfaction of its outstanding indebtedness for total consideration less than the amount of such indebtedness. The amount of COD Income, in general, is the excess of (a) the adjusted issue price of the indebtedness satisfied, over (b) the sum of (i) the amount of Cash paid, (ii) the issue price of any new indebtedness of the taxpayer issued, and (iii) the fair market value of any other new consideration (including stock of the debtor) given in satisfaction of such indebtedness at the time of the exchange.

Under section 108 of the U.S. Tax Code, a debtor is not required to include COD Income in gross income if the debtor is under the jurisdiction of a court in a case under chapter 11 of the Bankruptcy Code and the discharge of debt occurs pursuant to that proceeding. Instead, as a consequence of such exclusion, a debtor must reduce its tax attributes by the amount of COD Income that it excluded from gross income pursuant to the rule discussed in the preceding sentence. In general, tax attributes will be reduced in the following order: (a) NOLs and NOL carryforwards; (b) general business credit carryovers; (c) minimum tax credit carryovers; (d) capital loss carryovers; (e) tax basis in assets; (f) passive activity loss and credit carryovers; and (g) foreign tax credit carryovers.

Alternatively, a debtor with COD Income may elect first to reduce the basis of its depreciable assets pursuant to section 108(b)(5) of the U.S. Tax Code. The reduction in tax attributes occurs only after the tax for the year of the debt discharge has been determined. Any excess COD Income over the amount of available tax attributes is not subject to U.S. federal income tax and has no other U.S. federal income tax impact.

The Treasury Regulations address the method and order for applying tax attribute reduction to an affiliated group of corporations. Under these Treasury Regulations, the tax attributes of each member of an affiliated group of corporations that is excluding COD Income is first subject to reduction. To the extent the debtor member's tax basis in stock of a lower-tier member of the affiliated group is reduced, a "look through rule" requires that a corresponding reduction be made to the tax attributes of the lower-tier member. If a debtor member's excluded COD Income exceeds its tax attributes, the excess COD Income is applied to reduce certain remaining consolidated tax attributes of the affiliated group.

Importantly, the UPE Group's tax attributes are only subject to reduction on the basis of the COD Income related to debt owed by the UPE Group. Therefore, any cancellation of indebtedness income that may arise with respect to HoldCo's debt will not be taken into account for purposes of the above rules. Accordingly, the amount of COD Income that may result in a reduction of the UPE Group's tax attributes will depend on the value (or issue price, in the case of new debt) of the consideration received by holders of Claims against the entities that compose the UPE Group. ~~The fair market value and issue price, as applicable, of such consideration cannot be known with certainty until after the Effective Date~~Under the revised Plan as described in this Disclosure Statement, because Claims against the Debtors composing the UPE Group are generally being paid in full in Cash, the Debtors do not currently expect that the consummation of the Plan will give rise to substantial COD Income.

2. Limitation of NOL Carryforwards and Other Tax Attributes.

~~As noted above, as of December 31, 2015, the UPE Group had reported approximately $850 million of U.S. NOLs for U.S. federal income tax purposes, and additional U.S. NOLs will likely be generated before the Effective Date.~~ Following the Effective Date, the Debtors anticipate that any remaining U.S. NOLs, U.S. NOL carryover, capital loss carryover, tax credit carryovers, and certain other tax attributes (such as losses and deductions that have accrued economically but are unrecognized as of the date of the ownership change) of the UPE Group allocable to periods before the Effective Date (collectively, the Pre-Change Losses") may be subject to limitation or elimination under sections 382 and 383 of the U.S. Tax Code as a result of an "ownership change" of the UPE Group by reason of the transactions pursuant to the Plan.

Under sections 382 and 383 of the U.S. Tax Code, if a corporation undergoes an "ownership change," the amount of its Pre-Change Losses that may be utilized to offset future taxable income generally is subject to an annual limitation. The rules of section 382 of the U.S. Tax Code are complicated, but as a general matter, the Debtors anticipate that the issuance of additional equity in HoldCo will cause an "ownership change" of the UPE Group pursuant to rules regarding changes in indirect ownership. Accordingly, the UPE Group's use of their Pre-Change Losses will be subject to limitation unless an exception to the general rules of section 382 of the U.S. Tax Code applies.

For this purpose, if a corporation (or consolidated group) has a net unrealized built-in loss at the time of an ownership change (taking into account most assets and items of "built-in" income and deductions), then generally built-in losses (including amortization or depreciation deductions attributable to such built-in losses) recognized during the following five years (up to the amount of the original net unrealized built-in loss) will be treated as Pre-Change Losses and similarly will be subject to the annual limitation. In general, a corporation's (or consolidated group's) net unrealized built-in loss will be deemed to be zero unless it is greater than the lesser of (a) $10,000,000 or (b) 15 percent of the fair market value of its assets (with certain adjustments) before the ownership change.

a. General Section 382 Annual Limitation.

In general, the amount of the annual limitation to which a corporation that undergoes an "ownership change" would be subject is equal to the product of (a) the fair market value of the stock of the corporation immediately before the "ownership change" (with certain adjustments) multiplied by (b) the "long-term tax-exempt rate" (which is the highest of the adjusted federal long-term rates in effect for any month in the 3-calendar-month

period ending with the calendar month in which the "ownership change" occurs).[16] The section 382 limitation may be increased to the extent that the Debtors recognize certain built-in gains in their assets during the five-year period following the ownership change, or are treated as recognizing built-in gains pursuant to the safe harbors provided in IRS Notice 2003-65. Section 383 of the U.S. Tax Code applies a similar limitation to capital loss carryforwards and tax credits. Any unused limitation may be carried forward, thereby increasing the annual limitation in the subsequent taxable year. As discussed below, however, special rules may apply in the case of a corporation that experiences an ownership change as the result of a bankruptcy proceeding.

b. Special Bankruptcy Exceptions.

An exception to the foregoing annual limitation rules generally applies when so-called "qualified creditors" of a debtor corporation in chapter 11 receive, in respect of their Claims, at least 50 percent of the vote and value of the stock of the reorganized debtor (or a controlling corporation if also in chapter 11) pursuant to a confirmed chapter 11 plan (the "382(l)(5) Exception"). Under the 382(l)(5) Exception, a debtor's Pre-Change Losses are not limited on an annual basis, but, instead, U.S. NOL carryforwards will be reduced by the amount of any interest deductions claimed during the three taxable years preceding the effective date of the plan of reorganization, and during the part of the taxable year prior to and including the effective date of the plan of reorganization, in respect of all debt converted into stock in the reorganization. If the 382(l)(5) Exception applies and the Reorganized Debtors undergo another "ownership change" within two years after the Effective Date, then the Reorganized Debtors' Pre-Change Losses thereafter would be effectively eliminated in their entirety.

Where the 382(l)(5) Exception is not applicable to a corporation in bankruptcy (either because the debtor does not qualify for it or the debtor otherwise elects not to utilize the 382(l)(5) Exception), a second special rule may apply (the "382(l)(6) Exception"). Under the 382(l)(6) Exception, the annual limitation will be calculated by reference to the lesser of the value of the debtor corporation's new stock (with certain adjustments) immediately after the ownership change or the value of such debtor corporation's assets (determined without regard to liabilities) immediately before the ownership change. This differs from the ordinary rule that requires the fair market value of a debtor corporation that undergoes an "ownership change" to be determined before the events giving rise to the change. Importantly, however, in the context of a consolidated group of corporations such as the UPE Group, the IRS has, in non-binding private guidance, determined that the asset value test is, with respect to equity in subsidiaries, applied on the basis of net equity value, subject to certain exceptions related to debt equitization. The application of that non-binding private guidance under the circumstances presented here is subject to uncertainty, but may have the result of limiting the effective benefit of the 382(l)(6) Exception. The 382(l)(6) Exception also differs from the 382(l)(5) Exception in that under it the debtor corporation is not required to reduce their U.S. NOL carryforwards by the amount of interest deductions claimed within the prior three-year period with respect to equitized debt, and the debtor may undergo a change of ownership within two years without automatically triggering the elimination of its Pre-Change Losses. The resulting limitation would be determined under the regular rules for ownership changes.

It is possible that the Debtors will not qualify for the 382(l)(5) Exception. In particular, the application of the 382(l)(5) Exception is subject to significant uncertainty in the circumstances here, where 100 percent of the stock of the parent of the UPE Group is owned by a foreign corporation. Alternatively, even if the 382(l)(5) Exception could apply, the Reorganized Debtors may decide to elect out of the 382(l)(5) Exception, particularly if it appears likely that another ownership change will occur within two years after emergence. In either case, the Debtors anticipate that their use of the Pre-Change Losses (if any) after the Effective Date will be subject to limitation based on the rules discussed above, but taking into account the 382(l)(6) Exception. Regardless of whether the Reorganized Debtors take advantage of the 382(l)(6) Exception or the 382(l)(5) Exception, the Reorganized Debtors' use of their Pre-Change Losses after the Effective Date may be adversely affected if an "ownership change" within the meaning of section 382 of the U.S. Tax Code were to occur after the Effective Date.

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[16] The applicable rate is ~~1.68~~2.09 percent ~~in December 2016, 1.54 percent in November 2016, and 1.45 percent in October 2016; as such, an~~for ownership changes occurring in ~~December 2016, would utilize a 1.68 percent rate~~February 2017. The Debtors cannot estimate what the applicable rate will be on the Effective Date (or on any other date on which an ownership change might occur).

3. Alternative Minimum Tax.

In general, an alternative minimum tax ("AMT") is imposed on a corporation's alternative minimum taxable income ("AMTI") at a 20 percent rate to the extent such tax exceeds the corporation's regular federal income tax for the year. AMTI is generally equal to regular taxable income with certain adjustments. For purposes of computing AMTI, certain tax deductions and other beneficial allowances are modified or eliminated. For example, while U.S. NOLs generated in certain years can offset 100 percent of a corporation's regular taxable income, only 90 percent of a corporation's AMTI may be offset by available alternative tax U.S. NOL carryforwards. The effect of this rule could cause the Reorganized Debtors to owe an amount of federal and state income tax on taxable income in future years even if U.S. NOL carryforwards are available to offset that taxable income. Additionally, under section 56(g)(4)(G) of the U.S. Tax Code, an ownership change (as discussed above) that occurs with respect to a corporation having a net unrealized built-in loss in its assets will cause, for AMT purposes, the adjusted basis of each asset of the corporation immediately after the ownership change to be equal to its proportionate share (determined on the basis of respective fair market values) of the fair market value of the assets of the corporation, as determined under section 382(h) of the U.S. Tax Code, immediately before the ownership change, the effect of which may increase the amount of AMT owed by the Reorganized Debtors.

a. Treatment of Future Distributions from UPE Group to HoldCo.

Under the U.S.-Canada Treaty, dividends from UPE to HoldCo are subject to a 5 percent rate of U.S. tax, enforceable by withholding at the source. In general, a distribution from UPE to HoldCo will be treated as a dividend for these purposes to the extent made from UPE's "earnings and profits." Moreover, UPE is a "U.S. real property holding company" for purposes of the Foreign Investment in Real Property Tax Act ("FIRPTA"). If UPE does not have sufficient "earnings and profits," such distribution may be treated as a disposition by HoldCo of UPE's stock for FIRPTA purposes, which disposition would give rise to withholding at a 15 percent rate (potentially subject to a refund, to the extent such withholding exceeds actual tax liability) and tax liability at a 35 percent rate of any gain.

C. Certain Canadian Income Tax Consequences to the Debtors and Reorganized Debtors.

As of December 31, 2015, HoldCo had approximately $61 million of net operating losses ("Canadian NOLs") and it is anticipated that HoldCo generated additional Canadian NOLs in 2016 and will generate additional Canadian NOLs before the Effective Date.

1. Cancellation of Debt and Reduction of Tax Attributes

The ITA contains rules (the "Canadian Debt Forgiveness Rules") which may affect HoldCo as a result of the implementation of the Plan. These rules generally apply where a "commercial debt obligation" (as defined for these purposes in the ITA) is settled or extinguished without any payment or by the payment of an amount less than the principal amount of the debt. In general, the Canadian Debt Forgiveness Rules provide that the amount by which the principal amount of a debt (including, generally, accrued and unpaid interest thereon) exceeds the amount paid in satisfaction of such principal amount (such excess being referred to in this discussion as the "forgiven amount") is to be applied to reduce, in the following order, the debtor's (i) non-capital losses of prior taxation years, (ii) net capital losses of prior taxation years, (iii) capital cost and undepreciated capital cost of depreciable property, and other attributes in a specified order. Generally, one-half of any remaining unapplied portion of the forgiven amount is included in computing the income of the debtor in the year the debt is settled. In addition, corporations resident in Canada are allowed a deduction (the "Canadian Insolvency Deduction") which effectively offsets any income inclusion under the Canadian Debt Forgiveness Rules to the extent that such inclusion exceeds twice the fair market value of the corporation's net assets at the end of the taxation year (as determined under the applicable provisions of the ITA) in which the settlement or extinguishment occurs.

The exchange of HoldCo Note Claims for New Common Stock and the Subscription Rights will result in the settlement or extinguishment of the Holdco Note Claims. The "forgiven amount", as defined in the ITA, arising from the settlement or extinguishment, if any, will reduce, in prescribed order, certain tax attributes of HoldCo, including non-capital losses, and the adjusted cost base of certain capital property.

Importantly, HoldCo's tax attributes are only subject to reduction on the basis of the "forgiven amount' related to debt owed by HoldCo. Therefore, any cancellation of indebtedness income that may arise with respect to UPE Group's debt will not be taken into account for purposes of the above rules. Accordingly, the amount of debt forgiveness that may result in a reduction of the HoldCo's tax attributes will depend on the value of the consideration received by holders of Holdco Note Claims. The fair market value of such consideration cannot be known with certainty until after the Effective Date.

2. Limitation of NOL Carryforwards and Other Tax Attributes.

As noted above, as of December 31, 2015, HoldCo had approximately $61 million of NOLs, and additional NOLs will likely be generated before the Effective Date.

The ITA contains rules that limit a company's ability to carry forward and deduct NOLs upon an 'acquisition of control' of the company by a person or 'group of persons'.

'Control' for this purpose generally refers to the ownership of 50.1 percent or more of the voting shares of the company at a particular time.

An aggregation of more than one person will constitute a 'group of persons' only where there exists a sufficient common connection amongst the persons. The level of cooperation exercised amongst the members of the HoldCo Noteholder Committee or the Equityholder Committee to facilitate the exchange of the HoldCo Note Claims for New Common Stock and Subscription Rights should not, in and of itself, constitute the degree of common connection needed for the members of the HoldCo Noteholder Committee or the Equityholder Committee to constitute a 'group of persons' for this purpose.

To the extent any Canadian NOLs survive the application of the Canadian Debt Forgiveness Rules, the Debtors do not anticipate that the Canadian NOLs will be subject to any change-in-control related limitation on their use under Applicable Canadian Tax Law.

D. Certain U.S. Federal Income Tax Consequences to Certain U.S. Holders of Claims and Existing HoldCo Common Stock.

As discussed below, the tax consequences of the Plan to U.S. holders of Allowed Claims and Existing HoldCo Common Stock will depend upon a variety of factors. As an initial matter, whether an exchange of Claims is fully or partially taxable will depend on whether Claims being surrendered constitute "securities" and whether the consideration received in exchange for such Claim constitutes stock or a "security" of the Debtor against which the Claim was held. Whether a Claim that is surrendered and debt instruments received pursuant to the Plan constitute "securities" is determined based on all the facts and circumstances. Most authorities have held that the length of the term of a debt instrument at initial issuance is an important factor in determining whether such instrument is a security for U.S. federal income tax purposes. These authorities have indicated that a term of less than five years is evidence that the instrument is not a security, whereas a term of ten years or more is evidence that it is a security. There are numerous other factors that could be taken into account in determining whether a debt instrument is a security, including the security for payment, the creditworthiness of the obligor, the subordination or lack thereof with respect to other creditors, the right to vote or otherwise participate in the management of the obligor, convertibility of the instrument into an equity interest in the obligor, whether payments of interest are fixed, variable, or contingent, and whether such payments are made on a current basis or accrued. Pursuant to guidance promulgated in U.S. Treasury Regulations, warrants generally constitute "securities" for these purposes.

The character of any recognized gain as capital gain or ordinary income will be determined by a number of factors, including the tax status of the U.S. Holder, the nature of the Claim in such U.S. Holder's hands (including whether the Claim constitutes a capital asset), whether the Claim was purchased at a discount, whether and to what extent the U.S. Holder has previously claimed a bad debt deduction with respect to its Claim, and whether any part of the U.S. Holder's recovery is treated as being on account of accrued but untaxed interest. Accrued interest and market discount are discussed below.

1. Consequences to U.S. Holders of OpCo ~~Note~~Funded Debt Claims~~, OpCo RCF~~ and General Unsecured Claims.

Pursuant to the Plan, in exchange for full and final satisfaction, settlement, release and discharge of the OpCo ~~Note~~Funded Debt Claims and ~~OpCo RCF~~General Unsecured Claims ~~(collectively, "OpCo Debt Claims"), the holders of~~, such Claims shall ~~exchange such~~be exchanged for Cash. Subject to the discussion immediately below regarding the treatment of the OpCo Note Claims and the OpCo Note Makewhole Claims ~~for their Pro Rata share of New OpCo Notes and Cash.~~[17]

~~a. Treatment if an OpCo Note Claim or OpCo RCF Claim Constitutes a "Security" and the New OpCo Notes Constitutes a "Security."~~

~~If an OpCo Debt Claim constitutes a "security" and the New OpCo Notes constitutes a "security," then the exchange of such Claim should be treated as a reorganization under the U.S. Tax Code. Other than with respect to any amounts received that are attributable to accrued but untaxed interest, a U.S. Holder of such Claim should recognize gain (but not loss) to the extent of the lesser of (i) the amount of gain realized from the exchange (generally equal to the issue price of the New OpCo Notes minus the holder's adjusted basis, if any, in the Allowed Claim), and (ii) the cash received in the distribution.~~

~~U.S. Holders should obtain an aggregate tax basis in the New OpCo Notes, other than any such amounts treated as received in satisfaction of accrued but untaxed interest, equal to: (1) the tax basis of the surrendered Claim; *less* (2) cash received; *plus* (3) gain recognized (if any). The holding period for the New OpCo Notes should include the holding period for the surrendered Claims.~~

~~The tax basis of any non-Cash consideration determined to be received in satisfaction of accrued but untaxed interest should equal the amount of such accrued but untaxed interest, but in no event should such basis exceed the issue price of the New OpCo Notes received in satisfaction of accrued but untaxed interest. The holding period for any such New OpCo Notes non-Cash consideration should begin on the day following the Effective Date.~~

~~b. Treatment if an OpCo Debt Claim or the New OpCo Notes Does Not Constitute a "Security."~~

~~If either an OpCo Debt Claim or the New OpCo Notes is determined not to be a "security," then~~, a U.S. Holder of such Claim will be treated as receiving its distributions under the Plan in a taxable exchange under section 1001 of the U.S. Tax Code. Other than with respect to any amounts received that are attributable to accrued but untaxed interest or market discount, each U.S. Holder of such Claim should recognize gain or loss equal to the difference between ~~(i)~~ the ~~sum~~amount of ~~(a) the cash and (b) the issue price of the New OpCo Notes~~Cash received ~~in exchange for the Claim, and (ii)~~and such U.S. Holder's adjusted basis, if any, in such Claim.

~~U.S. holders of such Claims should obtain a tax basis in the New OpCo Notes, other than any such amounts treated as received in satisfaction of accrued but untaxed interest, equal to the New OpCo Notes's issue price as of the date such property is distributed to the U.S. Holder. The holding period for any such New OpCo Notes should begin on the day following the Effective Date.~~

The above treatment is subject to potential uncertainty with respect to the treatment of the OpCo Note Claims and the OpCo Note Makewhole Claims. Because the OpCo Note Makewhole Claims may become Allowed following the Effective Date

~~The tax basis of any non-Cash consideration determined to be received in satisfaction of accrued but untaxed interest should equal the amount of such accrued but untaxed interest, but in no event should such basis~~

~~[17] The Plan further provides that OpCo Note Makewhole Claims will receive Additional New OpCo Notes in the event such makewhole claims are allowed. For U.S. federal income tax purposes, any allowed makewhole claim would be treated as an additional amount of OpCo Note Claims and, as a result, the following discussion would also apply with respect to the exchange of the OpCo Note Makewhole Claims for the Additional New OpCo Notes.~~

exceed the issue price of the New OpCo Notes received in satisfaction of accrued but untaxed interest. The holding period for any such New OpCo Notes non-Cash consideration should begin on the day following the Effective Date.

c. Original Issue Discount on the New OpCo Notes.

New OpCo Notes may be treated as having been issued with original issue discount ("OID") to the extent the face amount of such New OpCo Notes exceeds the "issue price" of the New OpCo Notes. The determination of "issue price" for purposes of this analysis will depend, in part, on whether the new debt is traded on an established market for U.S. federal income tax purposes. The issue price of a debt instrument that is traded on an established market (or that is issued for Claims against the Debtors that are so traded) would be the fair market value of such debt instrument (or the Claims so traded, if the new debt instrument is not traded) on the Effective Date as determined by such trading. The issue price of a debt instrument that is neither so traded nor issued for Claims would be its stated principal amount (provided that the interest rate on the debt instrument exceeds the applicable federal rate published by the IRS). New debt instruments (or Claims against the Debtors) may be traded on an established market for these purposes even if no trades actually occur and there are merely firm or indicative quotes with respect to such new debt or Claims.

, the Debtors intend to take the position that Holders of OpCo Note Claims will be treated as having received a payment on the OpCo Note Claims, with the OpCo Notes remaining outstanding (solely for U.S. federal income tax purposes) until the OpCo Note Makewhole Claims

Although not free from doubt, the Debtors believe it is likely that the Claims against the Debtors and/or the new debt instruments being issued will be traded on an established market for these purposes. As a result, the issue price of the new debt instruments being issued may not equal the stated redemption price at maturity and such debt instruments may be treated as issued with OID.

are resolved. In the event the OpCo Note Makewhole Claims are subsequently Allowed and

Where debt instruments are treated as being issued with OID, a U.S. Holder of such debt instrument will generally be required to include any OID in income over the term of such debt instrument in accordance with a constant yield-to-maturity method, regardless of whether the U.S. Holder is a cash or accrual method taxpayer, and regardless of whether and when such U.S. Holder received cash payments of interest on such debt instrument (other than cash attributable to qualified stated interest, which is includible in income in accordance with the U.S. Holder's normal method of tax accounting). Accordingly, a U.S. Holder could be treated as receiving income in advance of a corresponding receipt of cash. Any OID that a U.S. Holder includes in income will increase the tax basis of the U.S. Holder in its interest in such debt instrument. A U.S. Holder of an interest in such new debt instruments will not be separately taxable on any cash payments that have already been taxed under the OID rules, but will reduce its tax basis in the pro rata shares of such debt instruments by the amount of such payments.

In general, interest (including OID) received or accrued by U.S. Holders should be treated as ordinary income.

d. Acquisition Premium/Bond Premium.

If a U.S. Holder's initial tax basis in the New OpCo Notes is less than or equal to the stated redemption price at maturity of the New OpCo Notes, but greater than the issue price of such interest, the U.S. Holder will be treated as acquiring such interest in the New OpCo Notes at an "acquisition premium." Unless an election is made, the U.S. Holder generally will reduce the amount of OID otherwise includible in gross income for an accrual period by an amount equal to the amount of OID otherwise includible in gross income multiplied by a fraction, the numerator of which is the excess of the U.S. Holder's initial tax basis in its interest in the New OpCo Notes, as applicable, over such interest's issue price, and the denominator of which is the excess of the sum of all amounts payable on such New OpCo Notes (other than amounts that are qualified stated interest) over its issue price.

payment is made

If a U.S. Holder's initial tax basis in the New OpCo Notes exceeds the stated redemption price at maturity of the New OpCo Notes, such U.S. Holder will be treated as acquiring the New OpCo Notes with "bond premium" and will not be required to include OID, if any, in income. Such U.S. Holder generally may elect to amortize the premium over the remaining term of the New OpCo Notes on a constant yield method as an offset to interest when includible in income under such U.S. Holder's regular accounting method. If a U.S. Holder does not elect to amortize the premium, that premium will decrease the gain or increase the loss such U.S. Holder would otherwise recognize on disposition of the New OpCo Notes.

2. Consequences to U.S. Holders of OpCo Trade General Unsecured Claims, OpCo Subsidiary General Unsecured Claims, and Other OpCo General Unsecured Claims.

Pursuant to the Plan, in exchange for full and final satisfaction, settlement, release and discharge of the OpCo Trade General Unsecured Claims, OpCo Subsidiary General Unsecured Claims, and Other OpCo General Unsecured Claims, such Claims shall be exchanged for Cash. A U.S. Holder of such Claim will be treated as receiving its distributions under the Plan in a taxable exchange under section 1001 of the U.S. Tax Code. Other than with respect to any amounts received that are attributable to accrued but untaxed interest, each U.S. Holder of such Claim should recognize gain or loss equal to the difference between the amount of Cash received and such U.S. Holder's adjusted basis, if any, in such Claim.

with respect to such Claims, such amount will be treated as a payment in full and final satisfaction of the obligations under such OpCo Notes, with such payment treated as a taxable exchange under section 1001 of the U.S. Tax Code. The remaining discussion assumes the Debtors' intended tax treatment is respected.

However, it may be possible that a Holder of an OpCo Note Claim will, instead, be treated as having received, in an exchange for such Claims that is taxable under section 1001 of the U.S. Tax Code, (a) cash and (b) a separate contingent value right in respect of the OpCo Note Makewhole Claims. Holders of OpCo Note Claims are urged to consult their own tax advisors regarding the treatment of the OpCo Note Claims under the Plan.

3.2. Consequences to U.S. Holders of HoldCo Note Claims.

Pursuant to the Plan, in exchange for full and final satisfaction, settlement, release and discharge of the HoldCo Note Claims, the holders of such HoldCo Note Claims shall exchange such Claims for their Pro Rata share of (a) New Common Stock and (b) Subscription Rights.

a. Treatment if a HoldCo Note Claim Constitutes a "Security."

If a HoldCo Note Claim constitutes a "security" then the exchange of such HoldCo Note Claim should be treated as a reorganization under the U.S. Tax Code. Because all consideration being received in exchange for such HoldCo Note Claim should constitute stock or a "security" of HoldCo, a U.S. Holder should not recognize any gain or loss from such exchange.

U.S. Holders should obtain an aggregate tax basis in the New Common Stock and Subscription Rights, other than any such amounts treated as received in satisfaction of accrued but untaxed interest, equal to the tax basis of the surrendered HoldCo Note Claim. Basis should be allocated among the New Common Stock and Subscription Rights in proportion to their respective fair market values. The holding period for the New Common Stock and Subscription Rights should include the holding period for the surrendered HoldCo Note Claims.

The tax basis of any New Common Stock and Subscription Rights determined to be received in satisfaction of accrued but untaxed interest should equal the amount of such accrued but untaxed interest, but in no event should such basis exceed the fair market value of the New Common Stock and Subscription Rights received in satisfaction of accrued but untaxed interest. The holding period for any such New Common Stock and Subscription Rights should begin on the day following the Effective Date.

b. Treatment if ana HoldCo Note Claim Does Not Constitute a "Security."

If a HoldCo Note Claim is determined not to be a "security," then a U.S. Holder of such HoldCo Note Claim will be treated as receiving its distributions under the Plan in a taxable exchange under section 1001 of the U.S. Tax Code. Other than with respect to any amounts received that are attributable to accrued but untaxed interest, each U.S. Holder of such HoldCo Note Claim should recognize gain or loss equal to the difference between the (i) fair market value of the New Common Stock and Subscription Rights received in exchange for the Claim, and (ii) such U.S. Holder's adjusted basis, if any, in such HoldCo Note Claim.

U.S. Holders of such HoldCo Note Claims should obtain a tax basis in the New Common Stock and Subscription Rights, other than any such amounts treated as received in satisfaction of accrued but untaxed interest, equal to the fair market value of the New Common Stock and Subscription Rights as of the date such property is distributed to the U.S. Holder. The holding period for any such New Common Stock and Subscription Rights should begin on the day following the Effective Date.

The tax basis of any New Common Stock and Subscription Rights determined to be received in satisfaction of accrued but untaxed interest should equal the amount of such accrued but untaxed interest, but in no event should such basis exceed the fair market value of the New Common Stock and Subscription Rights received in satisfaction of accrued but untaxed interest. The holding period for any such New Common Stock and Subscription Rights should begin on the day following the Effective Date.

c. Exercise of Subscription Rights.

A U.S. Holder of a HoldCo Note Claim that elects not to exercise the Subscription Rights may be entitled to claim a (likely capital) loss equal to the amount of tax basis in the Subscription Rights, subject to any limitations on such U.S. Holder's ability to utilize capital losses. Such U.S. Holders are urged to consult with their own tax advisors as to the tax consequences of electing not to exercise the Subscription Rights.

A U.S. Holder that elects to exercise the Subscription Rights should be treated as purchasing New Common Stock in exchange for its Subscription Rights and the exercise price. Such a purchase should generally be treated as the exercise of an option under general tax principles. Accordingly, such a U.S. Holder should not recognize income, gain, or loss for U.S. federal income tax purposes when it exercises the Subscription Rights. A U.S. Holder's aggregate tax basis in the New Common Stock should equal the sum of: (i) the amount of cash paid by the U.S. Holder to exercise its Subscription Rights; *plus* (ii) such U.S. Holder's tax basis in its Subscription Rights immediately before the option is exercised. A U.S. Holder's holding period for the New Common Stock received pursuant to the exercise of the Subscription Rights should begin on the day following such exercise.

~~4.~~3. Consequences to U.S. Holders of Existing HoldCo Common Stock.

Pursuant to the Plan, in exchange for full and final satisfaction, settlement, release and discharge of their Existing HoldCo Common Stock, holders of Existing HoldCo Common Stock will receive New Common Stock and Subscription Rights.

Although not free from doubt, the exchange of Existing HoldCo Common Stock for the New Common Equity and Subscription Rights should be treated as a reorganization under the U.S. Tax Code. Accordingly, a U.S. Holder of such Interest should not recognize any gain or loss in such exchange. U.S. Holders should obtain an aggregate tax basis in the New Common Stock and Subscription Rights equal to such U.S. Holder's tax basis in its Existing HoldCo Common Stock. The holding period for the New Common Stock and Subscription Rights should include the holding period for the surrendered Interests.

It is possible that, rather than being treated as a reorganization under the U.S. Tax Code, the receipt of New Common Stock and Subscription Rights could be treated as a distribution of the Subscription Rights on account of holders' Existing HoldCo Common Stock, followed by a dilutive issuance of New Common Stock to other parties receiving such New Common Stock pursuant to the Plan and the Rights Offering (which dilution should have no U.S. federal income tax consequences). In such a case, the distribution of the Subscription Rights should be tax-free to U.S. Holders of Existing HoldCo Common Stock. If the fair market value of the Subscription Rights on the Effective Date is less than 15 percent of the fair market value of the Existing HoldCo Common Stock on the Effective Date, the a U.S. Holder's basis in the Subscription Rights shall be zero, unless an election is made by such

U.S. Holder to allocate the basis in its Existing HoldCo Common Stock between such Interests and the Subscription Rights. Such allocation would also be required if the fair market value of the Subscription Rights on the Effective Date is 15 percent or more of the Existing HoldCo Common Stock on the Effective Date.

a. Exercise of Subscription Rights.

A U.S. Holder of Existing HoldCo Common Stock that elects not to exercise the Subscription Rights may be entitled to claim a (likely capital) loss equal to the amount of tax basis in the Subscription Rights, subject to any limitations on such U.S. Holder's ability to utilize capital losses. Such U.S. Holders are urged to consult with their own tax advisors as to the tax consequences of electing not to exercise the Subscription Rights.

A U.S. Holder that elects to exercise the Subscription Rights should be treated as purchasing New Common Stock in exchange for its Subscription Rights and the exercise price. Such a purchase should generally be treated as the exercise of an option under general tax principles. Accordingly, such a U.S. Holder should not recognize income, gain, or loss for U.S. federal income tax purposes when it exercises the Subscription Rights. A U.S. Holder's aggregate tax basis in the New Common Stock should equal the sum of: (i) the amount of cash paid by the U.S. Holder to exercise its Subscription Rights; *plus* (ii) such U.S. Holder's tax basis in its Subscription Rights immediately before the option is exercised. A U.S. Holder's holding period for the New Common Stock received pursuant to the exercise of the Subscription Rights should begin on the day following such exercise.

HOLDERS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS CONCERNING THE RECOGNITION OF GAIN OR LOSS, FOR FEDERAL INCOME TAX PURPOSES, ON THE SATISFACTION OF THEIR CLAIMS.

~~5.~~4. Accrued Interest.

To the extent that any amount received by a U.S. Holder of a Claim is attributable to accrued but unpaid interest on the debt instruments constituting the surrendered Claim, the receipt of such amount should be taxable to the U.S. Holder as ordinary interest income (to the extent not already taken into income by the U.S. Holder). Conversely, a U.S. Holder of a Claim may be able to recognize a deductible loss (or, possibly, a write off against a reserve for worthless debts) to the extent that any accrued interest previously was included in the U.S. Holder's gross income but was not paid in full by the Debtors. Such loss may be ordinary, but the tax law is unclear on this point.

If the fair value of the consideration is not sufficient to fully satisfy all principal and interest on Allowed Claims, the extent to which such consideration will be attributable to accrued interest is unclear. Under the Plan, the aggregate consideration to be distributed to U.S. Holders of Allowed Claims in each Class will be allocated first to the principal amount of Allowed Claims, with any excess allocated to unpaid interest that accrued on these Claims, if any. Certain legislative history indicates that an allocation of consideration as between principal and interest provided in a chapter 11 plan of reorganization is binding for U.S. federal income tax purposes, while certain Treasury Regulations treat payments as allocated first to any accrued but unpaid interest. The IRS could take the position that the consideration received by the U.S. Holder should be allocated in some way other than as provided in the Plan. U.S. holders of Claims are urged to consult their own tax advisors regarding the proper allocation of the consideration received by them under the Plan.

HOLDERS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS CONCERNING THE ALLOCATION OF CONSIDERATION RECEIVED IN SATISFACTION OF THEIR CLAIMS AND THE FEDERAL INCOME TAX TREATMENT OF ACCRUED BUT UNPAID INTEREST.

~~6.~~5. Market Discount.

Under the "market discount" provisions of the U.S. Tax Code, some or all of any gain realized by a U.S. Holder of a Claim who exchanges the Claim for an amount on the Effective Date may be treated as ordinary income (instead of capital gain), to the extent of the amount of "market discount" on the debt instruments constituting the exchanged Claim. In general, a debt instrument is considered to have been acquired with "market discount" if it is acquired other than on original issue and if its U.S. Holder's adjusted tax basis in the debt instrument is less than (a) the sum of all remaining payments to be made on the debt instrument, excluding "qualified stated interest" or

(b) in the case of a debt instrument issued with OID, its adjusted issue price, by at least a de minimis amount (equal to 0.25 percent of the sum of all remaining payments to be made on the debt instrument, excluding qualified stated interest, multiplied by the number of remaining whole years to maturity).

Any gain recognized by a U.S. Holder on the taxable disposition of a Claim that had been acquired with market discount should be treated as ordinary income to the extent of the market discount that accrued thereon while the Claim was considered to be held by the U.S. Holder (unless the U.S. Holder elected to include market discount in income as it accrued). To the extent that the Allowed Claims that were acquired with market discount are exchanged in a tax-free transaction for other property, any market discount that accrued on the Allowed Claims (*i.e.*, up to the time of the exchange) but was not recognized by the U.S. Holder is carried over to the property received therefor and any gain recognized on the subsequent sale, exchange, redemption for tax purposes, or other disposition of the property is treated as ordinary income to the extent of the accrued, but not recognized, market discount.

HOLDERS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS CONCERNING THE APPLICATION OF THE MARKET DISCOUNT RULES TO THEIR CLAIMS.

~~7.~~6. Dividends on New Common Stock.

Subject to certain rules related to Passive Foreign Investment Companies ("PFICs"), cash distributions on account of the New Common Stock will constitute dividends for U.S. federal income tax purposes to the extent of the current or accumulated earnings and profits of Reorganized HoldCo (as determined under U.S. federal income tax principles). Such income (including any withheld Canadian taxes) will be includable in the gross income of a U.S. Holders as ordinary income on the day actually or constructively received by such U.S. Holder. Distributions on New Common Stock (including any withheld Canadian taxes) that are treated as dividends for U.S. federal income tax purposes will not be eligible for the dividends received deduction allowed to certain corporations under the U.S. Tax Code. Non-corporate U.S. Holders may be subject to reduced rates of taxation, both because Reorganized HoldCo is expected to be eligible for the benefits of the U.S.-Canada Treaty, which has been determined by the U.S. Treasury Department to meet certain requirements, and because Reorganized HoldCo is expected to trade on an established U.S. securities market. However, dividends on New Common Stock will not be eligible for reduced rates of taxation to the extent Reorganized HoldCo is a PFIC. Although the Debtors do not believe Reorganized HoldCo is a PFIC, because such classification is attributable to various factors that are subject to change, the Debtors cannot guarantee that Reorganized HoldCo will not become a PFIC in the future. In addition, non-corporate U.S. holders that do not meet a minimum holding period requirement during which they are not protected from the risk of loss or that elect to treat the dividend income as "investment income" pursuant to Section 163(d)(4) of the U.S. Tax Code will not be eligible for the reduced rates of taxation. In addition, the rate reduction will not apply to dividends if the recipient of the dividend is obligated to make related payments with respect to a position in substantially similar or related property. This disallowance applies even if the minimum holding period has been met.

Subject to certain conditions and limitations, Canadian withholding or other taxes, if any, paid on dividends paid on the New Common Stock may be credited against a U.S. Holder's U.S. federal income tax liability. For purposes of calculating the foreign tax credit, dividends paid on New Common Stock should, subject to the discussion below regarding foreign corporations that are at least 50 percent owned by U.S. persons, be treated as income from sources outside the U.S. and will generally constitute passive category income. Further, in certain circumstances, if a U.S. Holder (a) has held New Common Stock for less than a specified minimum period during which the U.S. Holder is not protected from risk of loss; or (b) is obligated to make payments related to the dividends, the U.S. Holder will not be allowed a foreign tax credit for foreign taxes imposed on dividends paid on the New Common Stock. Dividends paid by a foreign corporation that is at least 50 percent owned by U.S. persons may be treated as U.S. source income (rather than foreign source income) for U.S. foreign tax credit purposes to the extent that the foreign corporation has more than an insignificant amount of U.S. source income. The effect of this rule may be to treat a portion of any dividends paid by Reorganized HoldCo as U.S. source income. Treatment of the Reorganized HoldCo dividends as U.S. source income in whole or in part may limit a U.S. Holder's ability to claim a foreign tax credit with respect to Canadian taxes payable or deemed payable in respect of such dividends or on other items of foreign source income. The rules governing the U.S. foreign tax credit are complex. U.S. Holders are urged to consult their own tax advisers regarding the availability of the U.S. foreign tax credit under particular circumstances.

To the extent that a U.S. Holder receives distributions that would otherwise constitute dividends for U.S. federal income tax purposes but that exceed Reorganized HoldCo's current and accumulated earnings and profits (as determined for U.S. federal income tax purposes), such distributions will be treated first as a non-taxable return of capital reducing the U.S. Holder's basis in its shares. Any such distributions in excess of the U.S. Holder's basis in its shares (determined on a share-by-share basis) generally will be treated as a disposition and subject to the treatment discussed below.

~~8.~~7. Sale~~, Redemption,~~ or Repurchase of New Common Stock.

Subject to certain rules regarding PFICs, unless a non-recognition provision applies, U.S. Holders generally will recognize capital gain or loss upon the sale, redemption for tax purposes, or other taxable disposition of New Common Stock in an amount equal to the difference between (i) the amount realized on the disposition and (ii) such U.S. Holder's adjusted tax basis in such shares. Such capital gain will generally be long-term capital gain if at the time of the sale, exchange, redemption for tax purposes, or other taxable disposition, the U.S. Holder held the New Common Stock for more than one year. Long-term capital gains of an individual taxpayer generally are taxed at preferential rates. The deductibility of capital losses is subject to certain limitations as described below. Under the recapture rules of section 108(e)(7) of the U.S. Tax Code, a U.S. Holder may be required to treat gain recognized on the taxable disposition of the New Common Stock as ordinary income if such U.S. Holder took a bad debt deduction with respect to its Allowed Claim or recognized an ordinary loss on the exchange of its Allowed Claim for New Common Stock. Any gain or loss recognized by a U.S. Holder on the sale or exchange of New Common Stock generally will be treated as U.S. source gain or loss. However, if Reorganized HoldCo is a PFIC, unless a U.S. Holder elects to be taxed annually on a mark-to-market basis with respect to its New Common Stock, gain realized on any sale or exchange of such New Common Stock (and certain distributions) could be subject to additional U.S. federal income taxes, plus an interest charge on certain taxes treated as having been deferred under the PFIC rules.

~~9.~~8. Limitations on Capital Losses.

A U.S. Holder of a Claim or Interest who recognizes capital losses as a result of the distributions under the Plan will be subject to limits on the use of such capital losses. For a non-corporate U.S. Holder, capital losses may be used to offset any capital gains (without regard to holding periods), and also ordinary income to the extent of the lesser of (a) $3,000 ($1,500 for married individuals filing separate returns) or (b) the excess of the capital losses over the capital gains. A non-corporate U.S. Holder may carry over unused capital losses and apply them against future capital gains and a portion of their ordinary income for an unlimited number of years. For corporate U.S. Holders, capital losses may only be used to offset capital gains. A corporate U.S. Holder that has more capital losses than may be used in a tax year may carry back unused capital losses to the three years preceding the capital loss year or may carry over unused capital losses for the five years following the capital loss year.

E. Certain U.S. Federal Income Tax Consequences to Certain Non-U.S. Holders of Claims.

The following discussion assumes that the Debtors will undertake the restructuring transactions currently contemplated by the Plan and includes only certain U.S. federal income tax consequences of the Restructuring Transactions to non-U.S. Holders. The discussion does not include any non-U.S. tax considerations. The rules governing the U.S. federal income tax consequences to non-U.S. Holders are complex. Each non-U.S. Holder is urged to consult its own tax advisor regarding the U.S. federal, state, and local and the non-U.S. tax consequences of the consummation of the restructuring transactions to such non-U.S. Holders.

1. Gain Recognition.

To the extent that the restructuring transactions are treated as a taxable exchange or otherwise result in the recognition of taxable gain for U.S. federal income tax purposes, any gain realized by a non-U.S. Holder on the exchange of its Claim or Interest generally will not be subject to U.S. federal income taxation unless (a) the non-U.S. Holder is an individual who was present in the United States for 183 days or more during the taxable year in which the restructuring transactions occur and certain other conditions are met or (b) such gain is effectively connected with the conduct by such non-U.S. Holder of a trade or business in the United States (and if an income tax treaty applies, such gain is attributable to a permanent establishment maintained by such non-U.S. Holder in the United States).

If the first exception applies, to the extent that any gain is taxable, the non-U.S. Holder generally will be subject to U.S. federal income tax at a rate of 30 percent (or at a reduced rate or exemption from tax under an applicable income tax treaty) on the amount by which such non-U.S. Holder's capital gains allocable to U.S. sources exceed capital losses allocable to U.S. sources during the taxable year of the exchange. If the second exception applies, the non-U.S. Holder generally will be subject to U.S. federal income tax with respect to any gain realized on the exchange in the same manner as a U.S. Holder. In addition, if such a non-U.S. Holder is a corporation, it may be subject to a branch profits tax equal to 30 percent (or such lower rate provided by an applicable treaty) of its effectively connected earnings and profits for the taxable year, subject to certain adjustments.

~~2. Interest Payments under the New OpCo Notes~~~~.~~

~~Interest payments to (or OID accruals with respect to) a non U.S. Holder under the New OpCo Notes and any other payments to a non-U.S. Holder that are attributable to accrued interest generally will not be subject to U.S. federal income tax or withholding pursuant to the portfolio interest exemption, provided that the withholding agent has received or receives, prior to payment, appropriate documentation (generally, IRS Form W-8BEN or W-8BEN-E) establishing that the non-U.S. Holder is not a U.S. person, unless:~~

- ~~the non-U.S. Holder actually or constructively owns 10 percent or more of the total combined voting power of all classes of the Reorganized Debtor's stock entitled to vote;~~
- ~~the non-U.S. Holder is a "controlled foreign corporation" that is a "related person" with respect to the Reorganized Debtor (each, within the meaning of the U.S. Tax Code);~~
- ~~the non-U.S. Holder is a bank receiving interest described in section 881(c)(3)(A) of the U.S. Tax Code; or~~
- ~~such interest (or OID) is effectively connected with the conduct by the non-U.S. Holder of a trade or business within the United States (in which case, provided the non-U.S. Holder provides a properly executed IRS Form W-8ECI (or successor form) to the withholding agent, the non-U.S. Holder (x) generally will not be subject to withholding tax, but (y) will be subject to U.S. federal income tax in the same manner as a U.S. Holder (unless an applicable income tax treaty provides otherwise), and a non-U.S. Holder that is a corporation for U.S. federal income tax purposes may also be subject to a branch profits tax with respect to such non-U.S. Holder's effectively connected earnings and profits that are attributable to the accrued interest at a rate of 30 percent (or at a reduced rate or exemption from tax under an applicable income tax treaty)).~~

~~A non-U.S. Holder that does not qualify for the portfolio interest exemption generally will be subject to withholding of U.S. federal income tax at a 30 percent rate (or at a reduced rate or exemption from tax under an applicable income tax treaty) on any interest payments under the New OpCo Notes and any other payments that are attributable to accrued interest. For purposes of providing a properly executed IRS Form W-8BEN or W-8BEN-E, special procedures are provided under applicable Treasury Regulations for payments through qualified foreign intermediaries or certain financial institutions that hold customers' securities in the ordinary course of their trade or business.~~

~~3.~~2. New Common Stock ~~and Sale, Redemption, or Repurchase of New OpCo Notes~~.

In general, a non-U.S. Holder of New Common Stock ~~or New OpCo Notes~~ should not be subject to U.S. federal income tax or U.S. federal withholding tax with respect to the New Common Stock ~~or New OpCo Notes~~ unless (a) in the case of gain only, such non-U.S. Holder is a nonresident alien individual present in the United States for 183 days or more during the taxable year of the disposition, and certain other requirements are met; or (b) any dividend or gain is effectively connected with such non-U.S. Holder's conduct of a trade or business in the U.S. (and, if required by any applicable tax treaty, is attributable to a permanent establishment maintained by the non-U.S. Holder in the United States). A non-U.S. Holder that is a corporation also may be subject to a branch profits tax equal to 30 percent (or such lower rate specified by an applicable tax treaty) of its effectively connected earnings and profits for the taxable year, as adjusted for certain taxes. Non-U.S. Holders are urged to consult their tax advisors regarding any applicable tax treaties that may provide for different rules.

~~4.~~3. **FATCA**.

Under the Foreign Account Tax Compliance Act ("FATCA"), foreign financial institutions and certain other foreign entities must report certain information with respect to their U.S. account holders and investors or be subject to withholding at a rate of 30 percent on the receipt of "withholdable payments." For this purpose, "withholdable payments" are generally U.S. source payments of fixed or determinable, annual or periodical income (including dividends, if any, on shares of New Common Stock), and also include gross proceeds from the sale of any property of a type which can produce U.S. source interest or dividends (which would include New Common Stock~~, the New OpCo Notes,~~ and the Subscription Rights). FATCA withholding will apply even if the applicable payment would not otherwise be subject to U.S. federal nonresident withholding.

As currently proposed, FATCA withholding rules would apply to payments of gross proceeds from the sale or other disposition of property of a type which can produce U.S. source interest or dividends that occur after December 31, 2018.

Each non-U.S. Holder is urged to consult its own tax advisor regarding the possible impact of these rules on such non-U.S. Holder.

F. Certain Canadian Income Tax Consequences to Holders of the Holdco Note Claims.

Pursuant to the Plan, in exchange for full and final satisfaction, settlement, release and discharge of the HoldCo Note Claims, the holders of such HoldCo Note Claims shall exchange such Claims for their Pro Rata share of New Common Stock and Subscription Rights.

Under the Plan, the New Common Stock and the Subscription Rights, as the case may be, will be allocated first to the principal amount of the Holdco Note Claims, and the balance, if any, to the accrued interest with respect to the Holdco Note Claims.

1. Consequences to Canadian Holders of Holdco Note Claims.

a. Treatment of Accrued and Unpaid Interest.

A Canadian Holder will in general terms be required to include in income the amount of interest accrued or deemed to accrue on the Holdco Note Claims up to the date on which the Holdco Note Claims are settled under the Plan or that became receivable or was received on or before such date, to the extent that such amounts have not otherwise been included in the Canadian Holder's income for the taxation year or a preceding taxation year.

b. Taxable Capital Gains / Allowable Capital Loss.

In general, a Canadian Holder will realize a capital gain (or capital loss) on the exchange of the Holdco Note Claims equal to the amount by which the aggregate fair market value of the New Common Stock and Subscription Rights at the time of the exchange, net of any amount included in the Canadian Holder's income as interest, exceeds (or is exceeded by) the adjusted cost base to the Canadian Holder of such HoldCo Note Claim plus any reasonable costs of disposition.

A Canadian Holder will be required to include in income one half of the amount of any capital gains (a taxable capital gain) and generally will be entitled to deduct one half of the amount of any capital loss (an allowable capital loss) against taxable capital gains realized by such holder in the year of the disposition. Allowable capital losses in excess of taxable capital gains in a particular year may be carried back and deducted in any of the three preceding years or carried forward and deducted in any following year against taxable capital gains realized in such year to the extent and under the circumstances described in the ITA.

The adjusted cost base of the New Common Stock and the Subscription Rights to the Canadian Holder will be equal to the fair market value at the time of the exchange of such New Common Stock and the Subscription Rights.

c. Exercise of the Subscription Rights.

A Canadian Holder who exercises Subscription Rights received under the Rights Offering will realize no gain or loss on the exercise of the Subscription Rights. The cost to a Canadian Holder of the New Common Stock acquired on the exercise of the Subscription Rights will be equal to the aggregate of the adjusted cost base of the Subscription Rights, if any, and the price paid to acquire the New Common Stock under the Rights Offering.

2. Consequences to Non-Canadian Holders, including U.S. Holders, of Holdco Note Claims.

a. Treatment of Accrued and Unpaid Interest.

Any interest paid or deemed paid on Exchange of the HoldCo Note Claims for New Common Stock and Subscription Rights should not be subject to Canadian withholding tax.

b. Capital Gain / Capital Loss.

The Exchange of the HoldCo Note Claims for New Common Stock and Subscription Rights by a Non-Canadian Holder will not be subject to Canadian tax unless the HoldCo Note Claim constitutes "taxable Canadian property" to the Non-Canadian Holder at the time of the disposition and relief from taxation is not available under an applicable income tax treaty or convention.

The HoldCo Note Claims should not constitute "taxable Canadian property."

c. Exercise of the Subscription Rights.

No Canadian tax consequences should arise in relation to the Subscription Rights unless the Subscription Rights constitute taxable Canadian property and relief from taxation is not available under applicable tax treaty or convention.

The Subscription Rights should not constitute "taxable Canadian property." Any capital gain realized on the Exchange of the HoldCo Note Claims should therefore not be subject to Canadian tax.

G. Certain Canadian Income Tax Consequences to Holders of the Existing HoldCo Common Stock.

Pursuant to the Plan, in exchange for full and final satisfaction and settlement, the holders of the Existing HoldCo Common Stock shall exchange their Existing HoldCo Common Stock for their Pro Rata share of New Common Stock and Subscription Rights.

1. Consequences to Canadian Holder of Existing HoldCo Common Stock.

a. Deemed Dividend.

A Canadian Holder who exchanges Existing HoldCo Common Stock for New Common Shares and Subscription Rights will be deemed to have received a dividend equal to the amount by which the fair market value of the Subscription Rights received on the exchange exceeds the paid-up capital of the Existing HoldCo Common Stock so exchanged. Any such dividend will be included in the Canadian Holder's income for the purposes of the ITA and will be subject to those rules governing the taxability of such dividends, contained in the ITA. An overview of the rules applicable to the taxation of dividend or deemed dividends received from a taxable Canadian corporation by a Canadian Holder is provided below.

Although not free from doubt, the Debtors do not currently anticipate that there will be a deemed dividend under these rules.

b. Taxable Capital Gain / Allowable Capital Loss.

A Canadian Holder who exchanges Existing HoldCo Common Stock for New Common Shares and Subscription Rights will, (i) where the fair market value of the Subscription Rights exceeds the aggregate adjusted cost base to the Canadian Holder of the Existing HoldCo Common Stock, be deemed to have disposed of such Existing HoldCo Common Stock for proceeds of disposition equal to the net of fair market value of the Subscription Rights less the amount, if any, deemed to have been received by such Canadian Holder as a dividend; (ii) where the fair market value of the Subscription Rights is equal to or less than the aggregate adjusted cost base to the Canadian Holder of the Existing HoldCo Common Stock, be deemed to have disposed of such Existing HoldCo Common Stock for proceeds of disposition equal to the net of adjusted cost base to the Canadian Holder of such Existing HoldCo Common Stock less the amount if any, of any dividend deemed to have been received by such Canadian Holder, pursuant to 1(a) Deemed Dividend, above.

A Canadian Holder will realize a capital gain (capital loss) on the exchange to the extent the above cited amount exceeds (is less than) the adjusted cost base to the Canadian Holder of such Existing HoldCo Common Stock plus any reasonable costs of disposition.

A Canadian Holder will be required to include in income one half of the amount of any capital gains (a taxable capital gain) and generally will be entitled to deduct one half of the amount of any capital loss (an allowable capital loss) against taxable capital gains realized by such holder in the year of the disposition. Allowable capital losses in excess of taxable capital gains in a particular year may be carried back and deducted in any of the three preceding years or carried forward and deducted in any following year against taxable capital gains realized in such year to the extent and under the circumstances described in the ITA.

The adjusted cost base of the New Common Stock to the Canadian Holder will be equal to the amount, if any, by which the aggregate adjusted cost base to the Canadian Holder in the Existing HoldCo Common Stock, immediately prior to the exchange, exceeds the fair market value of the Subscription Rights net of any amount deemed to have been received by the Canadian Holder as a dividend.

The adjusted cost base of the Subscription Rights to the Canadian Holder will be equal to the fair market value of such Subscription Rights at the time of the exchange of the Existing HoldCo Common Stock for New Common Stock and Subscription Rights.

For instance, and assuming the absence of any deemed dividend, where a Canadian Holder has an adjusted cost base in the Existing HoldCo Common Stock of $10, and where the fair market value of the Subscription Rights is $20, the Canadian Holder will in general terms, realize a capital gain of $10, which is equal to the amount by which the fair market value of the Subscription Rights ($20) exceeds the adjusted cost base to the Canadian Holder of the Existing HoldCo Common Stock ($10). The Canadian Holder's cost base in the New Common Stock received on account of the Existing HoldCo Common Stock will be zero. The Canadian Holder's cost base in the Subscription Rights will be $20.

Conversely, and again assuming the absence of any deemed dividend, where a Canadian Holder has an adjusted cost base in the Existing HoldCo Common Stock of $20, and where the fair market value of the Subscription Rights is $10, the Canadian Holder will in general terms be deemed to have disposed of his or her Existing HoldCo Common Stock for $20, and will realize no capital gain (or capital loss). The Canadian Holder's cost base in the New Common Stock received on account of the Existing HoldCo Common Stock will be $10. The Canadian Holder's cost base in the Subscription Rights will also be $10.

c. Exercise of the Subscription Rights.

A Canadian Holder who exercises Subscription Rights received under the Rights Offering will realize no gain or loss on the exercise of the Subscription Rights. The cost to a Canadian Holder of the New Common Stock acquired on the exercise of the Subscription Rights will be equal to the aggregate of the adjusted cost base of the Subscription Rights, if any, and the price paid to acquire the New Common Stock under the Rights Offering.

2. Consequences to a Non-Canadian Holders, including U.S. Holders, of Existing HoldCo Common Stock.

a. Deemed Dividend.

A Non-Canadian Holder who exchanges Existing HoldCo Common Stock for New Common Shares and Subscription Rights will be deemed to have received a dividend equal to the amount, if any, by which the fair market value of the Subscription Rights received on the exchange exceeds the paid-up capital of the Existing HoldCo Common Stock so exchanged.

Any such dividend deemed paid or credited, to a Non-Canadian Holder will be subject to Canadian withholding tax at the rate of 25 percent of the gross amount of the dividend unless the rate is reduced under the provisions of an applicable income tax convention, which the Non-Canadian Holder is entitled to the benefits of, between Canada and the Non-Canadian Holder's country of residence. For instance, where the Non-Canadian Holder is a resident of the United States that is entitled to benefits under the U.S.-Canada Treaty, the rate of Canadian withholding tax applicable to the dividends is generally reduced to 15 percent.

Although not free from doubt, the Debtors do not currently anticipate that there will be a deemed dividend under these rules.

b. Disposition of Existing HoldCo Common Stock in exchange for New Common Stock and Subscription Rights.

No further Canadian tax consequences should arise in relation to the Existing HoldCo Common Stock unless the Existing HoldCo Common Stock constitute taxable Canadian property and relief from taxation is not available under applicable tax treaty or convention.

The Existing HoldCo Common Stock should not constitute "taxable Canadian property." Any capital gain realized on the Exchange of the Existing HoldCo Common Stock should therefore not be subject to Canadian tax.

c. Exercise of the Subscription Rights.

No Canadian tax consequences should arise in relation to the Subscription Rights unless the Subscription Rights constitute taxable Canadian property and relief from taxation is not available under applicable tax treaty or convention.

The Subscription Rights should not constitute "taxable Canadian property." Any capital gain realized on the exercise of the Subscription Rights should therefore not be subject to Canadian tax.

H. Dividends on New Common Stock, Sale of New Common Stock.

1. Consequences to Canadian Holders.

a. Dividends.

Dividends on the New Common Stock received or deemed to be received by a Canadian Holder after the Plan will be included in computing the Canadian Holder's income for the purposes of the ITA. Such dividends received or deemed to be received by a Canadian Holder that is an individual (including a trust) will generally be subject to the gross-up and dividend tax credit rules in the ITA normally applicable to taxable dividends received from corporations resident in Canada, including the enhanced gross-up and dividend tax credit rules applicable to any dividends designated as "eligible dividends" for these purposes. Dividends received or deemed to be received on such shares by an individual and certain trusts may give rise to alternative minimum tax. Generally, dividends received or deemed to be received on the New Common Stock after the Plan by a Canadian Holder that is a corporation will be included in computing the corporation's income, but will be deductible in computing the corporation's taxable income, subject to certain limitations in the ITA. A Canadian Holder of the New Common

Stock that is a "private corporation" or a "subject corporation" (as defined in the ITA) generally will be subject to a refundable tax of 38 1/3 percent on dividends received or deemed to be received on such shares to the extent such dividends are deductible in computing the holder's taxable income.

b. Sale.

A Canadian Holder will, subject to the comments below, realize a capital gain (capital loss) on the sale of the New Common Stock to the extent the proceeds of disposition realized on the sale exceeds (is less than) the adjusted cost base to the Canadian Holder of such New Common Stock plus any reasonable costs of disposition.

A Canadian Holder will be required to include in income one half of the amount of any capital gains (a taxable capital gain) and generally will be entitled to deduct one half of the amount of any capital loss (an allowable capital loss) against taxable capital gains realized by such holder in the year of the disposition. Allowable capital losses in excess of taxable capital gains in a particular year may be carried back and deducted in any of the three preceding years or carried forward and deducted in any following year against taxable capital gains realized in such year to the extent and under the circumstances described in the ITA.

In certain circumstances, a capital loss otherwise arising on the disposition of shares by a Canadian Holder that is a corporation may be reduced by dividends previously received or deemed to have been received on such shares or shares for which the particular shares were issued in exchange. Analogous rules apply to a partnership or trust of which a corporation, partnership or trust is a member or beneficiary. Canadian Holders to whom these rules may be relevant are urged to consult their own tax advisors.

Where the sale is to HoldCo or to a member of the UPE Group, the Canadian Holder may in certain circumstances be deemed to have received a portion of the proceeds as a dividend, and not as proceeds of disposition on the sale of the share.

Capital gains realized by individuals and certain trusts may give rise to alternative minimum tax under the ITA.

2. Consequences to Non-Canadian Holders, including US Holders.

a. Dividends.

Any dividend paid or credited, or deemed to be paid or credited, on the New Common Stock to a Non-Canadian Holder will be subject to Canadian withholding tax at the rate of 25 percent of the gross amount of the dividend unless the rate is reduced under the provisions of an applicable income tax convention, which the Non-Canadian Holder is entitled to the benefits of, between Canada and the Non-Canadian Holder's country of residence. For instance, where the Non-Canadian Holder is a resident of the United States that is entitled to benefits under the Canada-United States Income Tax Convention (1980), as amended, the rate of Canadian withholding tax applicable to the dividends is generally reduced to 15 percent.

b. Sale.

A disposition of New Common Stock by a Non-Canadian Holder will, subject to the comments below, not be subject to Canadian tax unless the New Common Stock constitutes "taxable Canadian property" to the Non-Canadian Holder at the time of the disposition and relief from taxation is not available under an applicable income tax treaty or convention.

Where the Non-Canadian Holder sells the New Common Stock to HoldCo or to a member of the UPE Group, the Non-Canadian Holder may in certain circumstances be deemed to have received all or a portion of the proceeds as a dividend, and not as proceeds of disposition on the sale of the share. Any such dividend deemed to have been paid or credited would be subject to the Canadian withholding tax considerations described above.

I. U.S. Information Reporting and Back-Up Withholding.

The Debtors will withhold all amounts required by law to be withheld from payments of interest and dividends. The Debtors will comply with all applicable reporting requirements of the U.S. Tax Code. In general, information reporting requirements may apply to distributions or payments made to a holder of a Claim under the Plan. In addition, backup withholding of taxes will generally apply to payments in respect of an Allowed Claim under the Plan unless, in the case of a U.S. Holder, such U.S. Holder provides a properly executed IRS Form W-9 and, in the case of non-U.S. Holder, such non-U.S. Holder provides a properly executed applicable IRS Form W-8 (or otherwise establishes such Non-U.S. Holder's eligibility for an exemption).

Backup withholding is not an additional tax. Amounts withheld under the backup withholding rules may be credited against a holder's U.S. federal income tax liability, and a holder may obtain a refund of any excess amounts withheld under the backup withholding rules by filing an appropriate claim for refund with the IRS (generally, a federal income tax return).

In addition, from an information reporting perspective, the Treasury Regulations generally require disclosure by a taxpayer on its U.S. federal income tax return of certain types of transactions in which the taxpayer participated, including, among other types of transactions, certain transactions that result in the taxpayer's claiming a loss in excess of specified thresholds. Holders are urged to consult their tax advisors regarding these regulations and whether the transactions contemplated by the Plan would be subject to these regulations and require disclosure on the holders' tax returns.

THE TAX CONSEQUENCES OF THE PLAN ARE COMPLEX. THE FOREGOING SUMMARY DOES NOT DISCUSS ALL ASPECTS OF TAXATION THAT MAY BE RELEVANT TO A PARTICULAR HOLDER IN LIGHT OF SUCH HOLDER'S CIRCUMSTANCES AND INCOME TAX SITUATION. ALL HOLDERS OF CLAIMS AND INTERESTS ARE URGED TO CONSULT THEIR TAX ADVISORS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF THE TRANSACTIONS CONTEMPLATED BY THE PLAN, INCLUDING THE APPLICABILITY AND EFFECT OF ANY STATE, LOCAL, OR FOREIGN TAX LAWS, AND OF ANY CHANGE IN APPLICABLE TAX LAWS.

XVI. RECOMMENDATION.

In the opinion of the Debtors, the Plan is preferable to all other available alternatives and provides for a larger distribution to the Debtors' creditors and equityholders than would otherwise result in any other scenario. Accordingly, the Debtors recommend that holders of Claims and Interests entitled to vote on the Plan vote to accept the Plan and support ~~C~~confirmation of the Plan.

Dated: ~~January 17~~February 13, 2017

ULTRA PETROLEUM CORP.
on behalf of itself and all other Debtors

/s/ Michael D. Watford

Michael D. Watford
Chairman of the Board,
Chief Executive Officer, and President

Exhibit A

The Plan

Exhibit B

Plan Support Agreement

Exhibit C

Disclosure Statement Order

Exhibit D

Financial Projections

Exhibit E

Valuation Analysis

Exhibit F

Liquidation Analysis

Exhibit G

Rights Offering Procedures

Exhibit H

Summary of Certain Key Terms of the Exit Financing Agreement

[To Be Attached]

Summary Report

February 13, 2017 2:10 AM

	Document	Location
Original	Ultra DS Filed on 1.17.DOCX	C:\Users\mfagen\Desktop\Ultra DS Filed on 1.17.DOCX
Revised	Ultra - DRAFT Second Amended Disclosure Statement (Proposed Solicitation Version w_ Milbank Comments)_(45046803_27).DOCX	C:\Users\mfagen\AppData\Local\Microsoft\Windows\Temporar Internet Files\Content.Outlook\IB97WSJF\Ultra - DRAFT Second Amended Disclosure Statement (Proposed Solicitation Version w_ Milbank Comments)_(45046803_27).DOCX

	Number of Changes	Markup
Insertions	340	Sample Text
Deletions	364	~~Sample Text~~
Moves	23	Move From ~~Move To~~
Total	**727**	